ANNUAL REPORT 2010

UNITED LABELS

COMICWARE

UNITEDLABELS AG

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 (€'000)	**2010**	2009	2008	2007	2006	2005
Revenue	**58,702**	40,260	44,238	43,232	45,267	40,273
EBITDA*	**2,584**	(1,716)	1,266	1,995	2,540	1,875
EBIT	**1,971**	(4,072)	631	1,281	1,952	1,311
Net income	**1,068**	(3,858)	769	397	1,482	770
Operating Cash flow	**5,935**	4,169	7,111	2,268	7,375	4,431
Net income per share (€)	**0.26**	(0.93)	0.19	0.10	0.35	0.19
Dividend (€)	**0.15**	–	0.20	0.20	0.20	–
Dividend yield (%)		–	7.6%	4.9%	3.4%	–
Liquidity	**5,468**	3,694	4,986	4,781	4,486	3,458
Equity	**28,637**	27,680	32,450	32,743	33,442	31,964
Equity ratio (%)	**55%**	60%	61%	61%	65%	68%
Net debt	**4,325**	4,481	3,963	5,385	1,587	1,761
Total assets	**52,202**	46,385	53,052	53,359	51,850	47,035
Bookvalue per share (€)	**6.82**	6.59	7.73	7.80	7.96	7.61
Shareprice per year end (€)	**4.28**	2.46	1.95	3.54	5.05	6.30
Market capitalization	**17,976**	10,332	8,190	14,868	21,210	26,460
Staff member (average)	**132**	132	139	131	122	116
Revenue per staff member	**445**	305	318	330	371	347

*incl. amortisation of usage rights

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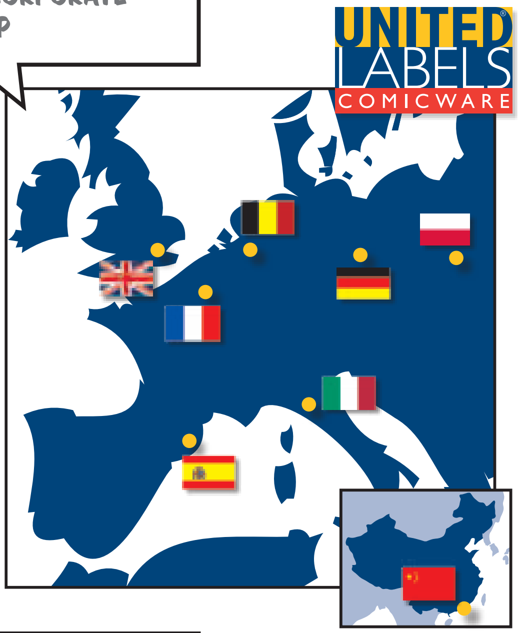
THE COMPANY

UNITEDLABELS AG…

… is one of the leading specialists in Europe for cartoon-based licensed products. Committed to turning screen stars into real-life celebrities "you can touch", **UNITED**LABELS focuses on the worldwide development, production and marketing of licensed consumer goods featuring well-known cartoon characters. The independent media company works with licensors that include world-leading media and entertainment enterprises such as Disney, Warner Bros. and 20th Century Fox.

THE CORPORATE GROUP

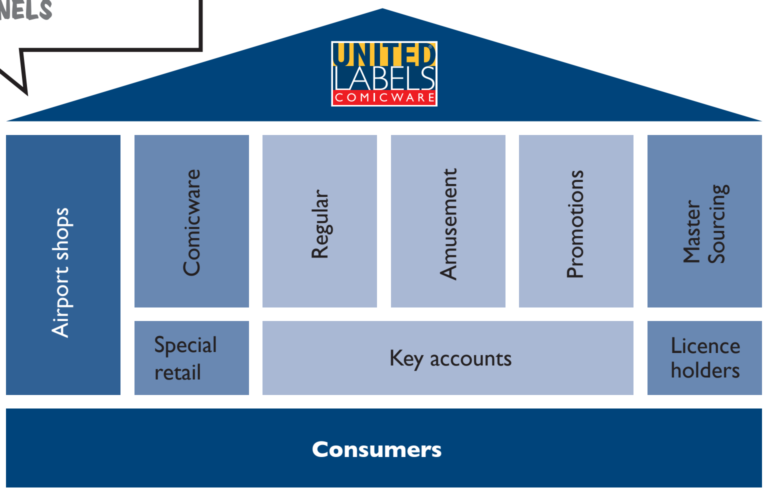


- Over 4,500 customers
- Over 52,000 sales outlets
- Over 60 million items sold annually
- Over 100 licences covering more than 200 characters
- Over 25 sales regions in Europe
- Over 20 years of licensing expertise

Established across Europe

Flotation in 2000 established **UNITED**LABELS as the only exchange-listed company to offer a broad product portfolio based on major cartoon-themed licences across all of the key distribution channels. Based in Germany, the company has subsidiaries in Belgium, France, the United Kingdom, Italy, Spain, Poland and Hong Kong.

OUR DISTRIBUTION CHANNELS



Comicware: Animation you can touch

UNITEDLABELS has a high distribution density for comicware in Europe, selling licensed products through more than 52,000 outlets operated by around 4,500 clients in various distribution channels.

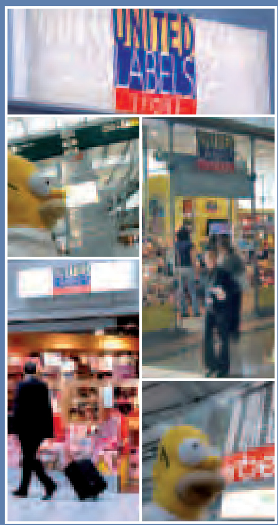
The company's key clients include specialist retailers, wholesalers and purchasing associations as well as some of the biggest commercial enterprises in Europe.

SOME OF OUR KEY CLIENTS

... and many more

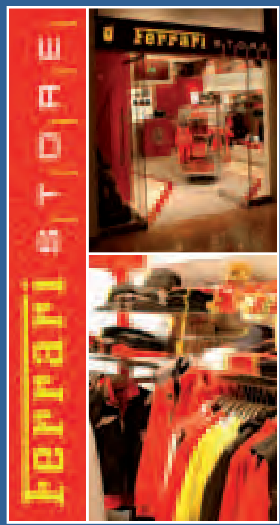
OUR AIRPORT SHOPS

UNITEDLABELS



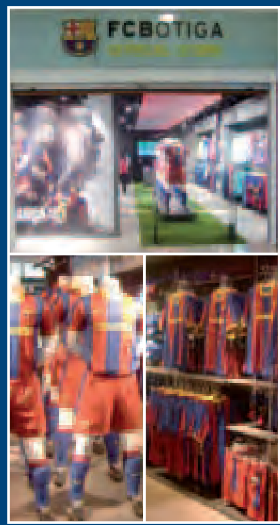
5 Düsseldorf, Barcelona, Barcelona City, Malaga, Hamburg

FERRARI



2 Düsseldorf, Hamburg

FC BARCELONA



3 Barcelona

OUR PRODUCT RANGE

UNITEDLABELS creates merchandise ranges for the key product categories and devises made-to-measure cross-product and cross-licence campaigns for its trading partners from more than 2,000 articles.

Clothing

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

Gift items

Mugs, cereal bowls, eggcups, crockery, glassware, eyeglass cases, money boxes, biscuit barrels, figures, candles, alarm clocks, wall clocks and more.

Soft items

Soft toys, beanbags, cushions, slippers and more.

Stationery

Paper, writing pads, pen boxes, desk pads, pencil cases, mouse pads, bookends, pens, stationery boxes and more.

Bathroom and household textiles

Towels, flannels, tea towels, dressing gowns, slippers, bed linen, pillows, aprons, serviettes and more.

Bags and accessories

Holdalls, sports bags, handbags, backpacks, wallets, belts, hair accessories, caps, scarves, gloves, sunglasses, key rings and more.

SOME OF OUR LICENSING PARTNERS

Partnerships for the long term

UNITEDLABELS benefits from long-standing partnerships with major licensors such as Disney, Warner Bros. and 20th Century Fox. These licensors ensure the long-term popularity of their licensed brands around the globe – and thus also the popularity of **UNITED**LABELS-produced merchandise – through marketing campaigns, movies, TV series, theme parks and DVD releases.

SOME OF OUR LICENSED BRANDS

Extensive licence portfolio

With over 70 licences, **UNITED**LABELS manages the largest of all licence portfolios. The portfolio spans not just current movie-based collections such as Tintin and Cars, but also classics such as Snoopy and The Simpsons; it caters to all age groups, from baby to adult. For this reason, **UNITED**LABELS can promise its trading partners precisely tailored cross-product and cross-licence campaigns that ensure strong sales.

QUALITY ASSURANCE PARTNERS

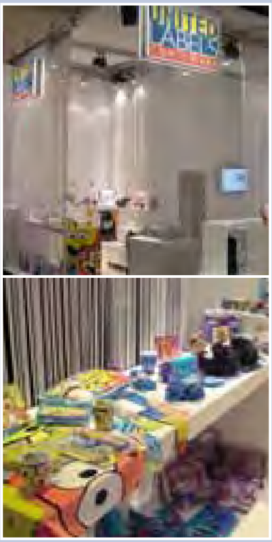
Some of the standards we comply with:

- Production tests
- Production supervision
- Supplier checks (audits)
- Observance of fundamental social and ethical values
- Shipment controls (inspections)
- Quality controls and product tests

Quality and legal regulations

UNITEDLABELS conforms to all product requirements in accordance with EEC guidelines and standards.
In addition, the company applies its own stringent quality controls and carries out regular checks and inspections of factories in order to ensure maximum product safety, efficient order processing and business relationships based on trust.

TRADE FAIR APPEARANCES



TOY FAIR

INTERGIFT

AMBIENTE

... and much more

International trade fair appearances

UNITEDLABELS makes appearances at trade fairs in the world's major business cities (including Intergift in Madrid, Nuremberg's International Toy Fair and the Toys & Games Fair in Hong Kong). **UNITED**LABELS uses these events to showcase entire licensed product ranges for the trade sector and thereby inspire fresh ideas for sales campaigns.

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

Dear Shareholder,

In the financial year under review, Group revenue generated by **UNITED**LABELS AG rose by 46 % to a record level of € 58.7 million. Additionally, consolidated profit for the period grew to € 1.1 million. On this basis, earnings per share stood at € 0.26. Against the backdrop of this result, we shall be proposing to the Annual General Meeting a dividend payment of € 0.15 per share.

Our encouraging performance in the period under review was driven by both the Special Retail and the Key Account segment. At the same time, the results achieved by our European subsidiaries generated forward momentum. In this context, the measures initiated in mid-2009 had the desired effect in all areas targeted.

Recording revenue growth of 40 %, taking the figure to € 40.6 million, the Key Account segment proved to be our principal growth driver. Focusing on the key retail operators throughout Europe, we successfully implemented new marketing concepts centred around our extensive product and licence portfolio. Revenues received additional impetus in particular from our efforts to expand our new textiles and clothing collection. Clothing now generates the most revenue within the global licence business and therefore also offers **UNITED**LABELS considerable potential in terms of future growth.
With significant order backlog in the textiles category at the end of 2010 – for deliveries to be made in 2011 – we can look forward with optimism thanks to the strategic direction taken within this area.

We are also encouraged by our performance within the Special Retail segment, where we managed to lift revenue by 61 % to € 18.1 million in total, as well as posting a positive bottom-line result. In doing so, we achieved an important milestone for 2010 within this segment. Our performance was attributable to two specific factors: first, we discontinued the loss-making specialty retail operations in Germany, France and the Benelux countries as part of far-reaching restructuring measures and now focus solely on high-revenue customers and wholesalers in these regions. Secondly, we recorded a significant boost to sales revenue in Spain and Italy from merchandise featuring the licences "Patito Feo" and "SpongeBob SquarePants", which generated unprecedented demand within a very short period of time. Committed to lean and flexible cost structures as well as licence themes tailored to specialty retailers and local tastes, we intend to develop this segment in a sustained effort.

The performance of the respective regional enterprises also proved extremely encouraging:
Alongside the parent company in Germany, our subsidiaries in France and Belgium achieved significant growth in revenue and earnings on the back of more expansive key-account business within the textiles category. The most significant increase in revenue was achieved in Spain (+85 %) and Italy (+136 %), with both countries being boosted not only by sales in the Key Account segment (textiles) but also in the Special Retail segment (local licences). By contrast, the UK market remains challenging, with performance falling short of the low levels recorded in the previous year. The French Groupe Montesquieu, in which **UNITED**LABELS holds a 45 % interest, ended the period under review virtually unchanged on the previous financial year, despite challenging supply-side conditions within the textiles market. The Eastern European market, with a focus on Poland, also developed well in 2010. In response to growing demand and in order to establish a direct line to the purchasing departments of Poland's major retail groups, we established **UNITED**LABELS Polska, based in Warsaw, towards the end of 2010. In doing so, we aim to cultivate the Polish market in a more targeted manner, as well as using Poland as a springboard for other Eastern European markets.
Thus, **UNITED**LABELS has created a strong foundation in terms of regional operations. The direction likely to be taken by domestic demand for consumer goods within the individual European markets remains exceedingly difficult to predict. By maintaining a presence in several European countries, we endeavour to seize future growth opportunities wherever they arise. In parallel, broad regional diversification will allow us to offset the adverse effects of a potential downturn in demand in specific markets.

In the period under review, we more than doubled the number of company-operated airport shops. We opened six new stores and now operate a total of ten outlets at five European locations – using

three different retail formats. The five "**UNITED**LABELS STORES" are present at all locations and operate as our specialty retail outlets for our range of comicware merchandise. Our two "FERRARI“ stores, based in Düsseldorf and Hamburg, are franchisees of a premium brand and are designed to underpin our presence at specific airports. Our three "FC BARCELONA" stores in Barcelona form part of our "sports" portfolio, which is currently only on offer in Barcelona.
Other airport projects centred around the above-mentioned formats are being planned for Madrid, London, Paris, Frankfurt, Zurich and Munich.

The financial year under review produced a number of highlights with regard to licences. "Toy Story 3" was a successful sequel to the highly popular Toy Story movie. Snoopy also made a star appearance as part of the "Ein Herz für Kinder" charity event. For a period of twelve months he was featured on a joint logo on various products in all categories, before finally starring at the "Ein Herz für Kinder" gala event on ZDF television, which attracted millions of viewers in Germany.
We also consider ourselves well positioned for 2011, with new themes such as "Barbapapa", "Filly", "Tintin" and "Cars 2", as well as licence classics that include "Mickey", "Snoopy", "Bob the Builder", "SpongeBob SquarePants" and "The Simpsons". We will make full use of the sophisticated marketing campaigns launched by major media companies operating within this area, with the express purpose of supporting our licensed merchandise activities in the retail sector.

We were encouraged by our stock performance in the year under review. Recording a gain of 74 % over the twelve-month period and ending the year at € 4.28, our shares performed well despite significant turbulence within the international capital markets and reached their highest level in three years. It would appear that we succeeded in conveying our solid performance to a broad investor base by pursuing a policy of transparent capital market communication and attending investor events for the purpose of presenting our business model. Trading in **UNITED**LABELS shares was particularly brisk in November and December of 2010. We will maintain our investor relations approach of providing transparent, prompt and comprehensive information, the aim being to attract and inspire additional investors who share the vision and strategy pursued by **UNITED**LABELS.

The financial year under review shows quite clearly that we are on the right track. At the end of 2010, order intake for the following year was 145 % up on last year's figure. Thus, we take a comfortable cushion into the new financial year and remain committed to our growth concept, based on four objectives: expand the textiles line, extend our airport shops, achieve further sales penetration in Eastern Europe and continue to update our portfolio by adding other popular licences. Having aligned the company to this strategy within the respective segments and countries, we will be channelling our efforts into sales directed at key accounts and retail chains throughout Europe as well the specialty retail market in Southern Europe. At the same time, however, we will ensure that we are capable of responding to potential risk with the utmost flexibility and seizing market opportunities wherever they present themselves.

I would like to take this opportunity to thank all our business partners and, in particular, our staff, whose dedication was and will continue to be essential to the overall success of **UNITED**LABELS AG. My gratitude also goes to our shareholders for their continued trust. I am confident that your company, **UNITED**LABELS, has charted the right course.

Münster, March 2011

Peter Boder
CEO

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DR. JENS HAUSMANN
CHAIRMAN OF THE
SUPERVISORY BOARD

Report by the Supervisory Board

Over the course of the financial year 2010, the Supervisory Board monitored the execution of the company's realignment programme and examined the issue of focusing on larger retain chains as customers ("Shape 2010"). Given the growing importance of the subsidiaries, the Supervisory Board also studied more closely the performance of these companies and trends within their specific markets. For this purpose, the Supervisory Board invited the general managers of the subsidiaries to attend the meeting convened in November, which also dealt with annual planning for 2011. At this meeting, the general managers presented to the Supervisory Board the details of their corporate planning and expectations regarding the future development of their companies. Within this context, the business outlook for the airport shops operated by the Spanish subsidiary United Labels Iberica SA was an important focal point of the discussions.

At its meetings, the Supervisory Board reviewed the licences associated with the expansion of incoming orders and growth in revenue, as well as examining the newly introduced order and purchase management system, which has helped to streamline order processing and make it more efficient

The Supervisory Board approved a guarantee granted to the subsidiary Embassy S.a.r.l. so that the latter would be in a position to finance specific transactions, as well as approving the provision of funds from a line of credit. The option of acquiring additional interests in the Montesquieu Group was not exercised in 2010.

On 19 May 2010, the General Meeting of Shareholders re-elected the members of the Supervisory Board for a further term in office. The Supervisory Board appointed Dr. Hausmann as its Chairman and Prof. Dr. Helmut Roland as its Deputy Chairman, in addition to confirming the rules of procedure prescribed for the Supervisory Board. The Supervisory Board convened four scheduled meetings in the financial year under review.

In 2010, the Supervisory Board again conducted its own efficiency assessment, the findings of which were discussed and adopted in the November meeting of the Supervisory Board. At this meeting, the Supervisory Board also examined the issue of compliance with standards of good and responsible corporate governance, as outlined in the Corporate Governance Code in the latest version of 26 May 2010. The recommendations of the Code were observed by the company's management with the exception of some aspects governed by company-specific considerations. In view of this, the Supervisory Board concurred with the Declaration of Conformity, which was issued together with details of those recommendations which had not been applied.

The Supervisory Board and Management Board maintained their trusted collaboration over the course of 2010. The Management Board informed the Chairman of the Supervisory Board about the course of business and significant decisions, which included furnishing details beyond the scheduled Supervisory Board meetings. At the meetings, and in specific cases also outside the meetings, the members of the Supervisory Board were informed, either verbally or in writing, of all significant business transactions. The members of the Supervisory Board always received details of the proposed resolutions and all documents required for information purposes well in advance of the meetings, thus giving them ample time to prepare.

The Supervisory Board formed an Audit Committee, which included Prof. Dr. Helmut Roland as its elected Chairman and Mr. Michael Dehler as an additional member. The Audit Committee met on two occasions. At the first meeting the Audit Committee discussed details relating to the audit of the financial and consolidated financial statements for the 2009 annual period. At the second meeting the Audit Committee discussed the findings of an interim audit conducted by the auditor and defined the focal points for the year-end audit of accounts as at 31 December 2010 to be conducted by PriceWaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, which had been elected as the statutory auditor at the Annual General Meeting of Shareholders of 19 May 2010. The interim audit was focused primarily on the risk management system and its implementation, the valuation of non-current assets, the carrying amounts of receivables and the recognition of foreign exchange hedges.

The auditor, PriceWaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, audited the company's financial statements and management report, the consolidated financial statements and Group management report and the related-party disclosure, as prepared by the Management Board for the annual period ending 31 December 2010. The focal points of the audit were, in particular, impairment assessments with regard to investment carrying amounts, loans to affiliated entities as well as goodwill, in addition to the changes in accounting policy and presentation with regard to pension provisions, in accordance with the German Accounting Law Modernisation Act (BilMoG), and the valuation of provisions.

The appointed auditor raised no objections to the annual financial statements and issued an unqualified audit opinion. The certified public accountants employed by the auditor and responsible for the year-end audit reported on the course and findings of their audit at the first meeting convened by the Audit Committee and Supervisory Board in 2011.

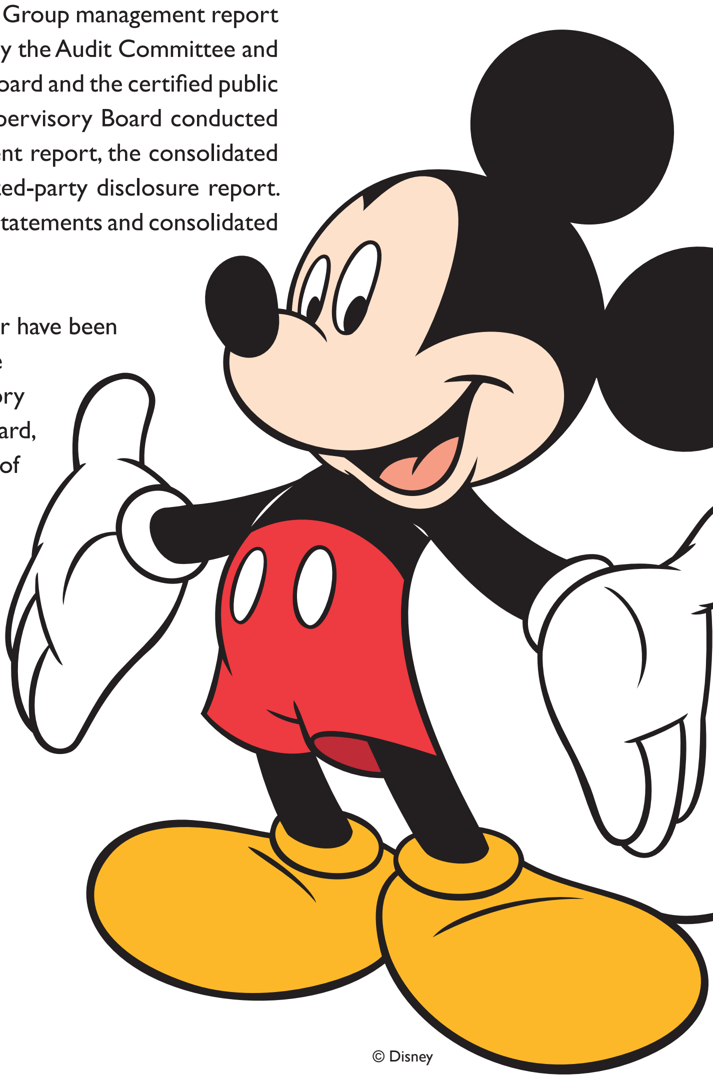
At these meetings, the Management Board explained the annual financial statements and consolidated financial statements, as well as presenting the combined management and Group management report as well as the related-party disclosure report. All questions put forward by the Audit Committee and the Supervisory Board were answered satisfactorily by the Management Board and the certified public accountants employed by the auditor. The Audit Committee and the Supervisory Board conducted an independent review of the annual financial statements and management report, the consolidated financial statements and Group management report as well as the related-party disclosure report. They concurred with the outcome of the audit and approved the financial statements and consolidated financial statements for the 2010 financial year.

Thus, the company's annual financial statements for the 2010 financial year have been adopted. Furthermore, the Supervisory Board raised no objections to the management report or the related-party disclosure report. The Supervisory Board hereby approves the proposal, put forward by the Management Board, to pay to shareholders a dividend of €0.15 per share, with the exception of the treasury shares held by the company, and to carry forward the remainder of profit for the period to new account.

Münster, March 2011

On behalf of the Supervisory Board:

Dr. Jens Hausmann
(Chairman)



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Corporate Governance Statement / German Corporate Governance Code 2010

Corporate Governance

The German Corporate Governance Code contains nationally and internationally recognised standards of good and responsible corporate governance aimed at 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 out 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 2010. It has been included at the end of this chapter and has also been published on the company's website at http://www.unitedlabels.com/investor-relations/corporate-governance.

Shareholders and AGM

Our shareholders are given the opportunity to exercise their rights at the General Meeting of Shareholders. The Annual General Meeting takes place in the first five months of the financial year. This meeting is chaired by the Chairman of the Supervisory Board. The General Meeting of Shareholders passes resolutions on all issues that lie within its remit under the applicable statutory provisions. They include the resolution on the appropriation of net retained earnings reported within profit for the period, the ratification of Management Board and Supervisory Board actions, the election of Supervisory Board members as well as resolutions in respect of amendments to the Articles of Association. The General Meeting of Shareholders also provides a platform for dialogue with the Management Board and the Supervisory Board.

Our aim is to make attendance at the General Meeting as easy as possible for our shareholders. For this purpose, all requisite documents are published beforehand on the Internet. In addition to the possibility of authorising a bank, a shareholders' association or any other representative, shareholders are provided with details of a proxy, whom they can authorise to exercise their voting rights at the General Meeting in accordance with their instructions. Additionally, beginning with the 2011 AGM, shareholders will be given the opportunity to take part in postal voting, without having to authorise a representative. The attendance figures and results of voting are published on the Internet immediately upon completion of the General Meeting of Shareholders.

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 **UNITED**LABELS Group is directed by the Management Board on the basis of statutory provisions. Within this context, the Supervisory Board advises and monitors the Management Board with regard to its running of the company. The Supervisory Board appoints the members of the Management Board; all significant transactions executed by the Management are subject to the prior approval of the Supervisory Board. 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 of **UNITED**LABELS AG consists of three members, who are elected by the General Meeting of Shareholders. In Prof. Dr. Roland, the Supervisory Board can draw on the experience of an independent financial expert.

The Supervisory Board appoints the members of the Management Board and represents the Company in its dealings with the Management Board. The Supervisory Board appoints the members of the Management Board and represents the Company in its dealings with the Management Board. 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.

Details regarding the principal activities and advisory duties of the Supervisory Board during the 2010 financial year are provided in the Report of the Supervisory Report, which forms part of the 2010 Annual Report.

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.

Disclosable share transactions by the Management Board and the Supervisory Board

Under Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Management Board and the Supervisory Board as well as related parties are obliged to disclose the purchase and sale of shares in **UNITED**LABELS AG or of other financial instruments based on those shares in cases where the value of the transactions effected over the course of a calendar year is equal to or in excess of €5,000 in total. **UNITED**LABELS AG was notified of no such transactions for the 2010 financial year.

Transparency

UNITEDLABELS AG is committed to providing consistent, comprehensive and prompt information. All reports relating to the business performance and results of **UNITED**LABELS AG are issued in accordance with applicable deadlines in the form of an annual report, quarterly reports and an interim report for the first half of the year. Additionally, **UNITED**LABELS AG attends press conferences and analysts' meetings.

Information is also furnished by means of press releases as well as via ad hoc announcements where required by law. All notifications and releases can be accessed on the Internet at www.unitedlabels.com/investor-relations/investor-relations. The scheduled dates with regard to the most important recurrent events and publications – such as the Annual General Meeting, the annual report and interim financial reports – have been compiled in a financial calendar, which is published well in advance and can be accessed from the company's website at www.unitedlabels.com/investor-relations/fianzkalender.

UNITEDLABELS AG has established the requisite insider register. All persons concerned have been informed of their legal obligations and possible sanctions.

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 http://www.unitedlabels.com/investor-relations/corporate-governance.

Code of Conduct for manufacturers

The **UNITED**LABELS Group has drawn up a Code of Conduct for manufacturers for the purpose of promoting compliance with ethical standards in an environment dominated by global production. The **UNITED**LABELS Group comprises **UNITED**LABELS AG - Germany, **UNITED**LABELS Belgium, N.V. - Belgium, **UNITED**LABELS Comicware Ltd. - Hong Kong, **UNITED**LABELS Ibérica, S.A. - Spain, **UNITED**LABELS Ltd. - England, **UNITED**LABELS SAS - France, **UNITED**LABELS Italia Srl. - Italy, and House of Trends europe GmbH - Germany. The Code of Conduct is based on the standards set out by the International Labour Organization (ILO) and the United Nations as well as the national legislation of the respective countries in which products are manufactured. The full Code of Conduct has been published on the company's website at http://www.unitedlabels.com/unternehmen/code-of-conducts.

Description of the procedural methods adopted by the Management Board and Supervisory Board – Composition and duties of committees

The Management Board informs the Supervisory Board comprehensively and in a timely manner on issues relating to planning, business development and the Group's general situation, including risk management and compliance. A major component of this is the Management Board's reports which set out the specific requirements for the companies within the **UNITED**LABELS Group and thereby ensure that the Supervisory Board is kept comprehensively informed on all significant events and developments. In addition, the Chairmen of the Supervisory Board and the Management Board keep in regular contact, even outside of Supervisory Board meetings. If necessary, the members of the Supervisory Board can also be briefed verbally or in writing at short notice or can be called to attend extraordinary meetings. The Supervisory Board has issued rules of procedure to guide it in its work. These deal mostly with regulating the composition of the Board and the areas of responsibility of its members, the summoning of the Board, preparation and management of meetings and regulation of committees and decision-making powers. There is an Audit Committee responsible for monitoring the accounting process, the effectiveness of the internal control system and risk management system and the auditing of accounts, especially the independence of the auditor and the extra services performed by him/her. Members of the Audit Committee are independent financial experts who, due to their professional practice, have special knowledge and experience in the application of accounting principles and internal control procedures. As well as attending Supervisory Board meetings, the Audit Committee regularly holds its own meetings. The auditor reports directly to the Audit Committee as part of the preliminary examination of the year-end accounts audit and as part of the year-end accounts audit itself.

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 26 May 2010

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

At present, the following recommendations are not being applied:

1. Para. 4.2.1:

The Management Board shall be comprised of several persons and have a Chairman or Spokesman. 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.

2. 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.

3. 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 and, in particular, aim for an appropriate consideration of women. 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, as well as for the handling of the conditions of the employment contracts including compensation, to committees.

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 also take into consideration the recommendation relating to diversity as regards the Management Board structure.

4. 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 nomination committee.

5. Para. 5.4.1:

The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks.

The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.

Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

Paragraphs 2 to 4 of this recommendation were not complied with in the 2009 financial year. New elections to the Supervisory Board were carried out at the General Meeting of Shareholders of 19 May 2010. This new recommendation had not yet been included in the GCGC at the time.

Since issuing the last Declaration of Conformity in December 2009, the Company has conformed with the Code in the version dated 18 June 2009, with the exception of the departures from the recommendations relating to paragraphs 3.8., 4.2.1, 4.2.2, 5.1.2 and 5.3.3.

Münster, December 2010

The Management Board The Supervisory Board

UNITEDLABELS Aktiengesellschaft, Münster

Group Management Report for the Financial Year 2010

Contents

1. Business Report and Economic Situation

UNITEDLABELS AG is a joint stock corporation. Since May 2000, it has been listed in Deutsche Börse's 'Prime Standard' segment. The company has ten of its own subsidiaries, the most im-portant of which are based in Germany and Spain. It is managed by Mr Peter Boder as the sole director and by a four-strong management team. The activities of the Management Board are controlled by the Supervisory Board. The company sells clothing and gift items in the licensed comicware market to wholesalers and retailers and through its own stores. The principal sales region encompasses all the states of the European Union, and **UNITED**LABELS AG is considered one of the biggest companies in its sector. It is not involved in research and development. The following report describes the company's performance during the financial year under review with reference to the general economic situation:

The European economy as a whole showed a modest recovery in 2010. Gross domestic product in the eurozone grew by 1.7 % compared to a decline of 4.1 % in 2009. However, the picture across Europe was uneven, and three different rates of growth emerged. Germany (+3.6 %) and Finland (+2.9 %) led the way, followed at some distance by the Benelux countries (+2.0 %), the United Kingdom (+1.8 %), France (+1.6 %) and Italy (+1.1 %). By contrast, Ireland (-0.2 %), Spain (-0.2 %) and Greece (-4.2 %) reported negative growth rates Macroeconomic developments in Ireland and Spain were accompanied by large deficits and high unemployment. At the end of the year, the unemployment rate in Spain rose to over 20 %. On the whole, however, Europe's national economies were able to hold their ground against the United States, and this helped to maintain a stable rate of exchange between the euro and the dollar.
As the Group has to pay for its goods in US dollars, especially in the countries of Asia, this stability was beneficial. In line with the economic recovery in Germany and in spite of the poor economic situation in Spain, the company increased its revenue in these countries by a particularly high margin (Germany: +16 %; Spain: +94 %). Overall, the Group managed to boost revenue by 45.8 % compared to the previous year. Two of the main factors here were its success in attracting new customers (and therefore in squeezing out competitors) and an increase in the sales revenue generated from its existing customers.

Events on the purchasing side were dominated by the euro/dollar exchange rate, price move-ments for the cotton used to produce textiles and growing demands on quality, both from customers and from **UNITED**LABELS itself.

The average EUR/USD exchange rate for the financial year under review was 1.328 (prev. year 1.395), while the year-end rate stood at 1.339. The Group buys a large proportion of its goods in Asian countries and is therefore exposed to a dollar exchange rate risk on the procurement side.

The price of cotton rose 128 % during the reporting period from USD 0.69 per pound at the start of the year to a high of USD 1.57 on 21 December 2010. Over the course of the year, only part of this increase could be passed on to customers, and the company's profit margin suffered accordingly. The price of cotton, which is a key raw material for the clothing industry, has now reached a thirty-year high. A number of factors have contributed to this rise. As well as poor harvests in some important producer countries and the disastrous floods in Pakistan, the market is experiencing structural changes. The price has also been driven up by an increase in domestic de-mand for cotton in producer states and by the use of agricultural land to grow other commodities.

Finally, the financial year under review was marked by increasing demands on product quality. Samples are taken at regular intervals during the multi-stage production process and checked against the appropriate quality criteria. If the stipulated tolerance limits are exceeded, retail or wholesale customers may decide to cancel a contract or even claim a substantial contractual penalty. However, as the company's increased revenue and order volume demonstrates, it has adapted to these challenges with great success.

In 2009, the Group decided to focus more vigorously on measures to grow its licensing business in the clothing market. Systematic efforts were made to develop new collections and expand the product range. In 2010, **UNITED**LABELS attracted several new key accounts who had not been involved in the distribution of merchandise from the previous product range. This expansion of the company's portfolio made a significant contribution to the rise in sales revenue.

Another major element of the Group's activities in 2010 was the further penetration of Eastern European markets. Poland led the way here with a 163 % increase in revenue from € 0.8 million in 2009 to € 2.1 million, although revenue was also higher in countries such as Slovakia, Hungary and Romania.

The third key part of the company's business strategy involved the profitable expansion of its airport operations. The Group now has ten of its own stores in four different locations, thus al-lowing it to drive up sales through this particular channel. In 2010, airport sales produced reve-nue of € 2.4 million, up 9.5 % on the figure of € 2.2 million achieved in the previous year.

This expansion was again based on the Group's comprehensive licensing portfolio in the areas of clothing/textiles and giftware. **UNITED**LABELS AG sells products under nearly all the best-known comicware licences. In 2010, 'Snoopy' pla-yed a major role in Germany's 'Herz für Kinder' campaign. This helped to generate substantial revenue from the Peanuts 'Snoopy' licence, while the range of licences covering 'Disney', the 'Simpsons' and 'Sponge Bob' also proved successful.

2. Financial Performance, Financial Position and Cash Flows

Financial performance

The Group achieved record sales in the financial year under review. Buoyed by more expansive sales in Spain, Germany and Poland, the Group generated revenue of € 58.7 million, which corresponds to year-on-year growth of 45.8 % – the most pronounced increase in sales since the company's inception.

Essentially, this performance was driven by three factors. In Germany, the company succeeded in securing several new large-scale accounts, particularly towards the end of the year, as well as expanding its revenue from sales to existing customers.

In Spain as well as Italy, the company benefited from two particularly popular licences. The Argentinian TV series "Patito Feo" has established a strong following in the southern European market, and merchandise relating to this licence has been selling at above-average levels since 2009. At the same time, "Sponge Bob" has now also captured the Spanish market.

In addition, the decision taken in 2009 to focus on merchandise within the textile and giftware segment provided further impetus to business over the course of the financial year under review. Particularly within the area of textiles, the Group managed to capture additional market share with the help of its own collections.

Growth in sales revenue was driven by both the Special Retail segment, up 60.8 % (€ 6.9 million), and the Key Account segment, which expanded by 40.0 % (€ 11.6 million). Thus, the Key Account segment accounted for 69.1 % (prev. year: 72.0 %) of total sales revenue. The Group saw the two segments expand significantly compared to the previous year, and as such both continue to represent the key pillars of the company.

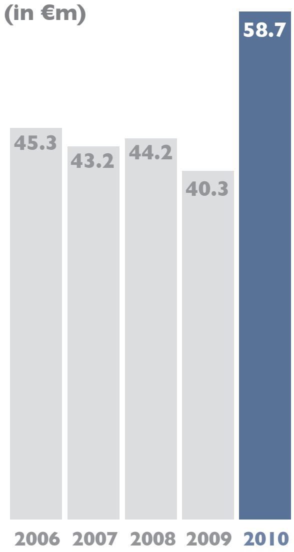
In regional terms, revenue increased at all European sites in the period under review. In Ger-many, sales rose by 16 %, while Spain and Italy recorded growth of 94 % and 135 % respectively; the UK saw its sale rise by 9 %.

The German parent company, **UNITED**LABELS AG, contributed external sales revenue (adjusted for intra-Group sales) of € 23.1 million (prev. year: € 18.3 million). Total revenue (before consolidation of internal revenues) attributable to **UNITED**LABELS AG and accounted for in its separate financial statements stood at € 29.6 million, up from € 23.4 million in the previous year.

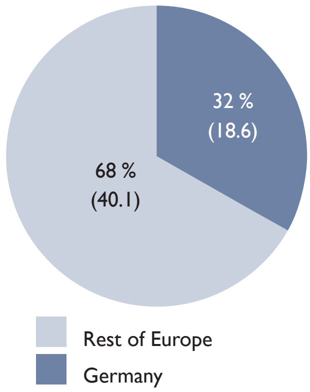
The Spanish subsidiary saw its external sales revenue rise by € 8.9 million – almost doubling year on year. As a result, the share of Group sales attributable to **UNITED**LABELS Ibérica was 33 %. Established in 2005, **UNITED**LABELS Italia also performed very well in the financial year under review, generating revenue of € 3.3 million, up 135 % on last year's figure. Based in Belgium, Colombine also succeeded in maintaining its forward momentum, with sales rising from € 4.2 million a year ago to € 6.7 million for the period under review – a gain of 60 %. At €2.4 million, revenue generated by **UNITED**LABELS France grew by around 20 % year on year. In the UK, by contrast, **UNITED**LABELS Ltd. saw its external sales revenue contract by € 0.3 million to € 0.4 million.

The **cost of sales within the Group** comprises material expenses as well as amortisation on usage rights for licences. In the 2010 financial year, the cost of sales stood at € 41.5 million (prev. year: € 29.3 million). In relation to Group sales revenue, the cost-of-sales ratio was 70.7 %, down 2.1 percentage points on last year's figure of 72.8 %. While

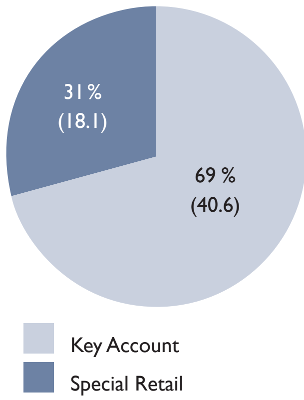
Past sales performance (in €m)



Breakdown of sales in Europe for 2010 in % (€m)

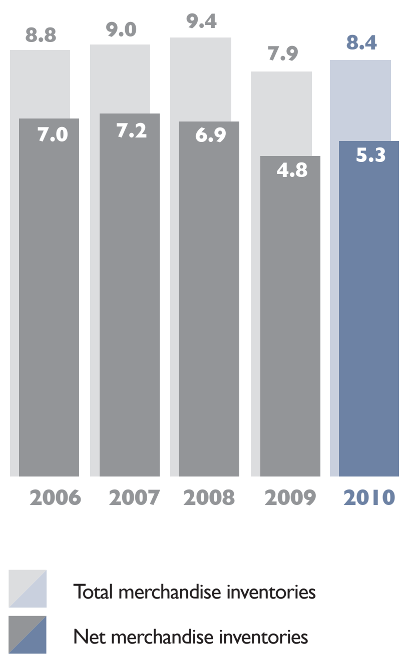


Breakdown of sales in 2010 for Key Account and Special Retail in % (€m)



the last year's cost-of-sales ratio was impacted by significant inventory write-downs, the figure for 2010 was dominated in particular by higher cotton prices and more extensive quality testing of goods. These factors exerted downward pressure on the profit margin, as the company was unable to pass on to its customers the full extent of supply-side price rises.

Overview of stock at Dec. 31 (in €m)



The Group's **other operating income** of € 0.8 million (prev. year: € 0.5 million) was attributable mainly to income from the reversal of provisions (€ 0.2 million) as well as various smaller income items.

Staff costs increased from € 6.2 million to € 6.6 million. At the end of the reporting period, the Group's staff headcount was 28 higher than in the previous year; most of these new team members were employed at the Group's newly established airport stores. Percapita revenue rose from € 305 thousand in 2009 to €444 thousand in 2010.

Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment amounted to € 0.6 million (prev. year: € 2.4 million). In the previous financial year, this item had included goodwill impairment of €1.9 million. Amortisation of usage rights (licence fees) amounting to € 4.6 million (prev. year: € 3.2 million) was accounted for separately as material expense.

Other operating expense amounted to € 8.8 million (prev. year: € 7.0 million), which was attributable in particular to the increase in sales-related operating expenses.

Net finance cost of € -0.6 million (prev. year: € -0.3 million) encompasses finance income and cost as well as at-equity investments in Groupe Montesquieu, France.

As regards **taxes on income**, the reduction in deferred tax assets from income tax loss carryforwards by € -0.1 million (prev. year: € 0.5 million) contributed to lower earnings. The decline in tax expense was also attributable to tax loss carryforwards for which no deferred taxes had been recognised in the previous financial year.

On this basis, the consolidated profit for the financial year 2010 was € 1.1 million, compared to a consolidated loss of € -3.9 million reported for the previous financial year. This corresponds to earnings per share of € 0.26 (prev. year: € -0.93).

Turning to segment performance, the Key Account segment more than trebled its result to € 4.1 million, up from € 1.3 million in the previous year, buoyed by significant growth in business vol-umes.

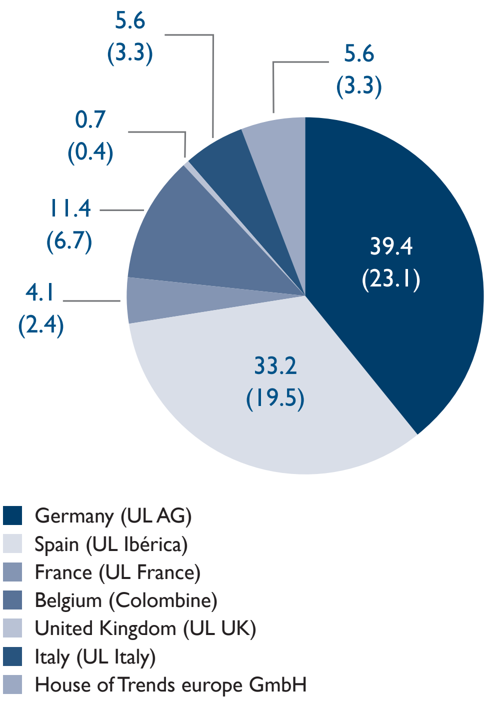
The Special Retail segment posted a result of € 1.4 million (prev. year: € -0.5 million), driven in particular by its positive performance in the southern European sales regions. Unallocated items fell significantly from € 4.9 million in 2009 to € 3.5 million in the period under review. This was attributable to goodwill write-downs of € 1.9 million in 2009. Adjusted for these write-downs, unallocated items rose by € 0.5 million. For further details on segment reporting, please refer to the notes to the consolidated financial statements.

Performance of the subsidiaries

Alongside its holdings in the subsidiaries, the parent company had a 45 % interest in the French-based Montesquieu Group. The Montesquieu Group achieved an annual profit of € 37 thousand (prev. year: € 126 thousand) on Group sales of € 6.2 million (prev. year: € 16.9 million) in the period under review. The interest in this entity is accounted for at equity in the consolidated financial statements.

Sales performance as well as the gross profit margin (sales revenue less material costs and amortisation of usage rights) and the EBIT margin (result from operating activities) are key financial performance indicators within the Group. Sales revenue increased by 46 % in the financial year 2010, following a decline in sales revenue by 8 % in 2009. The gross profit margin for 2010 stood at 29.3 % (prev. year: 27.2 %; adjusted for exceptional items: 31.3 %) in relation to sales revenue, while the EBIT margin was 3.4 % (prev. year: -10.1 %; adjusted for exceptional items: -1.4 %) in relation to sales revenue.

Past sales performance in % (€m)



Results of the major subsidiaries (separate financial statements)

Revenue
EBITDA
EBIT
Profit for the year
Key figures
Inventories (in €'000)
Cash and cash equivalents (in €'000)
Payables to banks (in €'000)

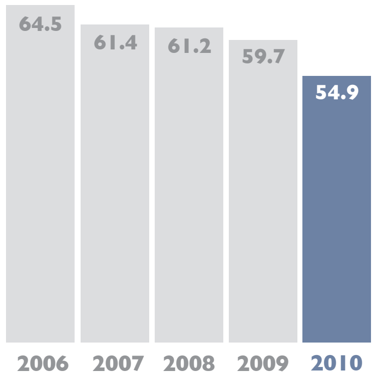
UNITEDLABELS Ibérica S.A., Spain		UNITEDLABELS France S.A.S., France		Colombine b.v.b.a., Belgium		UNITEDLABELS Ltd., United Kingdom		UNITEDLABELS Italia Srl., Italy		House of Trends europe GmbH, Germany	
(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)
2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
22,132	11,852	2,369	1,976	6,651	4,105	367	683	3,297	1,405	3,333	3,241
955	386	38	78	357	90	(101)	74	213	69	83	80
723	262	34	74	338	70	(101)	73	208	60	70	69
248	33	8	38	296	173	(164)	7	118	18	49	50
4,095	3,751	115	35	0	0	34	41	0	1	132	172
132	261	123	132	122	395	7	75	195	221	103	79
5,078	3,806	0	0	0	0	0	0	228	133	66	516

Cash flows

The Group's cash flow statement shows net cash from operating activities of € 5.9 million for the 2010 financial year. Of this total, an amount of € 5.1 million was used for investments in new licences. In the context of the Group's financing activities, a sum of € 0.8 million was used for the purpose of servicing loans. In total, net cash from financing activities was € 1.0 million (prev. year: € 2.0 million). On this basis, cash and cash equivalents rose by € 1.8 million to € 5.5 million for the period under review. In autumn 2010, the Group resumed its business relations with a factoring company for specific accounts of **UNITED**LABELS AG and Colombine. As at 31 December 2010, receivables totalling € 12.8 million had been sold to the factoring company.

In the previous financial year, net cash from operating activities had been € 4.2 million. Of this total, € 3.4 million was used for the purchase of licences and € 0.1 million for the acquisition of a 10 % interest in the Montesquieu Group. In 2009, a total of € 1.2 million was used in the Group's financing activities for the purpose of repaying loans with interest, while € 0.8 million was used for dividend payments to shareholders. Cash and cash equivalents in 2009 fell from an initial € 5.0 million to € 3.7 million at the end of the financial year, down € 1.3 million.

Overview of equity ratio (in %)



Financial position

Non-current assets contracted slightly, primarily due to the reduction of intangible assets. Within this context, licence contracts accounted for a lower volume of intangible assets at the end of the reporting period. By contrast, property, plant and equipment increased slightly as a result of new airport stores. At-equity investments and deferred taxes were comparable to last year's figures. Current assets increased in all areas as a result of more expansive business activities. The rise in inventories and trade receivables was particularly pronounced in Spain and Italy, as the Group achieved the majority of its growth in these countries. Other assets and cash increased following the resumption of factoring as from autumn 2010. Within this context, the item categorised as other assets includes the amount of 15 % retained in respect of the factoring company.

Thus, total assets rose by 12.5 % to € 52.2 million.

Buoyed by the Group's annual profit, equity increased by 3.5 % to € 28.6 million, while non-current liabilities were scaled back by € 0.4 million to € 4.4 million. The latter was attributable to the reduction of non-current trade payables due to lower licence liabilities at the end of the reporting date.

Current liabilities rose by 37.9 % in total to € 19.1 million. Within this context, provisions were up € 0.3 million due to more extensive provisioning for the potential return of goods by customers. Current financial liabilities increased by € 1.7 million to € 6.9 million, and trade and other payables rose by € 3.2 million to € 10.9 million owing to more expansive business in Germany and Spain.

At € 19.3 million, non-current assets thus account for 37 % (prev. year: 42 %) of total assets. At € 32.9 million, current assets account for 63 % (prev. year: 58 %) of total assets.

Non-current liabilities amounted to € 4.4 million, which corresponds to 8 % of total equity and liabilities, slightly down on last year's figure. Current liabilities stood at € 19.1 million, thus accounting for 37 % of total equity and liabilities. This was significantly higher than the figure of 30 % recorded last year.

In total, Group debt was € 23.6 million in the financial year under review, compared to € 18.7 million in the previous year. Group debt in relation to total equity and liabilities rose to 45.2 %, up from 40.3 % in the previous year. Net debt was reduced slightly from € 4,481 thousand in 2009 to € 4,325 thousand in 2010.

Based on equity of € 28.6 million reported by **UNITED**LABELS, the equity ratio stands at 54.8 %, compared to 59.7 % in the previous financial year. The rise in total equity and liabilities more than offset the increase in equity in absolute terms (€ 1.0 million) and led to a reduction in the equity ratio.

Equity covers the Group's non-current assets by 148 %. The proportion of goodwill in equity decreased from 20.3 % to 19.7 %.

Staff

At 31 December 2010, the headcount stood at 153 (prev. year: 125). While staffing levels were reduced in Germany in response to the decision to discontinue sales to local specialty retailers, an additional six employees joined the team as staff at the newly established airport shops. The average number of employees remained unchanged year on year at 132.

The Group is not attached to, or bound by, any collective wage scale. Therefore, remuneration is based on an employee's position within the company and his/her performance.

It is a particular aim within the Group to continuously develop employees' potential and improve its service towards customers. The Group therefore organised several internal and external training sessions throughout the year under review.

In addition, the company has established an employee development programme in Germany to encourage and motivate each employee individually. For example, this includes monthly staff information events for all employees, where current issues are brought up and employees have the opportunity to engage in a dialogue with the company's management. At least twice a year, each employee meets with his/her supervisor for a feedback and career development meeting. Due to the small size of the teams within the Group (up to eight people), each employee can be given individual support.

3. Events after the Reporting Date

There were no significant events to report subsequent to the end of the 2010 financial year.

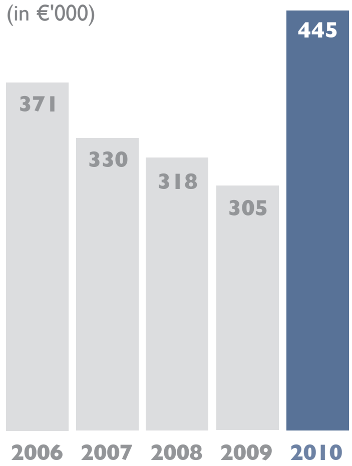
4. Report on Opportunities and Risks

The outlook, opportunities and risks of the future

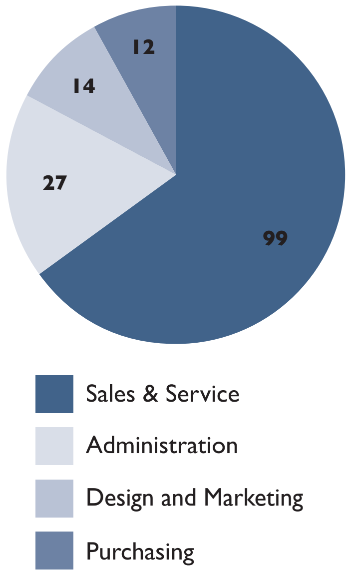
At all times, **UNITED**LABELS AG systematically aims to identify and take advantage of opportunities as they arise. This enables the company to maximise profits whilst raising shareholder value over the long term. Making the most of chances that present themselves involves confronting certain risks. Adherence to the principles of risk and opportunity management ensures business activity can be carried out in a properly controlled corporate environment.

The **UNITED**LABELS Group regularly encounters risks and opportunities that can impact both positively and negatively on assets, profits and cash flow as well as intangible assets such as licence values. In this context, risks are defined as the potential

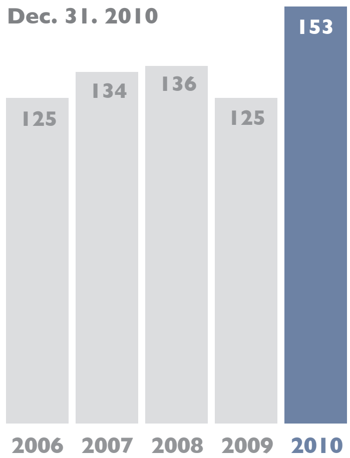
Revenue per employee
(in €'000)



Staff structure
Dec. 31. 2010



Headcount
Dec. 31. 2010



occurrence of internal or exter-nal events that may adversely affect the attainment of short-term targets or the implementation of long-term strategy; missed or poorly utilised opportunities also constitute risks. Opportunities are generally defined as internal or external strategic or operational developments that can impact positively on the Group where utilised correctly.

The company makes use of various information channels with a view to identifying risks and opportunities. Assessments of relevant markets are based on dialogue with customers and suppliers as well as information derived from the Internet, other media and trade fairs and analyses of competitors. Such information (which is often provided by local entities of the company) is fed into the risk management system at the quarterly request of the Controlling department, which evaluates risks according to the likelihood of occurrence and the seriousness of potential damage. Specialists in the department then decide which of the risks to accept or circumvent, and which openings to pursue. In many cases, specific risks – and the responsibility for utilising opportunities – are transferred to third parties (for example by means of insurance policies, out-sourcing, distribution agreements or purchasing arrangements). The company is aware of significant risk in the following areas in particular:

A significant proportion of merchandise purchases (approximately 54 %) is transacted in US dollars. The company therefore benefits from a strong euro and is disadvantaged by a weak euro. **UNITED**LABELS invariably allows for a certain degree of leeway in the exchange rate when calculating orders, and systematically takes appropriate exchange hedging measures. Despite this, and bearing in mind that price increases cannot be passed on to the customer directly, we cannot rule out rate changes that will increase the cost of sales and thus reduce margins in the short to medium term.

Given the growing importance of the textiles area to the Group, the price of cotton is also a key factor. As in 2010, rapidly rising cotton prices are driving up cost prices, which cannot be passed on to customers in the short to medium term. For this reason, the company seeks to fix budgeted prices by issuing corresponding import letters of credit at a relatively early stage; the issuing of letters of credit is generally closely followed by purchases of raw materials by the factory.

As a licence holder, **UNITED**LABELS essentially utilises the trademark rights of third parties. Although the company maintains long-standing and close relationships with its principal licensors, there remains a possibility of some large-scale licence agreements not being extended, which would adversely affect the company's revenue and earnings situation. In view of the company's extensive experience in the sector, however, this scenario is somewhat remote.

The majority of goods sold to European chain stores in the fields of textiles, household goods, stationery, gift items, soft toys, bags and accessories are produced in Asian countries such as China, Indonesia and India. Despite strict quality controls, we cannot discount the prospect of rejections, product recalls and contractual penalties on the part of trading partners owing to the unauthorised use of harmful substances such as azo dyes, cobalt and phthalates; non-deliveries and delayed deliveries by producing factories can also result in recourse claims being made by trading partners. Both situations can adversely affect the company's revenue and earnings situation.

UNITEDLABELS works with key account customers at home and abroad. Retaining these customers and attracting new clients in the future is critical to the development of the Group. **UNITED**LABELS does not conclude long-term supply contracts or other framework agreements with its customers. Clients place short-notice orders according to their requirements and **UNITED**LABELS supplies licensed products on that basis. The loss of certain of these clients could lead to a reduction in revenue and earnings for the company and have a negative impact on the company's financial performance, financial position and cash flows.

To a considerable degree, the economic prosperity of the company depends on the performance and continuing contribution of Management Board and other staff in key positions. The failure of the company to attract and retain qualified staff could adversely affect its financial performance, financial position and cash flows.

The significant expansion in orders and revenue volumes requires an expanded financing framework. As much as ten months can elapse between the placing of orders with suppliers (and thus the utilisation of import letters of credit) and final payment by the customer; this period must be bridged with own resources or outside funds. During the past financial year, therefore, the Group raised and made greater use of its credit limit; factoring was also resumed at the German parent company.

Critical business processes – from product marketing, order management and warehouse ad-ministration to invoice processing, customer support and financial reporting – rely on IT systems. A major breakdown of these systems or serious loss of data has the potential to disrupt business activity significantly. The IT Organisation unit proactively carries out preventive system maintenance in order to minimise these risks and ensure critical IT practice is upheld.

The Group's intangible assets continue to include goodwill in respect of **UNITED**LABELS Ibérica (€ 2.6 million) and Colombine in Belgium (€ 3.0 million). The intrinsic value of the goodwill depends on the enterprise values of the companies, which will continue to be monitored regularly in future. Any sustained deterioration of the companies may result in impairment losses with regard to goodwill.
In addition to the risks described above, other risks associated with general business (such as price fluctuation, default, interest rate and liquidity risks) are recorded by the internal risk management system and continuously monitored. Our principal aims in terms of risk management involve safeguarding and monitoring the margin situation by means of costing guidelines and dollar hedging, strict cost regulation through budgetary controls and the safeguarding of liquidity by means of planning and supervision. Essentially, the risk management system serves to pro-vide early warning of risks, evaluate their seriousness and probability of occurrence and initiate appropriate countermeasures.

Future developments cannot be predicted with any assurance; there is uncertainty over both procurement and sales.
At present, procurement is being impacted by exponentially rising cotton prices and increasing labour and material costs in the producing countries of Asia. Shortages of raw materials, poor infrastructure and the process of conversion to higher environmental standards are having a particularly adverse effect on production in India and Bangladesh. In China, by contrast, rapidly ballooning domestic demand is driving companies in some sectors away from traditional export business and into production exclusively for the massive domestic market, where producers can actually command higher prices in some cases. Foreign importers have far less access to this capacity.
Sales and distribution, on the other hand, are being determined by widely divergent trends within European Union member states. Although a broad economic upturn is apparent in Germany, France, the Benelux countries, Scandinavia and the United Kingdom, the Mediterranean nations (and particularly Greece, Portugal and Spain) remain sluggish, and a further deterioration in economic conditions cannot be ruled out.

UNITEDLABELS is preparing for this eventuality by spreading the risk wherever possible. In the production area, the company is seeking to assign manufacturing to a larger number of con-tracted suppliers whilst expanding its country portfolio to include, for example, Turkey, Indonesia and Cambodia.

As regards sales and distribution, the company is aiming to establish a broad country and client portfolio with a view to minimising specific risks whilst generating new opportunities for growth.
For the future, the growth concept will continue to be built on four foundation stones: building the textiles area, expanding airport shops, increasing sales and distribution in northern and eastern Europe and continually upgrading the licence portfolio with in-demand licences.

New textiles and clothing collections featuring well-known cartoon characters delivered a surge of growth in 2010; the company expects fashionable new collections to drive a significant boost to business in this category, which offers the highest volume for licensed products.

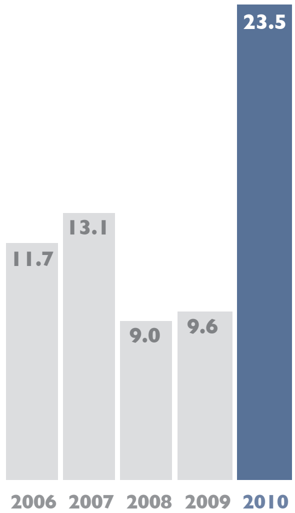
On the international front, eastern Europe represents a high-potential new sales region into which the company can expand. With this aim in mind, a subsidiary was set up in Poland last autumn to provide greater proximity to the leading Polish chain stores. It is also hoped that Poland will continue to serve as a bridgehead to other eastern European countries.

The company has increased the number of its airport shops to ten. The shops have three for-mats: **UNITED**LABELS shops with cartoon-based goods, Ferrari shops run as a franchise and shops in Spain for fans of Barcelona FC. More airport shops are in the pipeline: **UNITED**LABELS is engaged in negotiations and tendering procedures in Berlin, Frankfurt, Paris, Amsterdam, Dublin, Prague, Rome and other locations.

The licence portfolio will remain contemporary. New themes will include broad product ranges for the classic Barbapapa as well as movie-inspired collections based on Cars 2 and Tintin; alongside these additions, the portfolio will continue to be influenced by national and seasonal ranges, and in particular SpongeBob SquarePants, Snoopy, The Simpsons and Bob the Builder.

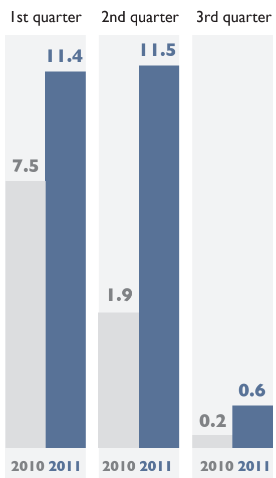
The order backlog for the Group as at 31 December 2010 was well above the previous year's level (€ 9.6 million) at € 23.5 million, equivalent to a rise of 146 %. The order backlog built up over the course of 2010: the figure for the first quarter of 2011 was € 11.4 million (compared to € 7.5 million in the previous year); in the second quarter it was € 11.5 million (previous year: € 1.9 million) and in the third quarter it amounted to € 0.6 million (previous year: € 0.1 million). The main factor behind the increase was expansion in new orders for textiles and from eastern European customers. The high proportion of orders in the first and second quarters reflects the fact that demand for the products and services of **UNITED**LABELS continued to rise with regard to the first half of 2011.

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



We do not expect the macroeconomic conditions across Europe to impair consumer demand, at least in 2011. However, significant uncertainty remains in some regions, especially in the south of Europe. In Spain, for example, **UNITED**LABELS continues to spread risk as widely as possible by operating a broad distribution basis in the fields of specialist retail, key accounts, airport shops and mastersourcing. Elsewhere in Europe, the company is focusing on the countries whose general economic circumstances offer the greatest prospects for growth (in particular Germany, France, the Benelux nations and Poland). Strict cost management is another aspect of the strategy.

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



Over the next two years, revenue (and thus the company's total revenue) is expected to expand by between 2 % and 10 % p.a. in the defined growth areas of textiles, eastern Europe and airport shops; corporate earnings are expected to increase by 10 % to 20 % p.a. This scenario presup-poses that the situation on the procurement markets and internal management expertise will facilitate an expansion of market share with European key account clients; the forecast also assumes a euro/US dollar exchange rate of 1.35 and a cotton price of 200 US cents per pound. The Special Retail segment is currently growing in southern Europe and will be boosted by means of contemporary, regional licence themes specific to specialist retailers. In the area of airport shops, the company intends to participate in tendering as necessary with a view to acquiring new floor space in the major airports of Europe, the Middle East and Asia.

By applying this overall strategy and spreading risk across client, country and licence portfolios, growth opportunities will be exploited.

5. Risk Report on the Use of Financial Instruments

The deployment of financial instruments exposes the company to the usual risks, which include default risk, market price risk and liquidity risks. The company systematically makes use of forward exchange dealings to fix existing orders, with exchange gains or losses occurring in rela-tion to the respective spot price. The company's objective is to minimise all risks without at the same time impairing operational opportunities. The nature of the risks and the precautionary measures that the company implements are described in point 4 of this management report as well as sections B.16 and C.1, 2, 5 and 6 of the notes.

6. Disclosures pursuant to Section 315 (4), (2) no. 5 HGB and Compensation Report

Disclosures under Section 315 (4) of the German Commercial Code (HGB)

As at 31 December 2010, share capital amounted to € 4,200 thousand, divided into 4.2 million no-par-value bearer shares ("Stückaktien" governed by German law). Each share entitles the holder to one vote at the Annual General Meeting of share-holders. All shares are associated with the same rights and responsibilities. There are no restrictions affecting voting rights or the transfer of shares. With regard to insider knowledge, however, blocking periods apply to the company's governing bodies and other relevant staff members in connection with the publication of quarterly and annual results. Restrictions on voting rights may also arise from provisions of the German Stock Corporation Act (Aktiengesetz – AktG), e.g. from Section 136 AktG or, in the case of treasury shares, Section 71b AktG.

On 31 October 2005, Chief Executive Officer Peter Boder declared in accordance with Section 160 (1) no. 8 AktG that he holds 2.63 million shares (62.69 %) in the company. The company is not aware of any other interests in share capital that exceed 10 % of the voting rights.

The Management Board of **UNITED**LABELS AG currently comprises one person. In accordance with Section 5 of the Articles of Association and Section 84 of the German Stock Corporation Act, the Supervisory Board regulates the number of Management Board members as well as their appointment and dismissal. Moreover, the Supervisory Board is authorised by the Articles of Association to rule only on changes to the wording of the Articles of Association; the Annual General Meeting passes resolutions on all other amendments to the Articles of Association.

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 in the period up to 22 May 2011, by up to € 2,100,000.00 in total through the issuance of 2,100,000 new shares against contributions in cash or in kind (Authorised Capital 2006).
The Annual General Meeting of Shareholders held on 19 May 2010 resolved that the authorisation granted on 15 May 2009 for the acquisition of own equity instruments (treasury shares) shall be cancelled as of the date on which the new authorisation comes into effect. In accordance with Section 71a et seq. of the German Stock Corporation Act, the Management Board was authorised to acquire the Company's own equity instruments in the proportion of up to ten per cent of current share capital. This authorisation shall apply until 18 May 2015. However, no resolution relating thereto was passed by the Management Board in the financial year just ended.

Loan, licensing and customer contracts constitute the main contracts of **UNITED**LABELS AG that could be subject to change of control provisions. However, no explicit agreements are in place in any of these three contract areas; similarly, no agreements on compensatory payments for the event of a takeover bid have been reached with the Management Board member or other employees.

Compensation system for the company's governing bodies

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 € 7 thousand in 2010 (prev. year: € 0 thousand). The members of the Audit Committee receive additional fixed com-pensation of € 2 thousand, while the Chairman receives € 4 thousand.

Management Board compensation totalled € 448 thousand (previous year: € 368 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. This variable component was not paid in respect of the 2009 financial year. A provision of € 80 thousand was recognised in 2010. The contract in respect of the Management Board was extended for a period of five years in 2009, with the majority of the contractual terms and conditions remaining unchanged. Within this context, however, the new contract was adapted in accordance with 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 stipulates provisions relating to a basic salary, in addition to provisions outlining short-term and long-term variable components of compensation.

In accordance with IAS 19 requirements, € 134 thousand was allocated to provisions for pensions in the consolidated financial statements as regards pension 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 € 1,071 thousand (prev. year: € 937 thousand) in the separate financial statements.

As from the age of 65, the Chairman of the Management Board, Mr. Peter Boder, is entitled to a monthly old-age pension of € 17,500.00 and an invalidity pension in the same amount (these increase or decrease proportional to the changes in the basic salary of a German civil servant of compensation category A 14 BbesG in relation to the index figure for the month of December of the preceding year), as well as a widow's allowance equivalent to 60 % of the applicable old-age pension and an orphan's allowance.

Disclosures pursuant to Section 315 (2) no. 5 HGB

UNITEDLABELS 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 transac-tions are recorded promptly, correctly and in a uniform fashion 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 other communiqués are ana-lysed on an ongoing basis in terms of their relevance for, and impact on, the Group's accounts and the resulting changes are incorporated within 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 be avoided or uncovered.

7. 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 reports 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 reporting period.

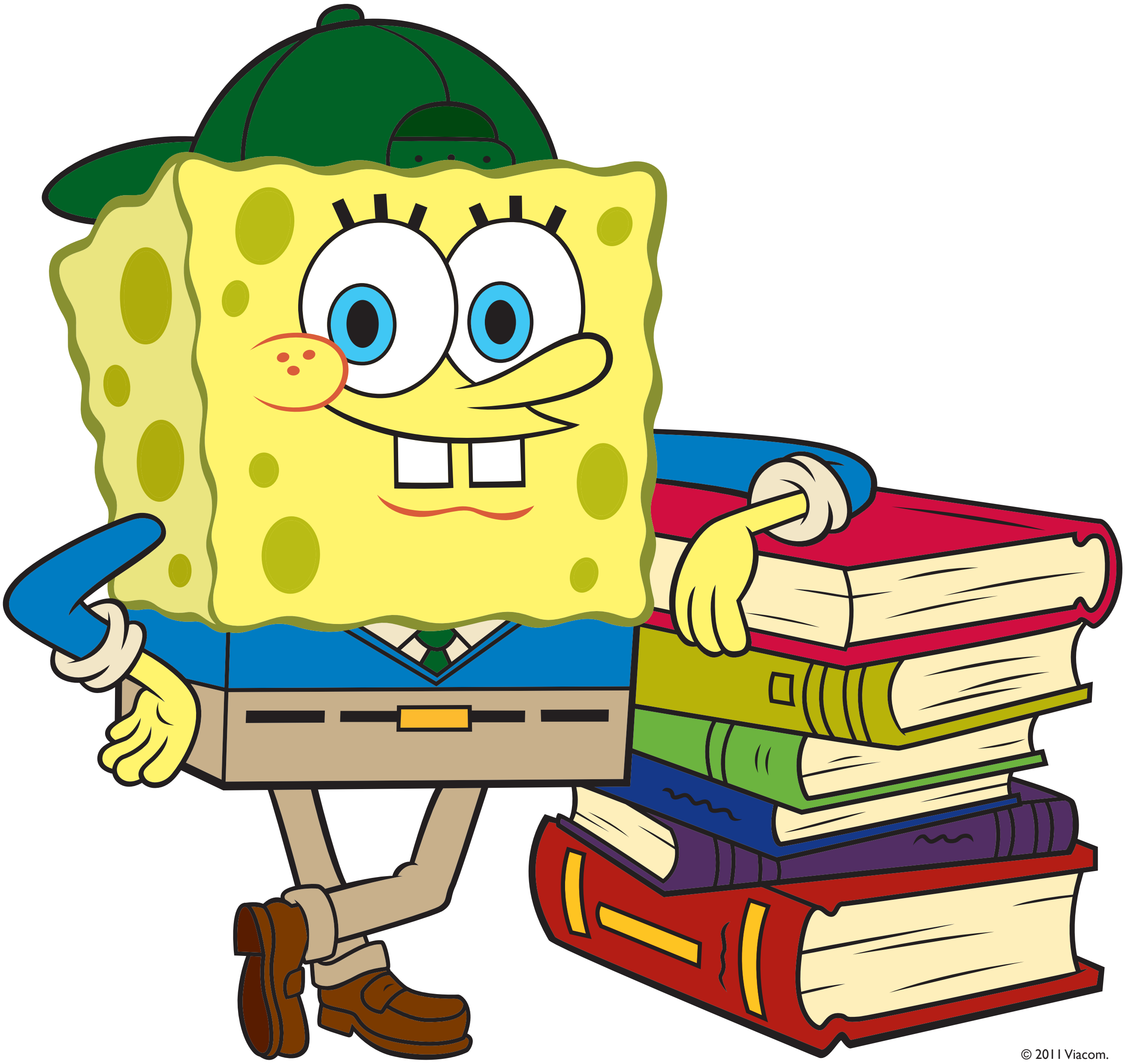
Münster, 22. March 2011

UNITEDLABELS Aktiengesellschaft

Management Board

Peter Boder

FINANCIAL STATEMENTS



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UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2010

ASSETS

Assets	Notes	31/12/2010 €	31/12/2009 €
Non-current assets			
Property, plant and equipment	C.1.	6,265,685.55	5,761,735.64
Intangible assets	C.1.	8,164,816.00	8,971,806.64
At-equity investments	C.2.	850,138.91	833,565.60
Deferred taxes	C.3.	3,997,437.74	4,080,016.65
		19,278,078.20	**19,647,124.53**
Current assets			
Inventories	C.4.	8,411,756.00	7,907,377.25
Trade receivables	C.5. / C.8	15,774,075.25	13,205,372.99
Other assets	C.6.	3,270,782.57	1,931,051.28
Cash and cash equivalents	C.7.	5,467,654.72	3,694,490.52
		32,924,268.54	**26,738,292.04**
Total assets		**52,202,346.74**	**46,385,416.57**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2010

EQUITY AND LIABILITIES

Equity	Notes	31/12/2010 €	31/12/2009 €
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	19,194,174.55
Retained earnings		2,883,209.63	2,883,209.63
Currency translation		(477,619.29)	(366,135.90)
Consolidated unappropriated surplus		3,060,552.41	1,992,326.44
		28,860,317.30	**27,903,574.72**
Treasury shares		(223,413.73)	(223,413.73)
Total equity		**28,636,903.57**	**27,680,160.99**
Non-current liabilities			
Provisions for pensions	C.10.	1,070,797.00	937,270.00
Financial liabilities	C.12.	2,909,940.73	2,976,892.00
Trade payables	C.12.	426,398.00	901,776.64
Deferred tax liabilities	C.3.	13,344.38	7,179.63
		4,420,480.11	**4,823,118.27**
Current liabilities			
Provisions	C.11.	1,134,443.48	883,358.06
Current tax payable	C.12.	178,186.96	27,905.31
Financial liabilities	C.12.	6,882,982.94	5,198,573.29
Trade and other payables	C.12.	10,949,349.68	7,772,300.65
		19,144,963.06	**13,882,137.31**
Total liabilities		**23,565,443.17**	**18,705,255.58**
Total equity and liabilities		**52,202,346.74**	**46,385,416.57**

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

1 January to 31 December 2010

	Notes	2010 €	2009 €
Revenue	**D.1.**	**58,701,787.61**	**40,260,295.99**
Cost of materials	D.2.	(36,865,306.58)	(26,074,760.12)
Amortisation of usufructuary rights	D.3.	(4,638,967.88)	(3,219,384.20)
		(41,504,274.46)	**(29,294,144.32)**
		17,197,513.15	**10,966,151.67**
Other operating income	D.4.	785,845.50	500,359.39
Staff costs	D.5./C.10.	(6,550,439.95)	(6,202,934.62)
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation of usufructuary rights)	D.6.	(612,767.67)	(2,355,787.47)
Other operating expenses	D.7.	(8,849,558.89)	(6,979,680.81)
Profit from operations		**1,970,592.14**	**(4,071,891.84)**
Finance income	D.8.	84,181.23	85,946.44
Result from at-equity investments		16,573.31	56,900.70
Finance costs	D.8.	(742,429.72)	(473,751.94)
Net finance cost		**(641,675.18)**	**(330,904.80)**
Profit before tax		**1,328,916.96**	**(4,402,796.64)**
Taxes on income	D.9.	(260,690.99)	544,407.50
Net income		**1,068,225.97**	**(3,858,389.14)**
Other comprehensive income:			
Exchange differences on translating foreign operations		(111,483.39)	(81,068.44)
Other comprehensive income, total		(111,483.39)	(81,068.44)
Total comprehensive income		**956,742.58**	**(3,939,457.58)**
Consolidated (loss)/earnings (based on income statement) per share			
basic	C.9.	0.26 €	(0.93) €
diluted	C.9.	0.26 €	(0.93) €
Weighted average shares outstanding			
basic	C.9.	4,153,801 Stück	4,153,801 Stück
diluted	C.9.	4,153,801 Stück	4,153,801 Stück

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Cash Flows

Notes to Cash Flow Statement, cf. C.16	Notes	2010 €'000	2009 €'000
Net income		1,068	(3,858)
Interest income from financing activities		658	403
Depreciation of usufructual rights	C.1,D.3/6	4,639	3,219
Depreciation and armotisation of entengible assets	C.1,D.3/6	83	1,941
Depreciation of proberty of plant and equipment	C.1,D.3/6	529	415
Change in provisions	C.10,C.11	385	(424)
Other non-cash expenses (Prev. year earnings)		7	(652)
Result from disposal of non-current assets		173	1
Change in inventories, trade receivables, and other assets not attributable to investing or financing activities	C.4-6	(4,413)	3,896
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	2,852	(772)
Payments for tax on profit		(46)	0
Cash flows from operating activities		**5,936**	**4,169**
Payments for investments in intangible assets and property, plant and equipment		(5,121)	(3,354)
Payments for investments in financial assets		0	(100)
Cash flows from investing activities		**(5,121)**	**(3,454)**
Proceeds from bank loans		2,392	216
Payment of dividends		0	(831)
Repayment of financial loans		(775)	(989)
Interest received		84	71
Interest paid		(742)	(474)
Cash flows from financing activities		**959**	**(2,007)**
Net change in cash and cash equivalents		1,774	(1,292)
Cash and cash equivalents at the beginning of the period		3,694	4,986
Cash and cash equivalents		**5,468**	**3,694**
Gross debt bank		9,793	8,175
Net debt bank		**4,325**	**4,481**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**5,468**	**3,694**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital €'000	Capital reserves €'000	Retained earnings €'000	Translation reserves €'000	Treasury shares €'000	Total (Group equity) €'000
Balance at 01/01/2009	**4,200**	**24,384**	**4,374**	**(285)**	**(223)**	**32,450**
Consolidated profit 2009	0	0	(3,858)	0	0	(3,858)
Currency translation	0	0	0	(81)	0	(81)
Total comprehensive income 2009	**0**	**0**	**(3,858)**	**(81)**	**0**	**(3,939)**
Dividend payment	0	0	(831)	0	0	(831)
Withdrawal from capital reserves at parent company to offset loss	0	(5,190)	(5,190)	0	0	0
Balance at 31/12/2009	**4,200**	**19,194**	**4,875**	**(366)**	**(223)**	**27,680**
Consolidated profit 2010	0	0	1,068	0	0	1,068
Currency translation	0	0	0	(111)	0	(111)
Total comprehensive income 2010	**0**	**0**	**1,068**	**(111)**	**0**	**957**
Balance at 31/12/2010	**4,200**	**19,194**	**5,943**	**(477)**	**(223)**	**28,637**

UNITEDLABELS **Aktiengesellschaft, Münster**

Notes to the Consolidated Financial Statements for FY 2010

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 2010 are to be approved, and thus adopted, and subsequently released for publication at the Supervisory Board meeting on 23 March 2011.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2010, have been prepared in accordance with internationally accepted accounting standards on the basis of the International Financial Reporting Standards (IFRS) adopted by the European Union as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelgesetzbuch – HGB). The notes comply with the IFRS applicable at the reporting date. The comparative figures for the previous period have been prepared according to the same principles. The consolidated financial statements were prepared on the basis of historical cost.

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. The consolidated financial statements are prepared on the basis of historical cost, with the ex-ception of specific financial instruments.

Financial assets are recognised at the date of trading and derecognised when the transaction has been completed.

The financial year of all entities included in the consolidated group corresponds to the annual period from 1 January to 31 December 2010. The preparation of separate annual financial statements is performed using consistent accounting policies. The financial statements are presented in euros. With the exception of some amounts, which have been specified accordingly, the figures presented in these notes are expressed in thousands and have been rounded to the appropriate level.

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 good-will, provisions and deferred taxes. Actual results may differ from forecasts if consumer behaviour or the actions of licensors or trading partners (customers, suppliers) change.

New International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) adopted a number of financial reporting standards and interpretations that became applicable for the first time to annual periods beginning on 1 January 2010 and were applied by United Labels Aktiengesellschaft accordingly.

The following standards and interpretations to be applied for the first time for the annual period under review have no significant impact on **UNITED**LABELS Aktiengesellschaft:

- IFRS 1 (rev. November 2008), First-time Adoption of International Financial Reporting Standards (EU endorsement on 25 November 2009, applicable as from 1 January 2010).
- Amendment to IFRS 1, Additional Exemptions for First-time Adopters (EU endorsement on 23 June 2010).
- Amendment to IFRS 2 and IFRIC 11, Group Cash-settled Share-based Payment Transactions (EU endorsement on 23 March 2010).
- IFRS 3 (revised), Business Combinations (EU endorsement on 3 June 2009).
- Improvements to IFRS 2009 / collective document covering amendments to various IFRS (EU endorsement on 23 March 2010).
- IAS 27 (revised), Consolidated and Separate Financial Statements (EU endorsement on 3 June 2009).
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items (EU endorsement on 15 September 2009).
- IFRIC 12, Service Concession Arrangements (EU endorsement on 25 March 2009).
- IFRIC 15, Agreements for the Construction of Real Estate (EU endorsement on 22 July 2009).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (EU endorsement on 4 June 2009).
- IFRIC 17, Distributions of Non-cash Assets to Owners (EU endorsement on 26 November 2009).
- IFRIC 18, Transfers of Assets from Customers (EU endorsement on 1 December 2009).

Standards, Interpretations and Amendments to existing Standards that are not yet applicable or have not been applied early:

The following standards, amendments to standards and interpretations, which are unlikely to have a material effect on **UNITED**LABELS Aktiengesellschaft, have already been adopted but do not become applicable until the coming annual period, beginning on 1 January 2011 (the Company did not make use of the option to apply such standards, interpretations and amendments to standards at an earlier date).

- Amendment to IAS 32, Classification of Rights Issues (EU endorsement on 23 December 2009).
- Amendment to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (EU endorsement on 30 June 2010).
- Amendment to IAS 24, Related Party Disclosures (EU endorsement on 19 July 2010).
- IFRIC 14, Prepayments of a Minimum Funding Requirement (EU endorsement on 19 July 2010).
- IFRIC 19, Extinguishing Financial Liabilities (EU endorsement on 23 July 2010).
- Improvements to IFRS 2010 / collective document covering amendments to various IFRS (EU endorsement on 19 February 2011).

Standards, Interpretations and Amendments to existing Standards that are not applied, as they have yet to be endorsed by the EU:

The following standards and interpretations, which are not applicable in view of the fact that they have yet to be endorsed by the EU, are unlikely to have a material effect on **UNITED**LABELS Aktiengesellschaft:

- Amendment to IFRS 7, Disclosures - Transfers of Financial Assets.
- IFRS 9 (November 2009), Financial Instruments: Classification and Measurement: Financial Assets
- IFRS 9 (October 2010), Financial Instruments: Classification and Measurement: Financial Liabilities

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. 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. 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. 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 the transaction. The identifiable assets and liabilities associated with a business combination are initially recognised at their fair values applicable at the acquisition date. The identifiable assets, liabilities and contingent liabilities associated with a business combination are initially recognised at their fair values applicable at the acquisition date. 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 invest-ments 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 associates.

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, insofar as this was required, 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 31 December 2010, 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 %	01/01-31/12/2010
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italia	100.000 %	01/01-31/12/2010
UNITEDLABELS Belgium N.V., Bruges, Belgium	99.999 %	01/01-31/12/2010
as its wholly owned subsidiary		
Colombine b.v.b.a., Bruges, Belgium	100.000 %	01/01-31/12/2010
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01/01-31/12/2010
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01/01-31/12/2010
UNITEDLABELS Comicware Ltd., Hong Kong	100.000 %	01/01-31/12/2010
UNITEDLABELS Polska Sp.o.o., Warsaw, Poland	100.000 %	22/10 -31/12/2010
House of Trends europe GmbH, Quakenbrück	100.000 %	01/01-31/12/2010

All subsidiaries apply the same business model as that outlined in section A.1.

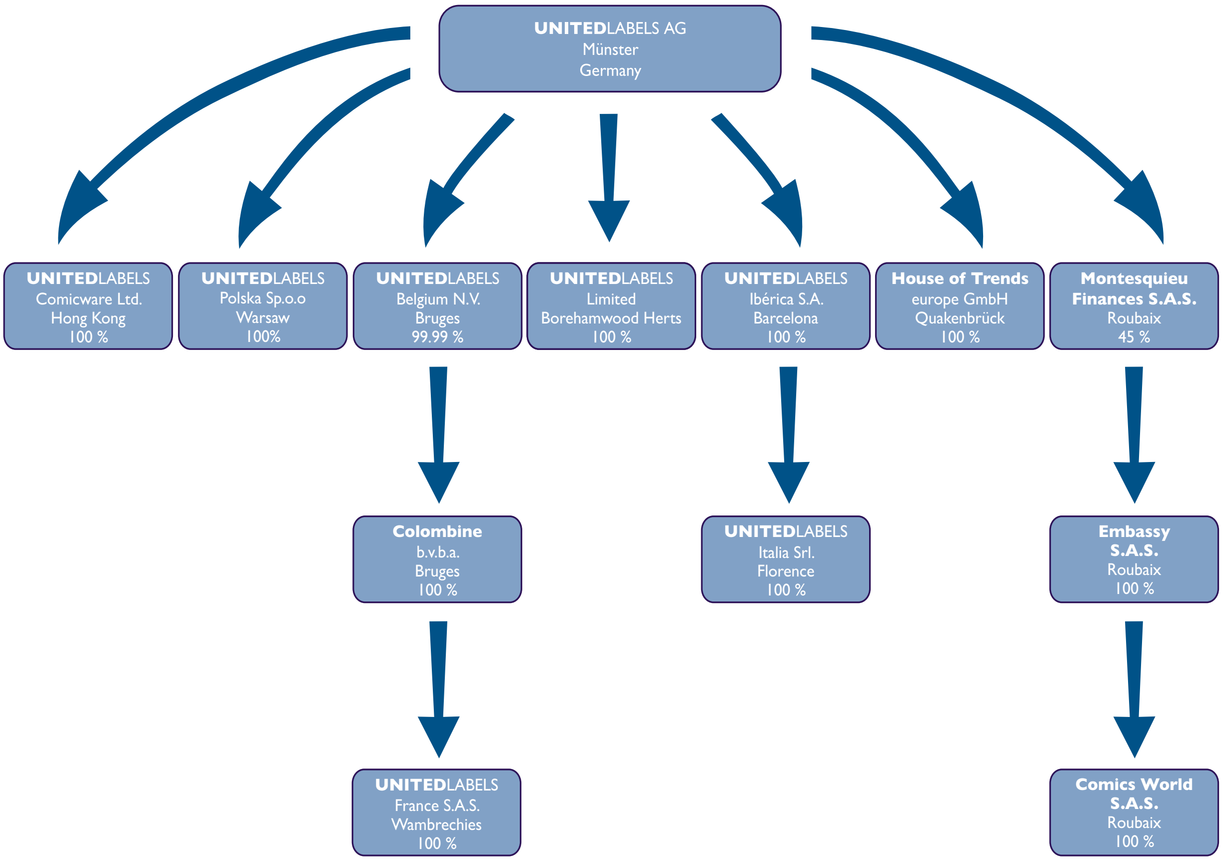
In addition, **UNITED**LABELS Ibérica S.A., Spain, has an 0.001 % interest in **UNITED**LABELS Belgium N.V., Belgium, as a result of which a total interest of 100 % in this entity is attributable to **UNITED**LABELS Aktiengesellschaft.

Since 2009, **UNITED**LABELS Aktiengesellschaft has held a 45 % interest in the French-based Montesquieu Group. This investment was included in the consolidated financial statements on the basis of the equity method.

On 22 October 2010, **UNITED**LABELS Polska, Warsaw, was established.

The annual financial statements and consolidated financial statements of **UNITED**LABELS AG are published in the Electronic Federal Gazette.

The Group structure as at 31 December 2010 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 are 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 pur-chase/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 correspond to the individual legally separate Group companies. In the event of an impairment, an impairment loss is recognised for the goodwill allocated to the specific cash-generating unit; any residual amount is allocated to the remaining assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset. An impairment is reversed – with the exception of goodwill – in proportion to the carrying amounts of the assets. The carrying amount of the individual asset shall not exceed its recoverable amount.

4. Deferred taxes

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

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

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

5. Inventories

Inventories are measured at the lower of cost of purchase/cost of conversion and net realisable value. The cost of purchase is determined by means of a standard valuation method that corresponds to the weighted-average cost formula. Alongside the directly attributable costs of purchase, ancillary costs of purchase are also capitalised. The lower realisable value is estimated on the basis of indicators such as age or anticipated storage duration that are applied consistently throughout the Group. 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 are measured at amortised cost. 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. Due to the short maturities of the receivables, the effective interest method was not applied.
Prepayments are carried on the basis of the prepaid amount.

7. Categories of financial instruments according to IAS 39

In compliance with IAS 39, financial instruments are classified according to different categories. These are loans and receivables (LaR) and financial liabilities measured at amortised cost (FLAC). The Company measures the loans and receivables at amortised cost and measures the financial liabilities using the effective interest method. Please also refer to C.5 and C.12.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, short-term, highly liquid investments with a maturity of three months at the most and overdrafts. In the 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 4.8 % (prev. year: 5.3 %) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5 % (previous year: 2.5 %), and an interest rate of 2.0 % (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. Once the 10 % corridor has been exceeded, actuarial gains and losses are distributed over the remaining working life of the employee and are accounted for in the statement of comprehensive income. 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 distributed over the life of the loan using the effective interest method and is accounted for in the statement of comprehensive income. 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 expected fair value of the consideration 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. Sales revenues are reduced by an amount equivalent to the anticipated volume of goods returned; a provision corresponding to this amount is recognised accordingly. The cost of materials is also reduced, and an addition to other assets is made.

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 2010 financial year was 1.16564 £ / € (prev. year: 1.12213 £ / €), and the closing rate at 31 December 2010 was 1.17233 £ / € (prev. year: 1.10754 £ / €). The newly founded entity **UNITED**LABELS Polska was accounted for in Polish złoty. The average exchange rate for the applicable accounting period was 3.97131 zł / €, and the closing rate was 3.96255 zł / €.
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, "Level II") 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, to the lower price of disposal less costs of disposal, 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 2011 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 (previous year: € 5,600 thousand).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2010

	Cost of purchase or conversion					
	Balance at 01/01/2010	Currency adjustment	Additions	Transfers	Disposals	Balance at 31/12/2010
	€	€	€	€	€	€
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	110,214.93	0.00	(161,795.49)	6,010,009.25
2. Technical equipment and machinery	463,306.19	0.00	740,207.31	57,233.70	0.00	1,260,747.20
3. Other plant, operating and office equipment, furniture and fixtures	2,586,593.88	935.48	355,077.35	(47,233.70)	(51,905.14)	2,843,467.87
4. Prepayments and assets under construction	10,000.00	0.00	0.00	(10,000.00)	0.00	0.00
	9,121,489.88	**935.48**	**1,205,499.59**	**0.00**	**(213,700.63)**	**10,114,224.32**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	13,361,187.19	0.00	3,915,341.26	0.00	(1,738,458.25)	15,538,070.20
2. Goodwill	9,677,116.84	0.00	0.00	0.00	0.00	9,677,116.84
	23,038,304.03	**0.00**	**3,915,341.26**	**0.00**	**(1,738,458.25)**	**25,215,187.04**
III. Financial assets						
At-equity investments	833,565.60	0.00	16,573.31	0.00	0.00	850,138.91
	32,993,359.51	**935.48**	**5,137,414.16**	**0.00**	**(1,952,158.88)**	**36,179,550.27**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01/01/2010	Currency adjustment	Additions	Disposals	Balance at 31/12/2010	Balance at 31/12/2010	Balance at 31/12/2009
€	€	€	€	€	€	€
1,282,803.07	0.00	179,343.66	0.00	1,462,146.73	4,547,862.52	4,778,786.74
304,446.89	0.00	117,075.10	0.00	421,521.99	839,225.21	158,859.30
1,772,504.28	268.94	232,984.89	(40,888.06)	1,964,870.05	878,597.82	814,089.60
0.00	0.00	0.00	0.00	0.00	0.00	10,000.00
3,359,754.24	**268.94**	**529,403.65**	**(40,888.06)**	**3,848,538.77**	**6,265,685.55**	**5,761,735.64**
10,014,604.52	0.00	4,722,331.90*	(1,738,458.25)	12,998,478.17	2,539,592.03	3,346,582.67
4,051,892.87	0.00	0.00	0.00	4,051,892.87	5,625,223.97	5,625,223.97
14,066,497.39	**0.00**	**4,722,331.90**	**(1,738,458.25)**	**17,050,371.04**	**8,164,816.00**	**8,971,806.64**
0.00	0.00	0.00	0.00	0.00	850,138.91	833,565.60
17,426,251.63	**268.94**	**5,251,735.55**	**(1,779,346.31)**	**20,898,909.81**	**15,280,640.46**	**15,567,107.88**

* of this amount, € 4.638.967,88 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 83.364,02 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensive income with depreciation/write-downs of property, plant and equipment (€ 529.403,65).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2009

	Cost of purchase or conversion				
	Balance at 01/01/2009 €	Currency adjustment €	Additions €	Disposals €	Balance at 31/12/2009 €
I. Property, plant and equipment					
1. Land and leasehold rights and buildings, as well as buildings on third-party land	6,061,589.81	0.00	0.00	0.00	6,061,589.81
2. Technical equipment and machinery	432,965.93	0.00	53,162.30	(22,822.04)	463,306.19
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
4. Prepayments and assets under construction	10,000.00	0.00	0.00	0.00	10,000.00
	8,874,987.57	**(711.54)**	**334,609.97**	**(87,396.12)**	**9,121,489.88**
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
2. Goodwill	9,677,116.84	0.00	0.00	0.00	9,677,116.84
	22,686,076.90	**0.00**	**3,019,627.56**	**(2,667,400.43)**	**23,038,304.03**
III. Financial assets					
At-equity investments	676,664.90	0.00	156,900.70	0.00	833,565.60
	32,237,729.37	**(711.54)**	**3,511,138.23**	**(2,754,796.55)**	**32,993,359.51**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01/012009	Currency adjustment	Additions	Disposals	Balance at 31/12/2009	SBalance at 31/12/2009	Balance at 31/12/2008
€	€	€	€	€	€	€
1,102,161.47	0.00	180,641.60	0.00	1,282,803.07	4,778,786.74	4,959,428.34
276,865.13	0.00	50,403.80	(22,822.04)	304,446.89	158,859.30	156,100.80
1,652,757.94	(817.68)	183,907.30	(63,343.28)	1,772,504.28	814,089.60	717,673.89
0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
3,031,784.54	**(817.68)**	**414,952.70**	**(86,165.32)**	**3,359,754.24**	**5,761,735.64**	**5,843,203.03**
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
2,196,158.77	0.00	1,855,734.10	0.00	4,051,892.87	5,625,223.97	7,480,958.07
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**
0.00	0.00	0.00	0.00	0.00	833,565.60	676,664.90
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).

Goodwill was calculated as follows:

	2010 €'000	2009 €'000
Balance at 01/01	5,625	7,481
Depreciation/amortisation	0	(1,856)
Balance at 31/12	**5,625**	**5,625**

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. In determining applicable impairments, the Company performed its tests on the basis of the value in use, which in turn was based on an interest rate of 6.94 % to 7.46 % and a growth rate of 2.0 %. 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 value in use. The value in use 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 five 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 % (previous year: 2 %). The discount rate was between 6.94 % and 7.46 %, depending on goodwill, (previous year: 9.0 %) after taxes. No impairment losses for goodwill 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 remaining 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 %

	31/12/2010 €'000	31/12/2009 €'000
Total assets	14,902	9,877
Total liabilities	13,538	8,559
	2010	**2009**
Sales revenues	16,243	16,913
Result	37	126

3. Deferred tax assets

The deferred tax assets in the amount of € 3,997 thousand (previous year: € 4,080 thousand) comprise an amount of € 3,183 thousand for the carryforward of unused tax losses (previous year: € 3,235 thousand) as well as an amount of € 814 thousand (previous year: € 845 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 € 13 thousand (prev. year: € 7). Current deferred tax assets amounted to € 513 thousand (prev. year: € 280 thousand).

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

	Deferred tax assets 31/12/2010 €'000	Deferred tax liabilties 31/12/2010 €'000	Deferred tax assets 31/12/2009 €'000	Deferred tax liabilties 31/12/2009 €'000	Expense (-) Income (+) 2010 €'000	Expense (-) Income (+) 2009 €'000
Loss carryforward	3,183	0	3,235	0	(52)	619
Intangible assets	641	0	685	0	(44)	(43)
Receivables from subsidiaries	0	1	0	0	(1)	0
Prepaid expenses	0	0	0	2	2	12
Provisions for post-employment benefits	147	0	119	0	28	36
Other provisions	19	0	19	2	2	8
Bank borrowings	7	0	14	0	(7)	3
Trade payables	0	0	0	3	3	(48)
Payables to subsidiaries	0	12	0		(12)	0
Other liabilities	0	0	8	0	(8)	8
	3,997	**13**	**4,080**	**7**	**(89)**	**595**

In the case of domestic entities, the deferred taxes are calculated on the basis of a tax rate of 31.93 % (prev. year: 31.23 %). The domestic tax rate includes German trade tax computed on the basis of a future "Hebesatz" (a municipal percentage that varies depending on location) of 460 % (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. As regards **UNITED**LABELS Aktiengesellschaft, deferred tax assets for the carryforward of unused tax losses were recognised for the full amount of tax loss carryforwards. In the previous financial year, no deferred tax assets were recognised in respect of € 177 thousand. In total, no deferred taxes were recognised for tax loss carryforwards amounting to € 2,513 thousand (prev. year: € 2,276 thousand). In 2010, this item relates solely to the subsidiaries.

The total of positive temporary differences in relation to subsidiaries for which no deferred taxes were recognised was € 75 thousand (prev. year: € 56 thousand). They are not recognised, as a reversal is considered unlikely.

4. Inventories

Of the total inventories of € 8,412 thousand (prev. year: € 7,907 thousand), 49 % (€ 4,095 thou-sand; prev. year 48 %, € 3,753 thousand) is attributable to the storage location in Spain and 48 %, i.e. € 4,036 thousand, (prev. year 49 %, € 3,907 thousand) to the storage location in Germany. The remaining 3 % were attributable to **UNITED**LABELS Ltd. in the United Kingdom (€ 34 thousand; prev. year € 41 thousand), an item of merchandise in transit attributable to **UNITED**LABELS France (€ 114 thousand; prev. year: € 34 thousand), as well as House of Trends europe GmbH (€ 132 thousand; prev. year € 172 thousand). These inventories comprise finished goods within the categories of textiles, giftware and soft toys. Net merchandise inventories (total inventories less merchandise already sold) rose by € 502 thousand, thus amounting to € 5,293 thousand (prev. year: € 4,791 thousand) in the financial year under review.
Inventories are not restricted by third-party rights.

5. Trade receivables

Trade receivables rose by € 2,569 thousand year on year, from € 13,205 thousand to € 15,774 thousand. This item includes prepayments for inventories totalling € 89 thousand (prev. year € 20 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:

Fälligkeit	Receivables in 2010 €'000	Receivables in 2009 €'000
Not due	13,916	10,005
Due		
due for 0 – 30 days	779	1,949
due for 30 – 60 days	169	481
due for 60 – 90 days	145	159
due for more than 90 days	765	611
	15,774	**13,205**

There was an allowance for uncollectible accounts of € 596 thousand (prev. year: € 544 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 2010, receivables had to be written down by € 241 thousand. In particular, write-downs were required with regard to the insolvency of the German Arcandor Group, comprising Karstadt and Quelle.

Effective from autumn 2010, the parent company as well as Colombine bvba, Belgium, have been selling their receivables associated with a selected group of key accounts to a factoring company. On average, the figure corresponds to approx. 80 % of the total receivables attributable to these two companies. The receivables attributable to these key accounts are sold in full and irrevocably. However, the factoring company is entitled to a retention of 15 % of the respective invoice amount. It is transferred to the parent company only once the customer has settled the account or when said customer is demonstrably insolvent. 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 15 % of the amount payable until the account receivable has been settled, a receivable payable by the factor is recognised under trade and other receivables. Initially, business relations with the factoring agency had been 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. However, in view of significant growth, business relations were subsequently resumed.

6. Other assets

This item mainly includes receivables from the factoring agency in Germany and Belgium, as well as a loan granted to Montesquieu Finances SAS, France. In addition, prepaid expenses in the amount of € 124 thousand (prev. year: € 191 thousand) were recognised within this item.

7. Cash and cash equivalents

Cash and cash equivalents increased from € 3,695 to € 5,468 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:

		31/12/2010			31/12/2009	
€'000	**Gross value**	**less impairment**	**Net value**	**Gross value**	**less impairment**	**Net value**
Trade and other receivables	16,370	596	15,774	13,749	544	13,205

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 2010 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 Man-agement 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).

The General Meeting of Shareholders held on 19 May 2010 resolved that the authorisation granted on 15 May 2009 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 18 May 2015. This right was not exercised during the financial year under review. As at 31 December 2010, 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 and unappropriated surplus were as follows:

	€'000
Balance at 01/01/2010	4,875
Profit for the year 2010	1,068
	5,943

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

Consolidated earnings per share	2010	2009
basic	0.26 €	(0.93) €
diluted	0.26 €	(0.93) €
Weighted average shares outstanding		
basic	4,153,801	4,153,801
diluted	4,153,801	4,153,801

Consolidated earnings per share amounted to € 0.26 (prev. year: € -0.93), calculated by dividing the net profit of € 1,068,225.97 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 € 1,470 thousand (prev. year: € 1,198 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 bene-fits known at the reporting date, expected future increases in these factors are taken into ac-count. 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).

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

Actuarial Assumptions	2010	2009
Interest rate	4.80 %	5.30 %
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 pen-sion increases:

Change in defined benefit obligation	**2010 (in €)**	**2009 (in €)**
DBO at 01/01	1,197,885	919,468
Service cost	62,215	50,545
Interest cost	63,488	55,168
Actuarial gains	(146,223)	(172,704)
– of which from experience adjustments	42,569	37,181
– of which from changes in actuarial assumptions	(188,792)	(209,885)
DBO at 31/12	**1,469,811**	**1,197,885**

As in the previous year, there were no plan assets in the 2010 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:

	2010 (in €)	**2009 (in €)**
Funded status	1,469,811	1,197,885
Unrecognised actuarial losses	399,014	260,615
Provisions for pensions	**1,070,797**	**937,270**

The following table presents changes in pension provisions:

Change in provision for pensions	**2010 (in €)**	**2009 (in €)**
Provisions for pensions at 01/01	937,270	831,557
Net pension cost	133,527	105,713
Provisions for pensions at 31/12	**1,070,797**	**937,270**

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 com-posed of the following items:

Net pension cost	2010 (in €)	2009 (in €)
Service cost	62,215	50,545
Interest cost	63,488	55,168
Amortisation of actuarial gains/losses	7,824	0
Net pension cost	**133,527**	**105,713**

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

	31/12/2010 €	31/12/2009 €	31/12/2008 €	31/12/2007 €	31/12/2006 €
Present value of the obligation	1,469,811	1,197,885	919,468	927,334	1,052,499
Plan assets	0	0	0	0	0
Funded status	1,469,811	1,197,885	919,468	927,334	1,052,499
Experience adjustments	42,569	37,181	35,647	(94,334)	65,501

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01/01/2010 €'000	Reversed €'000	Utilised €'000	Allocated €'000	Balance at 31/12/2010 €'000
Other provisions	60	0	(40)	40	60
Provision for contingent losses from goods returned	195	0	(195)	765	765
Litigation	628	(139)	(180)	0	309
Total provisions	**883**	**(139)**	**(415)**	**805**	**1,134**

Other provisions relate to fees in respect of licences and licence assessments. Within this context, a total of € 40 thousand was utilised as part of licence assessments in 2010; new provisions were recognised in the same amount. The provision for contingent losses from goods returned has been recognised because specific customers have the right to rescind the contract and return the goods. The amount of the provision is based on an assessment made by management or on available data relating to sales volumes. In 2010 the provisions existing from 2009 were fully utilised; a provision of € 765 thousand in respect of new risks was recognised. Sales revenues were reduced by the corresponding amount. The provisions recognised in connection with litigation relate in particular to a potential contract penalty equivalent to € 286 thousand. As a legal dispute relating to Colombine, Belgium, was concluded, € 139 thousand in provisions were reversed; an amount of € 180 thousand was utilised. The Company anticipates that all provisions can be categorised as being 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:

2010	Total amount	Remaining Term up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	9,793	6,883	1,307	1,603	2,977	Land charges
2. Trade and other payables	11,376	10,949	426	0	0	
	21,169	**17,832**	**1,733**	**1,603**	**2,977**	

2009	Total amount	Remaining Term up to 1 year	to 1 and 5 years	more than 5 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**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 Dec. 2010 and 31 Dec. 2009:

in €'000	Carrying amount 31/12/2010	Cash flows 2011			Cash flows 2012			Cash flows 2013–2015			Cash flows 2016 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
Loans payable to banks	3,245	145	0	335	131	12	337	311	0	970	454	0	1,603

in €'000	Carrying amount 31/12/2009	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
Loans payable to banks	3,752	147	12	775	136	0	275	339	0	825	544	0	1,877
Loans payable to other lenders	565	17	0	565	0	0	0	0	0	0	0	0	0

There were no foreign exchange forward contracts or interest rate swaps as at the reporting date. The effective interest rates for long-term 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 € 76 thousand (prev. year: € 75 thousand) is attributable to liabilities relating to social security and € 255 thousand (prev. year: € 476 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 31/12/2010	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/2010
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	5,468	5,468					5,468
Trade receivables	15,684	15,684					15,684
Receivables from factoring company	2,010	2,010					2,010
Liabilities	FLAC						FLAC
Trade payables	10,621	10,621					10,621
Finance lease liabilities in accordance with IAS 17	0	0					0
Payables to banks	9,793	9,793					9,793
Of which aggregated by measurement category according to IAS 39:							
Loans and Receivables (LaR)	23,162	23,162					23,162
Financial Liabilities Measured at Amortised Cost (FLAC)	20,414	20,414					20,414

Carrying amount 31/12/2009	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/2009
	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
LaR						LaR
3,694	3,694					3,694
12,936	12,936					12,936
396	396					396
FLAC	FLAC					FLAC
7,168	7,168					7,168
0	0					0
8,175	8,175					8,175
17,026	17,026					17,026
15,343	15,343					15,343

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.

Effective from autumn 2010, the parent company in Münster as well as Colombine bvba, Belgium, have been selling their receivables associated with a selected group of key accounts to a factoring company. On average, the figure corresponds to approx. 80 % of 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 15 % of the respective invoice amount. It is transferred 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. There were no foreign exchange forward contracts as at the reporting date.

14. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2010 €'000	Total 2009 €'000
Orders to suppliers	8,734	2,032
Leasing agreements	193	142
Rental agreements	4,499	2,411
	13,426	**4,585**

Of these obligations, an amount of € 9,810 thousand (prev. year: € 2,751 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 Barcelona, Hamburg and Düsseldorf.

Das Unternehmen hat zum Bilanzstichtag keine Sicherheiten erhalten und im Rahmen des Logistikcenterbaus Grundschulden in Höhe von T€ 5.600 an die Volksbank Münster gegeben. Zusätzlich wurden der französischen Embassy SAS, an der die Gesellschaft mittelbar zu 45 % beteiligt ist, eine Bürgschaft für Bankkredite in Höhe von T€ 1.300 gestellt.

15. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to € 193 thousand (prev. year: € 142 thousand).

Maturity within 1 year:	€ 81 thousand (prev. year: € 87 thousand)
Maturity 1-5 years:	€ 112 thousand (prev. year: € 55 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 € 87 thousand (prev. year: € 91 thousand).

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to € 4,499 thousand (prev. year: € 2,411 thousand) in total.

Maturity within 1 year:	€ 1,014 thousand (prev. year: € 658 thousand)
Maturity 1-5 years:	€ 3,485 thousand (prev. € 1,753 thousand)

16. Statement of cash flows

The statement of cash flows 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 € 46 thousand (prev. year: € 120 thousand), while those attributable to interest payments were € 742 thousand (prev. year: € 474 thousand). Interest received amounted to € 84 thousand (prev. year: € 71 thousand).

17. Segment reporting

Reporting format

Segment reporting covers the segments "Special Retail" and "Key Account". Segment data derived from internal reporting was as follows:

2010

€'000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	18,145	40,557		58,702
Segment expenses	(14,742)	(33,443)	(3,296)	(51,481)
Depreciation/amortisation	(2,038)	(3,041)	(172)	(5,251)
Segment result	**1,365**	**4,073**	**(3,468)**	**1,970**
Net finance cost				(658)
Result from at-equity investment				17
Result from ordinary activities				**1,329**
Taxes				(261)
Consolidated profit/loss				**1,068**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	14.2	21.4	16.6	52.2
Segment liabilities	4.3	9.0	10.3	23.6
Capital expenditure	1.2	3.8	0.1	5.1

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 (income)				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

There were no segment revenues or expenses between the individual segments. In accordance with IFRS 8.34, we draw attention to the fact that revenues attributable to a major customer within the Key Account segment amounted to € 6,735 thousand in 2010, which represents more than 10 % of the Group's total sales revenue.

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	2010 €'000	2009 €'000
Germany	18,621	16,111
Iberian Peninsula	20,396	10,493
France	7,707	6,410
Rest of the World	11,978	7,246
Group	**58,702**	**40,260**

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

Total assets	2010 €'000	2009 €'000
Germany	31,983	29,364
Iberian Peninsula	12,872	9,623
France	1,446	1,066
Rest of the World	5,901	6,332
Group	**52,202**	**46,385**

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

Capital expenditure	2010 €'000	2009 €'000
Germany	2,049	2,818
Iberian Peninsula	3,071	689
France	0	0
Rest of the World	1	4
Group	**5,121**	**3,511**

18. Capital management

The principal aim of capital management is to control cash resources within the Group in line with specific requirements, which includes the selection and coordination of financing sources.

The objective is to provide the requisite funds at the lowest cost possible.

Within this context, borrowing and lending rates are used as key criteria for management.

The overall volume of financial resources under management amounts to roughly € 8 million.

For this purpose, capital management has access to daily and monthly reports with gap analyses.

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 2010 financial year, the average euro/US dollar exchange rate was € 1 = US$ 1.3280 (prev. year: € 1 = US$ 1.3950). **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 € 19.9 million in absolute terms. If the average exchange rate had been € 1 = US$ 1.25, the cost of goods sold would have been € 1.2 million higher; if the average exchange rate had been € 1 = US$ 1.40, the cost of goods sold would have been € 1.0 million lower.

Trend relating to cotton prices

In view of the growing proportion of textile items within the Group's overall product portfolio, movements relating to the price of cotton have become of greater significance. The price of cotton rose from 69 US cents per pound at the beginning of the year to a high of 157 US cents on 21 December 2010. This represents an increase of 128 %, only part of which was passed on to customers over the course of the year. This, in turn, affected the Company's profit margin. The Company endeavours to secure its individual order-specific costings at an early stage by entering into binding supply contracts or by establishing letters of credit.

Licences

As a licensee, **UNITED**LABELS exploits the proprietary rights of third parties. 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 € 2,478 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 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 2010, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	2010	2009
Current account	7,350	4,850
Long-term loans	3,127	3,902
Bills of exchange	1,940	2,705
Letters of credit	7,000	6,767

Additionally, in autumn 2010 business relations were resumed with a factoring company that operates on behalf of **UNITED**LABELS AG and the Belgium company Colombine bvba. The maximum drawing limit is € 15.0 million.

UNITEDLABELS AG has provided financial guarantees for the French company Montesquieu Finances SAS amounting to € 1.3 million.

Interest rates

UNITEDLABELS secures long-term loans by means of fixed interest rate arrangements. Depending on the loan, the effective interest rate lies between 3.5 and 5.8 %. Therefore, the impact of changing interest rates on the overall commercial situation of **UNITED**LABELS would be negligible.

Other risks

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 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 is aimed principally 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.

	2010		2009	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	58,357	99	40,092	100
Services	345	1	168	0
	58,702	**100**	**40,260**	**100**

2. Cost of materials

The materials-expense ratio fell by 2.0 percentage points from 64.8 % to 62.8 %. In absolute terms, however, costs rose from € 26,075 thousand to € 38,865 thousand due to higher sales revenue. In the previous financial year, the materials expense ratio had increased as a result of extensive inventory write-downs in Germany.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they increased from € 3,219 thousand to € 4,639 thousand.

4. Other operating income

This item mainly comprises income from exchange differences in the amount of € 257 thousand (prev. year: € 224 thousand) and income from the reversal of provisions of € 243 thousand (prev. year: € 21 thousand).

5. Staff costs

Staff costs rose from € 6,203 thousand to € 6,550 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

Depreciation of property, plant and equipment, and amortisation of intangible assets amounted to € 613 thousand in 2010 and were related solely to systematic depreciation/amortisation. In the previous year, this item had also included a total of € 1,856 thousand attributable to goodwill impairments.

The 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 € 4,693 thousand (prev. year: € 3,422 thousand) and rental expense amounting to € 1,161 thousand (prev. year: € 1,188 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of € 241 thousand (prev. year: € 127 thousand).

8. Finance income and finance cost

Interest expense amounted to € 742 thousand (prev. year: € 474 thousand) and relates mainly to long-term loans, short-term use of overdraft facilities, notes payable and factoring. Interest income amounted to € 84 thousand (prev. year: € 86 thousand). Net finance cost also includes income of € 17 thousand (prev. year: € 57 thousand) attributable to the 45 % interest held in the French Montesquieu Group.

9. Taxes on income

This item is composed of the following:

	2010 €'000	2009 €'000
Current tax expense	172	50
Deferred tax expense/income	89	(595)
Total income tax expense	**261**	**(545)**

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

	2010 €'000	2009 €'000
Consolidated result before income taxes	1,329	(4,403)
Applicable tax rate in %	31.23	31.23
Expected tax expense	415	(1,381)
Difference to foreign tax on income	9	0
Tax effect of non-deductible expenses	69	645
Tax effect of non-taxable income	(29)	(48)
Reversal of impairment losses for deferred tax assets	(177)	0
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	(12)	(9)
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	47	177
Taxes attributable to other periods	(4)	71
Current tax expense	(57)	0
Current tax rate	**261**	**(545)**
Consolidated result before income taxes	**19.6**	**0**

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.

E. Other Notes and Information

1. 1. Governing bodies

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

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

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 mem-bers of the Supervisory Board received variable compensation which is calculated on the basis of 0.25 % of consolidated net profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. Variable compensation amounted to € 7 thousand in 2010 (prev. year: € 0 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. No shares are held by Mr. Michael Dehler and Mr. Dr. Jens Hausmann.
In addition to the duties performed for **UNITED**LABELS Aktiengesellschaft, the following Super-visory 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, Senden; Chairman of the Supervisory Board
- Prof. Dr. Helmut Roland:
  FR Finance Relations AG, St. Gallen (CH); President of the Board of Directors
- The Management Board consists of:
  Mr. Peter Boder, Diplom-Kaufmann, Münster (Sole Director)

Management Board compensation totalled € 448 thousand (previous year: € 368 thousand). The Management Board's compensation 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. The fixed compensation component for the 2010 financial year was € 368 thousand; a provision of € 80 thousand was recognised for the variable component of compensation. 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 issued by Mr. Peter Boder to **UNITED**LABELS AG on 31 October 2005, which was published accordingly, the following shareholdings were disclosed: I hereby inform the company that I hold 2,630,000 shares in **UNITED**LABELS AG as at the date of this notification. No notifications of changes have been received since that date.
Determined on the basis of IAS 19 requirements, an amount of € 134 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 € 1,071 thousand.

As from the age of 65, Mr. Peter Boder is entitled to a monthly old-age pension of € 17,500.00 and an invalidity pension in the same amount (as from 1 July 2006 it increases by 2 % calculated in relation to the prior-year pension), as well as a widow's allowance equivalent to 60 % of the applicable old-age pension and an orphan's allowance. The agreed benefit package includes a guaranteed adjustment of the current pension in an amount of 2 % in relation to the prior-year pension.

2. Number of employees

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

	2010	2009
Salaried staff	149	120
School-leaver trainees	4	5
	153	**125**

On average, 132 people were employed during the financial year under review (prev. year: 132).

3. Corporate Governance

In accordance with Section 161 AktG, the Company issued a Declaration of Conformity as re-gards the German Corporate Governance Code (GCGC) and made it permanently available to its shareholders on the corporate website at http://www.unitedlabels.com/investor-relations/corporate-governance.

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: € 95 thousand). This figure only includes costs attributable to auditing; no consulting services were received in the period under review.

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 2010, the amount received was € 80 thousand (prev. year: € 80 thousand).

In 2008, a loan of € 1,218 thousand, in the form of a conversion of receivables, was granted by **UNITED**LABELS AG 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 €408 thousand. In the 2009 financial year, **UNITED**LABELS AG granted a loan of € 545 thousand to Montesquieu Finances SAS, the outstanding amount of which was € 373 thousand at the end of the reporting period. Additionally, **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 € 3,951 thousand in total (prev. year: € 4,124 thousand), while current receivables stood at € 3,660 thousand (prev. year: € 3,411 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, 22. March 2011
UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder

Responsibility Statement

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

Münster, 22 March 2011
UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder

F. Auditor's Report

We have audited the consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, Münster, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2010. 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 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 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 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 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 2011
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaf

(Peter Weiler)
German Public Accountant

(ppa. Dr. Michael Wittekindt)
German Public Accountant

SEPERATE FINANCIAL STATEMENTS OF UNITED LABELS AG

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UNITEDLABELS **Aktiengesellschaft, Münster**

Income Statement for the period from 1 January to 31 December 2010

	2010 €	2009 €
1. Sales revenues	29,596,938.32	23,372,504.76
2. Cost of purchased goods	(21,562,302.11)	(17,869,853.77)
3. Amortisation of usufructuary rights	(2,333,737.98)	(2,337,399.85)
	5,700,898.23	**3,165,251.14**
4. Other operating income	2,548,825.16	1,190,242.29
5. Staff costs		
a) Wages and salaries	(3,321,398.74)	(3,150,086.16)
b) Social security, post-employment and other employee benefit costs	(518,139.47)	(556,502.44)
6. Amortisation and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment	(330,183.86)	(1,692,683.09)
7. Other operating expenses	(3,414,200.88)	(3,168,937.63)
	665,800.44	**(4,212,715.89)**
8. Income from investments	32.594,08	277,765.67
9. Other interest and similar income	283,560.31	237,216.24
10. Write-down of long-term financial assets and securities classified as current assets	0.00	(1,700,000.00)
11. Interest and other expenses	(293,787.67)	(232,690.10)
12. Result from ordinary activities	**688,167.16**	**(5,630,424.08)**
13. Extraordinary expenditure = extraordinary result	(39,742.73)	0.00
14. Reimbursed taxes on income	0.00	54.00
15. Other taxes	(11,191.90)	(13,482.97)
16. Net income	**637,232.53**	**(5,643,853.05)**
17. Unappropriated retained earnings brought forward from the previous year	0.00	483,486.32
18. Allocation of capital reserves	0.00	5,190,396.08
19. Withdrawals from revenue reserves (Prev. year: allocation revenue reserves)	46,199.00	(30,029.35)
20. Unappropriated surplus	**683,431.53**	**0.00**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2010

ASSETS	31/12/2010 €	31/12/2009 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,767,374.38	2,333,035.58
2. Goodwill	0.00	0.00
	1,767,374.38	**2,333,035.58**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	4,547,862.52	4,778,786.74
2. Technical equipment and machinery	24,773.46	31,408.87
3. Other equipment, operating and office equipment	472,623.64	450,477.73
4. Prepayments and assets under construction	0.00	10,000.00
	5,045,259.62	**5,270,673.34**
III. Long-term financial assets		
1. Investments in affiliated companies	7,644,377.01	7,643,119.43
2. Loans to affiliated companies	2,250,550.69	2,424,205.69
3. Other long-term equity investments	550,000.00	550,000.00
	10,444,927.70	10,617,325.12
	17,257,561.70	**18,221,034.04**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	4,035,583.26	3,907,454.51
2. Prepayments	29,606.00	8,213.26
	4,065,189.26	**3,915,667.77**
II. Receivables and other assets		
1. Trade receivables	4,298,720.55	3,282,161.11
2. Receivables from affiliated companies	2,604,820.29	3,154,319.00
3. Receivables from et-equity investments	373,137.50	566,540.00
4. Other current assets	3,406,475.15	1,782,718.33
	10,683,153.49	**8,785,738.44**
III. Securities		
Treasury shares	0.00	113,649.54
IV. Cash, bank deposits, cheques	**4,651,492.15**	**2,503,190.17**
	19,399,834.90	**15,318,245.92**
C. Prepaid expenses		
I. Prepaid expenses	**199,116.60**	**183,674.33**
Assets, total	**36,856,513.20**	**33,722,954.29**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2010

EQUITY AND LIABILITIES	31/12/2010 €	31/12/2009 €
A. Equity		
I. Issued capital	**4,200,000.00**	**4,200,000.00**
Nominal value of own shares	(46,199.00)	
	4,153,801.00	
II. Capital reserves	**19,241,162.21**	**19,241,162.21**
III. Revenue reserves		
1. Reserves for treasury shares	0.00	113,649.54
2. Other revenue reserves	250,000.00	250,000.00
IV. Unappropriated surplus	**683,431.53**	**0.00**
	24,328,394.74	**23,804,811.75**
B. Provisions		
1. Provisions for pensions and similar obligations	778,117.73	618,636.00
2. Provisions for taxes	0.00	0.00
3. Other provisions	3,044,843.95	1,677,718.43
	3,822,961.68	**2,296,354.43**
C. Liabilities		
1. Payables to banks	4,512,551.59	3,751,747.97
2. Trade payables	3,025,716.41	2,759,058.06
3. Trade payables to affiliated companys	892,941.84	0.00
4. Other liabilities	273,946.94	1,110,982.08
	8,705,156.78	**7,621,788.11**
Total equity and liabilities	**36,856,513.20**	**33,722,954.29**

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 advisor 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

Markus Landmann
Head of
Operations

Holger Pentz
Head of Finance
and Human Resources

Frank Zollner
Business Manager
House of Trends

Jason Kam
General Manager
UL Hongkong

IMPINT

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Legal Disclaimer

This report contains judgements and estimates as well as forward-looking statements that reflect the current views of the management of **UNITED**LABELS AG and its subsidiaries with respect to future events and expectations. Although these forward-looking statements, judgements and estimates are based on current plans, they may nevertheless be subject to risks and uncertainties that are often difficult to predict and are generally beyond the control of **UNITED**LABELS AG. If these or other risks or uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, the actual results pertaining to **UNITED**LABELS may differ materially from those expressed or implied by such statements, expectations or judgements. **UNITED**LABELS AG does not plan to provide updated information relating to its forward-looking statements, expectations or judgements. Furthermore, to the extent that this is permissible under the law, **UNITED**LABELS AG disclaims any liability for such statements, expectations or judgements and forecasts.

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

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

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

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1987
· Founding of **Duke** GmbH

1991
· Founding of **UNITED**LABELS 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 **UNITED**LABELS 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**

2010
· Founding of **UNITED**LABELS Polska

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