ANNUAL REPORT 2011

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)	**2011**	2010	2009	2008	2007	2006
Revenue	**59,558**	58,702	40,260	44,238	43,232	45,267
EBITDA*	**1,764**	2,584	-1,716	1,266	1,995	2,540
EBIT	**1,133**	1,971	-4,072	631	1,281	1,952
Net income	**539**	1,068	-3,858	769	397	1,482
Operating Cash flow	**3,448**	5,935	4,169	7,111	2,268	7,375
Net income per share (€)	**0.13**	0.26	-0.93	0.19	0.10	0.35
Dividend (€)	**–**	0.15	–	0.20	0,20	0.20
Dividend yield (%)	**3.5%**	–	–	7.6%	4.9%	3.4%
Liquidity	**1,570**	5,468	3,694	4,986	4,781	4,486
Equity	**28,524**	28,637	27,680	32,450	32,743	33,442
Equity ratio (%)	**53%**	55%	60%	61%	61%	65%
Net debt	**8,687**	4,325	4,481	3,963	5,385	1,587
Total assets	**53,492**	52,202	46,385	53,052	53,359	51,850
Bookvalue per share (€)	**6.79**	6.82	6.59	7.73	7.80	7.96
Shareprice per year end (€)	**3.14**	4.28	2.46	1.95	3.54	5.05
Market capitalization	**13,188**	17,976	10,332	8,190	14,868	21,210
Staff member (average)	**152**	132	132	139	131	122
Revenue per staff member	**392**	445	305	318	330	371

*incl. amortisation of usage rights

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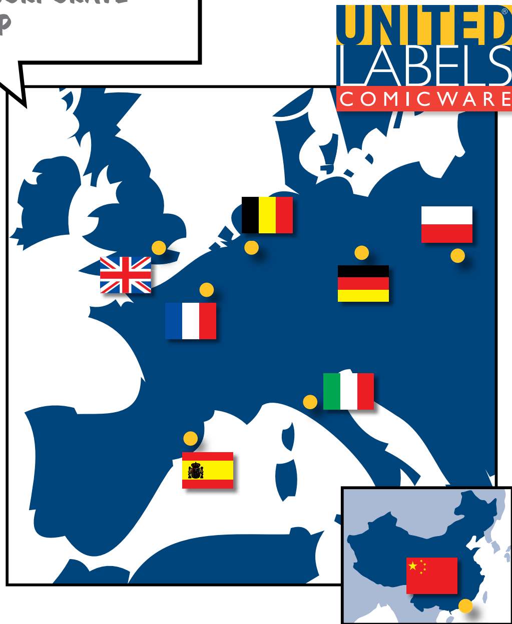
UNITEDLABELS AG…

… is one of the leading European specialists for licensed merchandise featuring cartoon/comic book and other characters. Partners of the independent Münster-based media company include the licensors of some of the world's biggest media and entertainment companies such as Disney and 20th Century Fox. With well-established classics like Mickey Mouse, Snoopy and Looney Tunes that have been around for decades and more recent stars such as the Simpsons and SpongeBob Squarepants, **UNITED**LABELS reaches all age groups in the European licensed product market.

THE CORPORATE GROUP

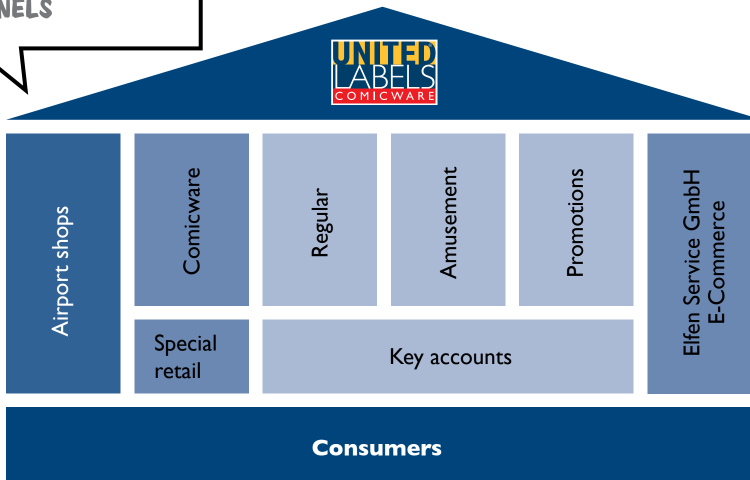


- Over 4,500 customers
- Over 52,000 sales outlets
- Over 60 million items sold annually
- Over 100 licences covering more than 200 characters
- Over 25 sales regions in Europe
- Over 20 years of licensing expertise

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

OUR AIRPORT SHOPS

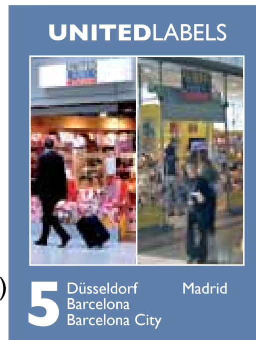
UNITEDLABELS currently operates 9 airport shops all over Europe at well-frequented international airports:

Düsseldorf Airport (18.98 million passengers/year)
- 1 Ferrari Store
- 1 **UNITED**LABELS Airport Store

Barcelona Airport (31.98 million passengers/year)
- 3 FC Barcelona Airport Stores (2 in Terminal 1,1 in Terminal 2)
- 1 **UNITED**LABELS Airport Store
- 1 **UNITED**LABELS Store in Maremagnum

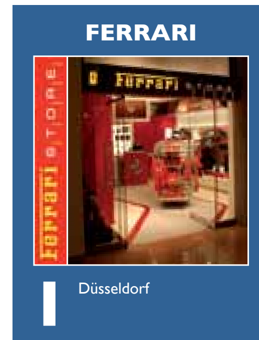
Madrid Barajas Airport (46.04 million passengers/year)
- 2 **UNITED**LABELS Airport Stores

UNITEDLABELS



5 Düsseldorf, Barcelona, Barcelona City, Madrid

FERRARI



1 Düsseldorf

FC BARCELONA

3 Barcelona

Other shops are planned at airports with more than 30 million passengers per year.

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

International trade fair appearances

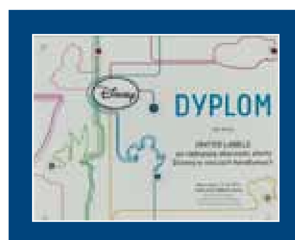
UNITEDLABELS makes appearances at trade fairs in the world's major business cities (including Intergift in Madrid, Nuremberg's International Toy Fair and the Toys & Games Fair in Hong Kong). **UNITED**LABELS uses these events to showcase entire licensed product ranges for the trade sector and thereby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

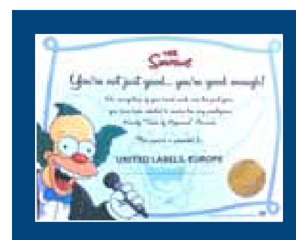
TOY FAIR

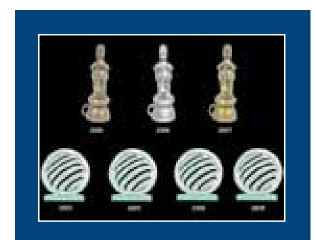
INTERGIFT

etc.

OUR AWARDS







In the year 2011, UNITEDLABELS AG received two international awards. In June, the company was presented with the "Krusty Seal of Approval Award" by Twentieth Century Fox at the Las Vegas Licensing Show, while at the international "Disney Day 2011" in Warsaw, UNITEDLABELS AG was the proud recipient of the "Disney Dyplom". In the preceding years, the company received a host of international accolades – including the "International Homey Award" in gold, silver and bronze, the "Golden Pencil" and also, on several occasions, the "LIMA Award".

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

Dear Shareholder,

Group revenue generated by **UNITED**LABELS AG rose to € 59.5 million in the 2011 financial year – the highest ever in our company's 25-year history. Consolidated profit for the year stood at € 0.5 million, which corresponds to earnings of € 0.13 per share.
As in the previous year, growth was again driven by the Key Account segment. In this segment, sales revenue increased by 9 % to € 44.2 million. Key Account business in Germany provided significant impetus, with **UNITED**LABELS again having successfully completed large-scale sales campaigns within this area. Within this context, sales were propelled forward in particular by our new textile and clothing collections launched in 2011. Elsewhere, Spain also recorded growth in sales within the Key Account segment. As has already been the case in Germany, the Spanish market saw a significant shift away from specialty retail towards key account business.

The Special Retail segment recorded a decline in revenue by 15 % to € 15.4 million. The contraction in business within this area was attributable primarily to the „Patito Feo" licence, which lost its attraction throughout the Spanish and Italian media in the financial year just ended and thus also in the specialty retail market, having previously enjoyed significant success in 2010. Until now, this highly successful licence has been replaced only partially by other merchandise licences. Sales performance within this segment also had a major impact on the Group's profit for the year, which at € 0.5 million (prev. year: € 1.1 million) was noticeably down on the previous year's result.
In view of this situation, **UNITED**LABELS is focusing in particular on high-revenue wholesale business in Spain as well as other southern European countries, the Benelux region and eastern Europe. Against this backdrop, the Key Account segment was and continues to be the key growth driver for **UNITED**LABELS. The Group's objective is to stabilise its profit margin within this area and attract additional retail partners in Europe.
Economic conditions in the year under review favoured the parent company in Germany. Benefiting from a more expansive economy and buoyant consumption, sales continued to rise over the course of 2011. By contrast, business performance at the regional companies was dominated by the euro crisis and ongoing recessionary fears. Revenue from sales generated in Spain, for instance, fell by 16 % – a situation compounded by the demise of the licence that had proved so popular in the previous year; sales in Italy, meanwhile, plunged by 22 %. Elsewhere, we saw a slight expansion in business as regards **UNITED**LABELS Hong Kong and our French subsidiary as well as the entire eastern European market.
The airport shops underwent strategic realignment in the period under review, the aim being to further optimise business performance within this area. To this end, the shops at Hamburg Airport and Málaga Airport were closed. The annual number of passengers using these airports proved too low, as a result of which revenue from sales at these locations failed to meet our expectations. With this in mind, new store openings are to be restricted to airports with higher passenger throughput. In total, the number of **UNITED**LABELS shops, Ferrari brand stores and Spanish-based FC Barcelona fan shops stood at seven. Two new stores were opened in Madrid in January 2012. The overriding objective of these measures is to lift revenues and, in particular, earnings by a significant level. Sales revenue generated by the airport shops amounted to € 7.0 million in total, which represents growth of 184 %.
The licence highlights for the year under review were „Cars 2", „The Smurfs" and „Tintin". Thanks to new movie launches, they enjoyed wide coverage in the media. **UNITED**LABELS rolled out new textile and giftware collections for these and other well-known licences in the year under review. Looking ahead, our licence portfolio will be extended to include „Hello Kitty" in 2012 – one of Europe's most successful licences in terms of sales. Following the establishment of Open Mark United Labels GmbH, a 50/50 joint venture with Italy's Open Mark s.r.l., **UNITED**LABELS will also be in a position to market „Hello Kitty" merchandise. In addition, at the beginning of 2012 we unveiled several new collections featuring classics such as „The Simpsons", „Snoopy" and „SpongeBob", which have already been well received by the market.
Share performance was overshadowed by challenging economic conditions and volatile markets. Sluggishness throughout the stock markets was reflected in the shares of **UNITED**LABELS. The price of our stock fluctuated over the course of 2011, before closing the year at € 3.14. Having

teamed up with Close Brothers Seydler Bank as our new designated sponsor, our share price trended higher and trading volumes were up by a considerable margin compared to the previous months. Committed to transparency in our investor relations, more extensive online communication and an active contribution at investor conferences, we will again be looking to meet the essential capital market prerequisites for a fair valuation of our company's stock in 2012.

The financial year just ended proved to be extremely challenging. Despite the euro crisis and the concomitant downturn in the European market, **UNITED**LABELS managed to expand its sales and post a profit. We took advantage of the upswing in Germany's economy over the course of the year and will continue to pursue this route in the future. In southern Europe, meanwhile, we were impacted by the euro crisis and subdued consumer spending. Our main focus will be on improving our earnings performance through adjustments to our customer and product portfolio and a realignment of our airport shops.

In order to mitigate to the largest extent possible the risks emanating from the economy as a whole, we will be stepping up our efforts when it comes to growth. In the coming years, we plan to move forward as part of our „NextGen" – Next Generation programme. In addition to expanding profitability and improving the associated profit margins, the company will mainly be looking to achieve further expansion at an international level and capture an additional share of these markets. In this context, the focus within the existing areas of business will be on France, the Benelux countries and eastern Europe. We have already taken the biggest step forward with regard to our „NextGen" programme. The newly founded subsidiary Elfen Service GmbH will provide the Group with a suitable platform to extend its business model to include extensive e-commerce solutions for licensed products and toys. In order to provide the necessary room for manoeuvre in financial terms, the Management Board and Supervisory Board propose that the reported unappropriated surplus be carried forward to new account. The Managing Director and co-owner of the newly established company Elfen Service GmbH is Albert Hirsch, who previously held the position of Spokesman of the Management Board of buch.de Internetstores AG.

I would like to take this opportunity to thank all our business partners and, in particular, our staff for their committed contributions. My gratitude also goes to our shareholders for their continued trust.

Münster, March 2012

Peter Boder
CEO

© Disney

DR. JENS HAUSMANN
CHAIRMAN OF THE
SUPERVISORY BOARD

Report by the Supervisory Board

In the financial year just ended, the Supervisory Board was primarily concerned with the company's competitive situation and market position. The Management Board informed the Supervisory Board as to plans, developments, opportunities and threats (and any changes thereto) within the market environment of the company and the Group, and the two bodies discussed these points in detail. The 'Next Gen' project, and the associated entry into the e-commerce business area during the second half of the year, were particularly significant topics. The opportunities and effects of this business model for the company and the Group were discussed at a number of Supervisory Board meetings, including one extraordinary meeting devoted to the topic. In the course of planning for the year ahead and several years into the future, the Supervisory Board specifically requested that financing for the expansion of e-commerce business be taken into account and incorporated into liquidity planning through the ELFEN project. The Supervisory Board approved the founding of Elfen Service GmbH with a view to implementing the project as well as the appointment of Mr. Albert Hirsch as the company's Managing Director and his investment in Elfen Service GmbH under company law.

Monitoring the development of airport shops run by the Spanish subsidiary United Labels Iberica S.A. was another focus of Supervisory Board activity in the financial year under review. The implementation of compliance management within the company and the corporate group was particularly important.

At its meeting in December, the Supervisory Board reviewed and adjusted the fixed salary of CEO Peter Boder as scheduled, taking into consideration the development of the company and the general price trend.

Mr. Michael Dehler resigned his post as a Supervisory Board member in the course of the 2011 financial year. The remaining members of the Supervisory Board (Dr. Jens Hausmann and Professor Dr. Helmut Roland) join the Management Board in thanking Mr. Dehler for his consistently constructive contribution to the Board and the company's Audit Committee. Mr. Gert-Maria Freimuth was appointed as a Supervisory Board member for the period to the next Annual General Meeting on 4 October 2011.

At its meetings and outside the framework of meetings, the Supervisory Board approved the founding of United Labels Open Mark GmbH (a joint venture to market 'Hello Kitty' licensed products) along with various personnel measures, the conclusion of a lease agreement regarding rooftop utilisation of a photovoltaic system by Facility Management Münster GmbH and the acquisition of own shares in the company for distribution to employees of the company and subsidiary entities. During the past financial year 2011, the Board convened for five meetings (including the aforementioned extraordinary meeting). The Supervisory Board underwent another self-examination at its December meeting; Mr. Freimuth also took part in this meeting. The findings of the meeting were discussed, and no action was required regarding the new composition of the Supervisory Board. At this meeting, the Supervisory Board also addressed compliance with standards of sound and responsible corporate management in line with the Corporate Governance Code as amended on 26 May 2010. The Management Board has complied with the recommendations of the Code with the exception of certain aspects governed by company-specific considerations. In view of this, the Supervisory Board concurred with the Declaration of Conformity and the explanation for the deviations.

The Management and Supervisory Boards maintained their trust-based collaboration throughout 2011. The Management Board reported on major business transactions at Supervisory Board meetings, and also reported to the Supervisory Board chairman outside of meetings in specific circumstances; reports were communicated in writing and verbally. In all cases, members of the Supervisory Board received invitations to Supervisory Board meetings (along with meeting agendas, proposed resolutions and other documents required for preparation) well in advance of the meetings. Suitable preparation for meetings was ensured in all circumstances.

The Supervisory Board has set up an Audit Committee chaired by Professor Helmut Roland. Mr. Michael Dehler was also a member until stepping down from both the Supervisory Board and the Audit Committee. He was succeeded on the Supervisory Board by Mr. Gert-Maria Freimuth, who was also elected to the Audit Committee. The Audit Committee held two meetings. At the first of these, the Committee dealt with the financial and consolidated financial statements for 2010. The second meeting was convened for the purposes of the interim audit; focal points for the year-end audit of the

financial and consolidated financial statements as at 31 December 2011 were also determined by the auditor at this meeting. PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft of Düsseldorf was appointed as the auditing company by the Annual General Meeting of 24 May 2010. In the course of the interim audit, PricewaterhouseCoopers AG was primarily concerned with the methods and tools of liquidity planning within the framework of the risk management system, measures to safeguard the process of financial reporting, company loans to British subsidiaries, inventory valuation, the recoverability of company receivables, evaluation of the call option for shares in the holding company Embassy, the issues of compliance and fraud and exchange rate hedging in respect of dollar liabilities and PLN stock.

The auditor, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, audited the financial statements of the company compiled by the Management Board as at 31 December 2011, including bookkeeping, the consolidated financial statements, the Group management report and the related-party disclosure report. The topics outlined above formed the focal points of the audit and the interim audit. PricewaterhouseCoopers AG raised no objection to the annual financial statements and issued an unqualified audit opinion.

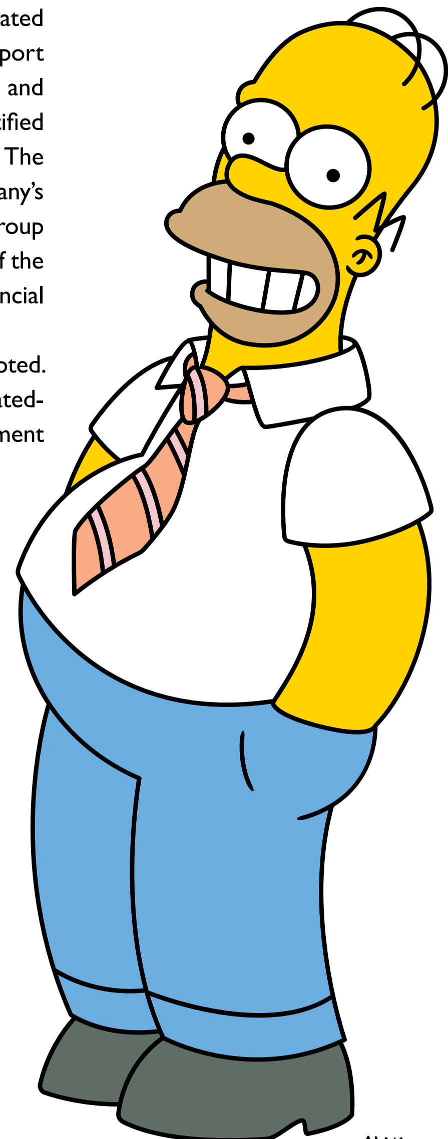
The auditor reported on the course and the findings of their audit at the meetings of the Audit Committee and the Supervisory Board devoted to discussion of the annual financial statements. At these meetings, the Management Board explained the annual financial statements and the consolidated financial statements and presented the combined management report and Group management report along with the related-party disclosure report. Questions put forward by the Audit Committee and the Supervisory Board were answered satisfactorily by the Management Board and the certified accountants carrying out the audit of the annual financial statements for the auditing company. The Audit Committee and the Supervisory Board also conducted an independent review of the company's annual financial statements and management report, the consolidated financial statements, the Group management report and the related-party disclosure report. They concurred with the outcome of the audit carried out by PricewaterhouseCoopers AG and approved the annual and consolidated financial statements for the 2011 financial year.

The company's annual financial statements for the 2011 financial year have thus 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 of the Management Board to carry forward the unappropriated surplus of € 213,488.30 to new account.

Münster, March 2012

On behalf of the Supervisory Board

Dr. Jens Hausmann
(Chairman)



THE SIMPSONS TM & © 2012 FOX

Corporate Governance Statement/ German Corporate Governance Code 2011

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. At their meeting in December, the Management Board and Supervisory Board carried out an extensive review of the German Corporate Governance Code; based on these deliberations, they passed a Declaration of Conformity in December 2011. 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, since 2011, shareholders have 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 and by-laws agreed by the Supervisory Board. 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 2011 financial year are provided in the Report of the Supervisory Board, which forms part of the 2011 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 transactions for the 2011 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. 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 http://www.unitedlabels.com/investor-relations/finanzkalender. **UNITED**LABELS 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 www.unitedlabels.com under the heading 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 the headquarters **UNITED**LABELS AG (Germany), as well as **UNITED**LABELS Belgium, N.V. (Belgium), **UNITED**LABELS Comicware Ltd. (Hong Kong), **UNITED**LABELS Ibérica, S.A.(Spain), **UNITED**LABELS Ltd. (England), **UNITED**LABELS France SAS (France), **UNITED**LABELS Italia Srl. (Italy), **UNITED**LABELS Polska Sp.o.o (Poland), House of Trends europe GmbH (Germany) and Elfen Service 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 www.unitedlabels.com/unternehmen/code-of-conducts .
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. Section 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. Section 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. Section 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. Section 5.3.1:

Depending on the specifics of the enterprise and the number of its members, the Supervisory Board shall form committees with sufficient expertise.
They serve to increase the efficiency of the Supervisory Board's work and the handling of complex issues. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.
The Supervisory Board comprises only three members. It has formed an Audit Committee. The Supervisory Board sees no need for further suitably qualified committees for the purpose of enhancing the efficiency of the Supervisory Board's work in respect of the company and specific circumstances, given the fact that the Supervisory Board is comprised of just three people.

5. Section 5.3.3:

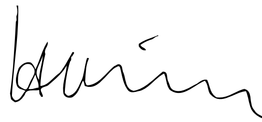
The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.
The Supervisory Board comprises only three members. They are elected exclusively by shareholders. The Supervisory Board therefore sees no need for the establishment of such a nomination committee.

6. Section 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. The members of the Supervisory Board shall on their own take on the necessary training and further education measures required for their tasks. They shall be supported by the company appropriately.

Paragraphs 2 and 3 of this recommendation were not complied with in the 2011 financial year. The composition of the Supervisory Board has to be suitably aligned with the interests of the company, the objective being to ensure that the Supervisory Board is in a position to monitor and advise the Management Board. Therefore, in selecting the candidates to be put forward for election by the General Meeting of Shareholders, the Supervisory Board restricts its decision-making to the professional and personal expertise of the candidates in question. For reasons of ensuring equal opportunities, other factors such as gender or nationality have been and continue to be of no significance to these proposals. Beyond these selection criteria, United Labels AG is of the opinion that the aspects detailed in Section 5.4.1 (2) of the Code, regarding the issue of which Supervisory Board candidates shall be put forward for election by the General Meeting of Shareholders, are generally worth taking into account, and the Supervisory Board will indeed take them into consideration when deciding on the respective proposals for the election of candidates, while closely observing the company-specific situation at the time of making this decision. However, at present the Company does not consider necessary the disclosure of concrete objectives. Consequently, the recommendations relating to the associated measures to be taken, as specified in Section 5.4.1 (3) of the Code, cannot be implemented. Since issuing the last Declaration of Conformity in December 2010, the Company has conformed with the Code in the version of 26 May 2010, with the exception of the deviations from the recommendations relating to Sections 3.8, 4.2.1, 4.2.2, 5.1.2, 5.3.1, 5.3.3 and 5.4.1.

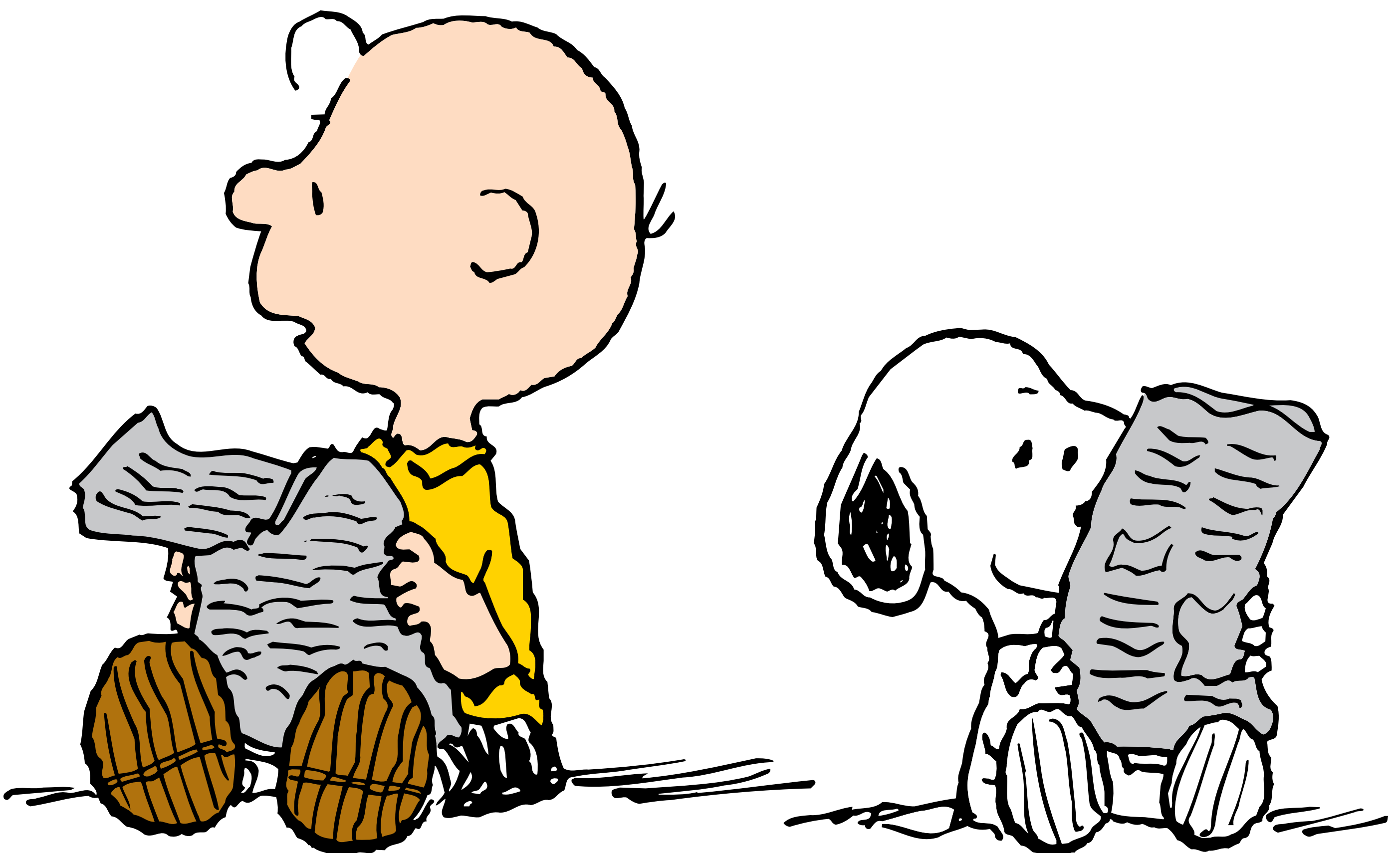
Münster, December 2011



The Management Board

The Supervisory Board

COMPANY AND GROUP MANAGEMENT REPORT



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UNITEDLABELS Aktiengesellschaft, Münster

Group Management Report for the Financial Year 2011

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5. **Risk Report on the Use of Financial Instruments**
6. **Disclosures pursuant to Section 315 (4) no. 2 and 5 HGB**
7. **Statement made under Section 312 AktG**

1. Business Report and Economic Situation

UNITEDLABELS AG is a German stock corporation (Aktiengesellschaft) that has been listed in the Prime Standard segment of the German Stock Exchange since 2000. The company has a total of ten of its own subsidiaries with key locations in Germany and Spain. The company is headed by one Chief Executive Officer, Mr. Peter Boder, and four senior managers. The Management Board is monitored by the Supervisory Board. The company markets apparel and giftware products featuring licensed cartoon/comic book figures via wholesalers, specialist retailers and its own retail stores. Essentially, the distribution area includes all European Union countries, where the company is one of the biggest of its kind. The company undertakes no research and development activities.

Against the backdrop of the prevailing economic conditions, the company's business performance was as follows.

The German economy again recorded strong growth in 2011. While the trend in the first three quarters was dynamic, its overall business performance in the final quarter of the year was slightly less buoyant. The reasons for this were primarily the uncertainty surrounding the debt situation of individual economies in the eurozone in particular. In addition, growth in Europe and other regions of the world slowed down significantly over that period. According to the German Federal Ministry of Economics, however, there are already some initial signs that the German economy is stabilising. The indications are that the slowdown will remain a temporary phase and the economy in Germany will soon be reinvigorated. Despite some key political milestones that had the effect of stabilising the debt crisis in the eurozone over the past few months, the risks surrounding the ongoing economic trend in Germany remain as high as before.

In the German market, which is central to the company's success, the ongoing upbeat consumer climate points to a stable long-term trend in expenditure on private consumption, even though sales by German retailers (not counting vehicle sales) in the final quarter of 2011 declined slightly (-0.7 %). However, the key underlying conditions for private consumption remain favourable in Germany. This applies in particular to positive trends in the labour market and the level of household incomes.

Gross domestic product (GDP) within the European Union, according to the latest forecasts, has once again slightly recovered, and rose by 1.5 % (compared to +1.7 % in the previous year). Germany, with growth of 3.0 % performed well within the upper range, behind Estonia (+7.5 %), Lithuania (+5.9 %) and Sweden (+3.9 %). Decreases were suffered by Greece on -6.8% and Portugal on -1.5 %, while a slight increase in GDP was experienced by France (+1.7 %), Italy (+0.2 %) and the United Kingdom (+0.8 %).
Factors affecting the buying power of **UNITED**LABELS AG are the exchange rate of the euro to the dollar, the trend in cotton prices and growing demands for quality products from both customers and the company itself.

The Group buys the majority of its goods in Asian countries and is therefore subject to US dollar exchange risks on the procurement side. The average exchange rate for the euro to the US dollar over the entire fiscal year under review was 1.392 (compared to 1.328 in the previous year) and the rate on the reporting date of 31 December 2011 was 1.296.

The price of cotton has more than quadrupled over the past two years. The price soared in the spring of 2011 to a peak of 215 US cents/pound – making cotton more expensive than it had been for decades. However, that rising trend halted in late spring. While the price over the whole year remained at an above-average level, the price of cotton sank by 30 December 2011 to 92 US cents/pound. Since those high costs could not be passed on to customers in full, the high average price of cotton had a negative effect on company margins.

The company's textile business was further expanded in the past fiscal year and is now the highest selling product line of the Group. New collections were developed and marketed particularly successfully to wholesalers and discount stores. In doing so, **UNITED**LABELS AG responded to the general trend in German consumer markets towards discounted goods.

Quality management of all manufactured products was also further enhanced in the past fiscal year. During the multi-step production process, samples are taken on a systematic basis and monitored by various recognised testing institutions to a standard well in excess of statutory requirements.

Within the European-wide licensing market, **UNITED**LABELS AG was able to further extend its leading position in the year 2011. The company continued to market high-profile, top-selling themes of licensors like Disney, Nickelodeon, Super RTL and Marvel. Other new, exclusive and promising themes (such as Tintin, Filly, Justin Bieber) were added to its broad licensed goods portfolio in 2011 and were already generating initial sales by the end of the fiscal year.

2. Financial Performance, Financial Position and Cash Flows

Financial performance

On the back of record sales achieved in 2010, revenue edged up further in the financial year under review. Group sales totalled € 59.6 million, which corresponds to year-on-year growth of 1.4 %.

While the Key Account segment expanded by 8.9 %, revenue generated from sales within the Special Retail segment contracted by 15.1 %. These two segments represent the supporting pillars of the business.

For the past two years the company has been focused on stepping up its textile business in Germany, in addition to expanding sales in Eastern Europe. It succeeded on both counts, extending its business within the textile category by 33 % and lifting sales in Eastern Europe by 9 % year on year. While the company is already ranked as one of the largest suppliers of licensed merchandise in Poland, its market presence in the other Eastern European countries remains relatively low.

In 2010, business in Spain and Italy, where the specialty retail sector is particularly strong, had been buoyed by the widespread appeal of one specific licence: the Argentinian TV series featuring „Patito Feo"; it was discontinued in 2011. The other licences within the portfolio were unable to compensate fully for the concomitant decline in revenue, as a result of which both Spain and Italy saw their revenues and earnings contract in the year under review.

Against this backdrop, the growth in revenue of 1.4 % achieved over the course of 2011 was attributable entirely to the Key Account segment, whose sales rose by 8.9 % in the year under review, up from € 40.6 million to € 44.2 million. Thus, the Key Account segment accounted for 74.1 % (prev. year: 69.1 %) of total sales revenue. Correspondingly, the proportion of sales generated within the Special Retail segment contracted from 30.9 % to 25.9 %. In absolute terms, the Key Account segment produced revenue of € 18.1 million, compared to € 15.4 million in the previous financial year.

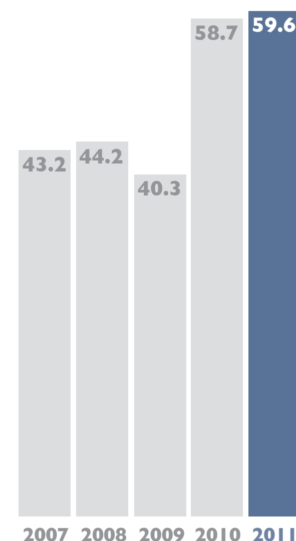
In regional terms, consolidated revenue from sales generated in Germany rose by 23 %. While sales in France were comparable to the previous year's figure, business in terms of revenue generated by the company declined by 16 % in Spain, 22 % in Italy and 28 % in Belgium.

The German parent company, **UNITED**LABELS AG, contributed external sales revenue (adjusted for intra-Group sales) of € 29.7 million (prev. year: € 23.1 million). Total revenue (before consolidation of internal revenues) attributable to **UNITED**LABELS AG and accounted for in its separate financial statements stood at € 34.7 million, up from € 29.6 million in the previous year.
The Spanish subsidiary saw its external sales contract by € 3.1 million compared to the previous year. Therefore, the proportion of Group sales attributable to **UNITED**LABELS Ibérica stood at 27 %, down from a share of 33 % recorded in the previous year.

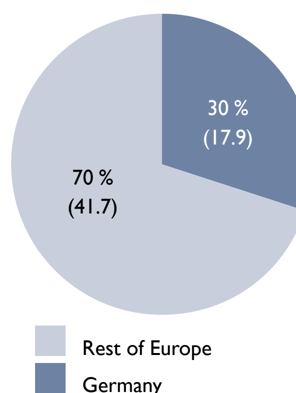
The cost of sales within the Group comprises material expenses as well as amortisation of usage rights for licences. In the 2011 financial year, the cost of sales stood at € 42.1 million (prev. year: € 41.5 million). In relation to Group sales revenue, the cost-of-sales ratio remained unchanged at 70.7 %. As was the case in 2010, this ratio was influenced largely by more stringent requirements within the area of quality assurance.

The Group's other operating income of € 0.5 million (prev. year: € 0.8 million) was attributable primarily to foreign exchange gains totalling € 0.3 million.

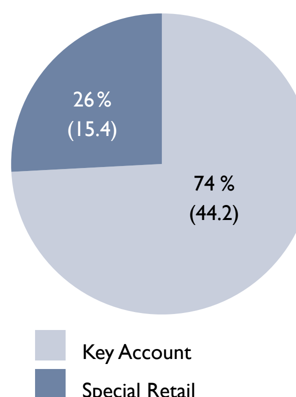
Past sales performance (in €m)



Breakdown of sales in Europe for 2011 in % (€m)



Breakdown of sales in 2011 for Key Account and Special Retail in % (€m)

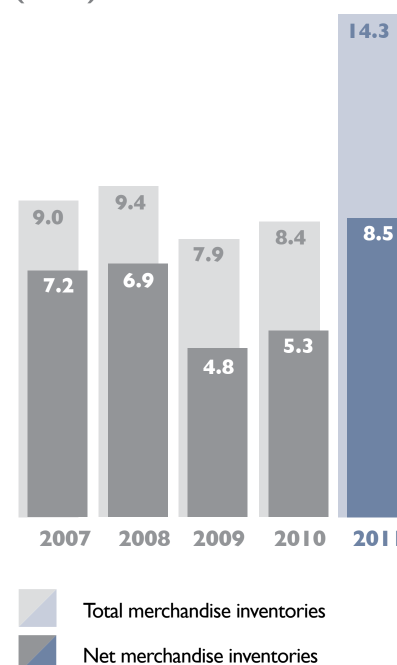


Staff costs increased from € 6.6 million to € 6.7 million. The Group's headcount was up by 20 calculated on an annual average; the majority of these new staff members were employed at the company's airport shops. Per-capita revenue (annual average) fell from € 444 thousand in 2010 to € 392 thousand in 2011.

Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment remained unchanged year on year at € 0.6 million. Amortisation of usage rights (licence fees) amounting to € 4.3 million (prev. year: € 4.6 million) was accounted for separately as material expense.

Other operating expense amounted to € 9.6 million (prev. year: € 8.8 million). This was attributable mainly to higher rental expenses in connection with the airport shops. With this in mind, at the end of the year the company closed three of its airport stores whose associated rental payments were considered too high in relation to revenue generated.

Net finance cost of € -0.5 million (prev. year: € -0.6 million) encompasses finance income and cost as well as the result of an at-equity investment in Groupe Montesquieu, France. For the first time, the existing option for the purchase of an additional 20 % stake in French-based Groupe Montesquieu was recognised through profit and loss, in accordance with IFRS requirements; the figure recognised within this context was € 0.4 million. Looking at net interest income in isolation, the use of factoring over the entire year as well as a more pronounced use of credit lines exerted downward pressure on income within this area.



Taxes on income stood at € 0.1 million (prev. year: € 0.3 million). Within this context, the change in deferred taxes was negligible. On this basis, consolidated profit for the financial year 2011 was € 0.5 million, compared to consolidated profit of € 1.1 million reported for the previous financial year. This corresponds to earnings per share of € 0.13 (prev. year: € 0.26).

Despite higher trading volumes, the result for the Key Account segment was slightly down on last year's figure at € 3.9 million (prev. year: € 4.1 million).

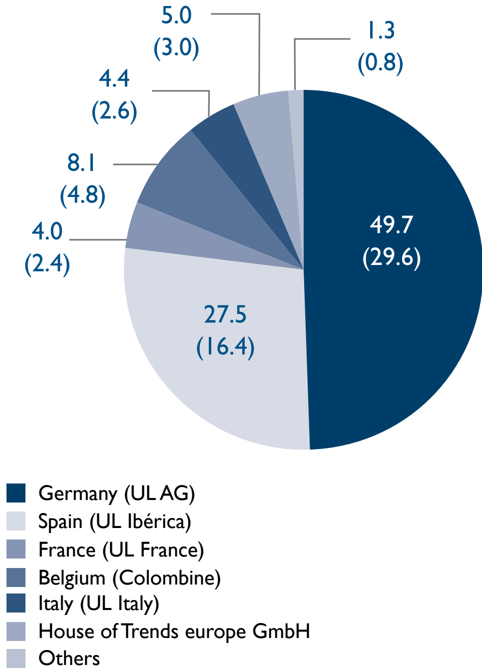
The Special Retail segment posted a result of € 0.8 million (prev. year: € 1.4 million), with the southern European sales regions contributing the largest share. Unallocated administrative costs remained unchanged year on year at € 3.5 million. The direction taken by the two segments in the year under review stands in contrast to the company's projections. In particular, sluggish sales in southern Europe, higher finance costs and more pronounced rental expense in relation to revenue generated had not been part of the original equation. For further details on segment reporting, please refer to the notes to 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. In the 2011 financial year, sales revenue increased by 1.4 %, while growth recorded in 2010 had stood at 46 %. The gross profit margin remained unchanged year on year at 29.3 % in relation to sales, while the EBIT margin was 1.9 % (prev. year: 3.4 %) in relation to sales.

Performance of the subsidiaries

Alongside its holdings in the subsidiaries, the parent company currently holds a 45 % interest in the French-based Montesquieu Group. The Montesquieu Group achieved an annual profit of €264 thousand (prev. year: € 37 thousand) on Group sales of € 19.2 million (prev. year: € 16.2 million) in the period under review. The interest in this entity is accounted for at equity in the consolidated financial statements.

Past sales performance in % (€m)



Results of the major subsidiaries (separate financial statements):

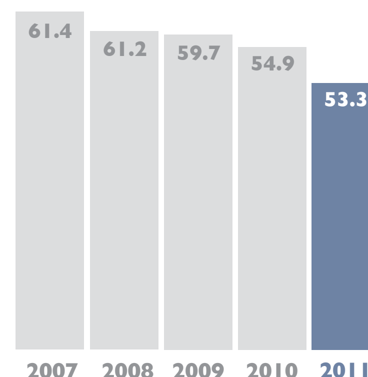
Revenue
EBITDA
EBIT
Profit for the year
Key figures
Inventories (in €'000)
Cash and cash equivalents (in €'000)
Payables to banks (in €'000)

UNITEDLABELS Ibérica S.A., Spanien		**UNITED**LABELS France S.A.S., Frankreich		Colombine b.v.b.a., Belgien		**UNITED**LABELS Ltd., Großbritannien		**UNITED**LABELS Italia Srl., Italien		House of Trends europe GmbH, Deutschland	
(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)
2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
19,562	22,132	2,396	2,369	4,431	6,651	228	367	2,572	3,297	2,995	3,333
409	955	-74	38	196	357	68	-101	53	213	-67	83
106	723	-81	34	196	338	68	-101	49	208	-79	70
4	248	-72	8	187	296	5	-164	2	118	-93	49
4,639	4,095	65	115	0	0	0	34	0	0	273	132
138	132	201	123	51	122	24	7	73	195	107	103
4,998	5,078	0	0	0	0	0	0	197	228	644	66

Cash flows

The Group's cash flow statement shows net cash from operating activities of € 3.4 million for the 2011 financial year. Investments totalled € 6.1 million, with a particular emphasis on the extension of licensing rights. In the context of the Group's financing activities, a sum of € 0.3 million was used for the purpose of servicing long-term loans, while € 0.6 million was distributed to shareholders as a dividend. Net cash used in financing activities was € -1.3 million in total, compared to net cash from financing activities of €1.0 million in the previous year. On this basis, cash and cash equivalents fell by € 3.9 million to € 1.6 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 2011, receivables totalling € 6.9 million (prev. year: € 12.8 million) had been sold to the factoring company.

Overview of equity ratio (in %)



Financial position

Non-current assets rose by € 1.3 million due to investments in new licence rights and the extension of existing licensing agreements. Intangible assets alone increased by € 1.3 million, whereas property, plant and equipment fell by € 0.3 million due to straight-line depreciation. At-equity investments, which include the interest held in French-based Montesquieu, rose by € 0.1 million, while deferred taxes remained unchanged year on year. Current assets contracted by €0.1 million, thus remaining largely unchanged on the previous year's figure.

Inventories (including goods in transit) rose to € 14.3 million (prev. year: € 8,4 million) as a result of earlier shipping dates and advanced stocking by specialty retailers. Net merchandise inventories (total inventories less merchandise already sold) rose by € 3.2 million to € 8.5 million (prev. year: € 5.3 million). While inventories thus increased by € 5.9 million as at the end of the reporting period, trade receivables and cash fell by € 6.6 million. Other assets rose slightly by € 0.7 million as a result of higher claims against a reinsurer and the positive valuation of forward foreign exchange transactions at the end of the reporting period. Other assets also included the 15 % retainer in connection with factoring (€ 1.0 million) as well as derivative financial instruments accounted for at fair value (€ 0.7 million).

Thus, total assets rose by 2 % to € 53.5 million.

Meanwhile, equity contracted slightly by € 0.1 million. Profit for the year stood at € 0.5 million; the dividend distribution for the previous year totalled € 0.6 million. Non-current liabilities rose by € 0.3 million to € 4.7 million. This was attributable to the scheduled allocation to pension provisions and higher non-current liabilities associated with licensing. Current liabilities increased by € 1.1 million in total to € 20.3 million. Provisions contracted by € 0.4 million due to less extensive provisioning for the potential return of goods by customers. Current financial liabilities increased by € 0.6 million to € 7.5 million, and trade and other payables rose by € 1.0 million to € 11.9 million.

At € 20.6 million, non-current assets thus account for 39 % (prev. year: 37 %) of total assets. At € 32.9 million, current assets account for 62 % (prev. year: 63 %) of total assets.

Non-current liabilities rose slightly to € 4.7 million, which corresponds to 9 % of total equity and liabilities. Current liabilities also increased year on year, up to € 20.3 million, thus accounting for 38 % (prev. year: 37 %) of total equity and liabilities.

In total, Group debt amounted to € 24.9 million in the financial year under review, compared to € 23.6 million in the previous year. Group debt in relation to total equity and liabilities rose slightly to 46.7 %, up from 45.2 % in the previous year.

Based on equity of € 28.5 million reported by **UNITED**LABELS, the equity ratio stands at 53.3 %, compared to 54.8 % in the previous financial year.

Equity covers the Group's non-current assets by 138 %. The proportion of goodwill in equity remained unchanged year on year at 19.7 %.

Staff

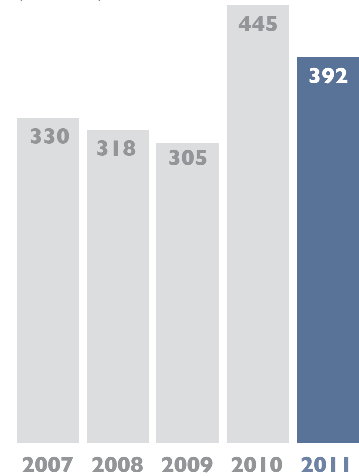
As at 31 December 2011, the headcount stood at 137 (prev. year 153). The reduction in staffing levels was mainly as a result of the closure of two airport shops in Hamburg. At 152, the average number of employees was 20 more than the previous year.

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 to customers. To this end, the Group organised a number of internal and external training sessions throughout the year under review.

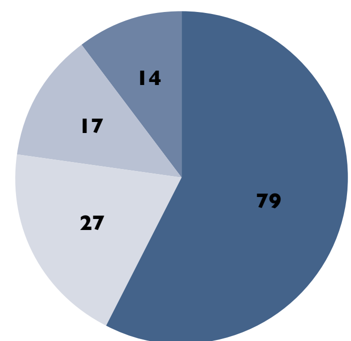
In addition, the company set up an employee development programme in Germany in order to provide every employee with support and motivation. For example, this includes monthly staff information events for all employees in Germany,

where current issues are brought up and employees have the opportunity to discuss them with the company's management. At least twice a year, each employee meets with his/her supervisor to discuss feedback and career development. The small size of the teams throughout the Group (up to 8 people) means that each employee can be given individual support.
Diversity in the HR area is an important issue for the Group and forms a core element of its HR strategy. **UNITED**LABELS AG is keen to employ people from different ethnic backgrounds and to encourage women to move into management positions.
At present, the proportion of women in management positions is 25 %. The company will continue to make every effort to increase the number of women in management positions.
The proportion of non-German managers also currently stands at 25 %. The company organises intercultural workshops to promote better understanding and improve communication and working relationships at international level. The HR Development department is also focused on trying to involve international employees more closely in training programmes. Over the next few years, it is aiming to offer them an even wider range of training opportunities to support them in their work.



3. Events after the Reporting Period

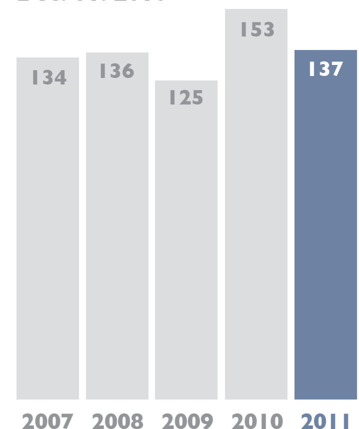
In financial year 2012, € 2,182 thousand of the receivables attributable to French company Embassy SAS that had been outstanding for over 90 days was converted into long-term loans. In addition, trade receivables from Embassy relating to 2011 were deferred for 13 months.
In January 2012, 20 % of shares in Elfen Service GmbH were sold to its managing director. There were no other significant events to report subsequent to the end of financial year 2011.



4. Report on Opportunities and Risks

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

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 while raising shareholder value over the long term. Making the most of chances that present themselves involves confronting certain risks. By adhering to the principles of risk and opportunity management, it is possible to ensure that 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 the Group's assets, profits and cash flow, but also on intangible assets such as licence values. In this context, risks are defined as the potential occurrence of internal or external 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 on information derived from the Internet, from other media, from trade fairs or from 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. The management then decides 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 risks in the following areas in particular:
A significant proportion of merchandise purchases (approximately 54 %) are 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 endeavours to fix budgeted prices by issuing corresponding import letters of credit at a relatively early stage; generally speaking, raw materials are purchased by the factory shortly after the letters of credit are issued.
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 significant licence agreements will not be extended. This may have an adverse effect on the Group's revenue and earnings performance. In view of the company's extensive experience in the sector, however, this scenario is somewhat remote.
The merchandise sold to European retail chains in the areas of textiles, household goods, stationery, gifts, soft toys, bags and accessories is produced mainly in Asia (e.g. China, Indonesia, India). Despite strict quality controls, it cannot be ruled out that rejections, recalls and penalties may occur on the part of the trading partners due to the prohibited use of pollutants (azo compounds, cobalt, phthalates, etc.). Similarly, failure to deliver or late delivery on the part of the factories manufacturing the goods may lead to compensation claims from the trading partners. Both of these situations could have a negative impact on the company's sales revenue and earnings.
UNITEDLABELS works with renowned key account customers both at home and abroad. Retaining these customers and attracting new ones in the future is critical to the development of the Group. For the most part, **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. If the company were to lose any of these customers, this could lead to a decline in sales revenue and earnings and have a negative impact on the company's financial position, performance and cash flows.
The company's financial success depends largely on the efforts and ongoing contributions of the Management Board and other employees in key positions. If the company does not succeed in attracting and retaining skilled employees, this could have a negative impact on its financial position, performance and cash flows.
The significant expansion in orders and revenue volumes calls for 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 the company's 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 used by the German parent company and Belgian company Colombine.
Critical business processes – from product marketing, order management and warehouse administration 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 carries out preventive system maintenance proactively in order to minimise these risks and ensure that critical IT practice is upheld.
The Group's intangible assets contain goodwill for **UNITED**LABELS Ibérica (€ 2.6 million) and for the Belgian company Colombine (€ 3.0 million). Non-impairment of this goodwill is dependent on the enterprise values of these entities, which will remain subject to continuous assessment. Fundamentally, a sustained deterioration in these entities' business performance may result in impairment losses having to be recognised. The valuation of the call option on shares in the French Groupe Montesquieu is influenced by its business performance. As the option is measured at fair value, a sustained positive or negative change in the value of the Group has a direct impact on consolidated earnings.
Other assets include receivables for costs claimed for defective or delayed goods which were charged to the relevant suppliers via a debit advice note. These are to be gradually offset in 2012 by deducting the amounts in question from future invoices for products provided by these suppliers. This entails risks in that the offsetting of these amounts depends on a sufficiently large order volume in the future.
In addition to the risks outlined above, other risks generally associated with commercial activities, such as risks relating to price fluctuations, bad debt, interest rates and liquidity, are captured by a specially developed risk management system and updated on a continual basis. Our main risk management aims are to secure and monitor our profit margins (through costing standards and dollar hedges), closely monitor costs (through budget controls) and to protect liquidity (through effective planning and management). Thus, the risk management system mainly consists of a mechanism aimed

at identifying risks at an early stage, assessing the extent of such risks and the probability of their occurrence, as well as initiating suitable countermeasures.

The economic climate remains positive in the key German market in spite of the debt crisis and fears of recession. According to a number of different economic research institutes, consumer spending in Germany will continue to grow in the current financial year. This situation benefits **UNITED**LABELS AG above all in the Key Account segment, which continues to enjoy strong growth and remains one of the Group's growth drivers in 2012. Business in the German retail segment now makes up the bulk of **UNITED**LABELS' sales.

Nonetheless, it is very difficult to predict how the economy will develop in Germany and in Europe as a whole. In particular, the debt crisis in the eurozone will continue to have a negative impact on consumer spending in southern European states such as Spain, Italy, Greece and Portugal. As the main business, particularly in Spain, is moving away from Special Retail and towards the Key Account segment – a trend that had already manifested itself in Germany – **UNITED**LABELS AG's primary goal in coming years is to stabilise margins. In this connection, the Group is also working together with new manufacturers in Asia and North Africa with a view to countering the pressure on margins in the wholesale and specialty retail sectors. As ever, the focus continues to be on safe, high-quality products. In addition, the international customer portfolio is to be developed further in order to minimise dependence on existing customers.

The growth concept for the next three years is called "NextGen" – Next Generation. As well as safeguarding and boosting profitability and, in turn, stabilising margins, one of the most important goals is to further expand the international markets and the Group's share of these markets. Here, the focus in the existing segments is on France, the Benelux countries and Eastern Europe. New sales structures within the Group have already been created and staffed.

UNITEDLABELS AG took its greatest step towards "NextGen" at the end of 2011. With the newly founded subsidiary Elfen Service GmbH, the Group will expand its business model by designing and setting up an extensive e-commerce platform for merchandise. Toys, media products and licensed products are to be marketed and sold online. The Managing Director of Elfen Service GmbH is Albert Hirsch. An experienced manager, he was Spokesman for the Management Board of online book provider buch.de internetstores AG and is regarded as an expert in the e-commerce market. In the middle of the year, once the design and development stage has been completed, Elfen Service GmbH expects to launch the Internet platform in a form that will pool all the interests of manufacturers, licensing partners, brand partners and end customers. This is an end-to-end solution that is geared towards the Special Retail segment, bringing brand manufacturers, prominent media, licensors, retailers and stationary retail together with end customers. The cumulative investment volume for the coming three years is € 3 to € 5 million. The funds are to be made available from the Group's current cash flow. Cumulative sales for the new subsidiary until 2014 are expected to be € 20 million. According to initial forecasts, a total of 20 jobs will be created. Elfen Service GmbH is expected to reach its break-even point in its third financial year. In future, the overall E-Commerce segment is set to be one of the company's most important segments, together with the Key Account segment. With this development, **UNITED**LABELS AG is positioning itself closer to end customers. The aim here is to establish a forward-looking business with great potential for success.

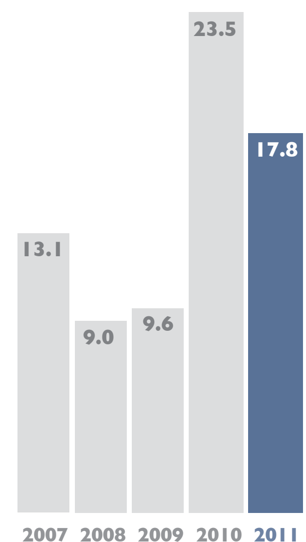
To date, the Group has only had direct contact with end customers through its airport shops, an area where there were a number of strategic changes in the past year. The shops at Hamburg Airport and Málaga Airport were closed because the number of annual passengers in these airports was so low that sales failed to meet expectations. Because of this, new shops should now only be opened in airports with at least 30 million passengers per year. As part of this strategy, two new shops were already opened in Madrid Airport in early 2012. **UNITED**LABELS AG is also involved in a number of further tendering procedures, including for airports in Frankfurt, Paris and Amsterdam but also in Asia. However, these procedures tend to be very lengthy and can last up to several years. At present, there are a total of nine **UNITED**LABELS shops, Ferrari shops and Spanish Barcelona FC fan shops in operation.

2012 looks set to be the year of the classics, with many well-known TV and film characters enjoying a revival, including "The Simpsons" and "Star Wars". "The Simpsons" has been a hit TV series for over two decades and one of the Top 3 sellers for many years. The new 3D "Star Wars" film is poised to take cinemas by storm in 2012 together with new "Batman" and "Spiderman" movies, all of which will also be among the top sellers.

The licence portfolio will be further updated with promising new additions. There will be great demand for "Phineas and Ferb" products owing to the programme's strong TV presence. "Filly" is one of the new licensed brands that have developed extremely quickly within a very short space of time. **UNITED**LABELS also sees great potential in the "Hello Kitty" licence, which is one of the highest-grossing licences across Europe. "Hello Kitty" has also been part of the Group's licence portfolio since the new company Open Mark United Labels GmbH was set up as part of a 50/50 joint venture with Italian company Open Mark s.r.l. **UNITED**LABELS expects to see high demand here in both the wholesale and specialty retail sector.

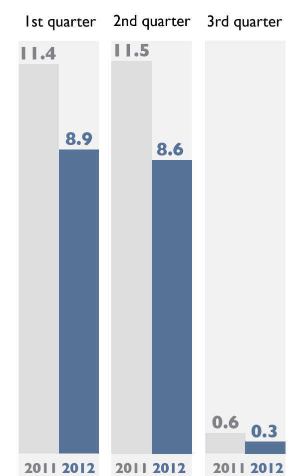
The Group's order backlog as at 31 December 2011 was € 17.8 million, down on the previous year's figure of € 23.5 million. The order backlog can be broken down as follows: € 8.9 million for the first quarter of 2011 (previous year:

€ 11.4 million); € 8.6 million for the second quarter (previous year: € 11.5 million) and € 0.3 million for the third quarter (previous year: € 0.6 million). The decline in order backlog can be attributed to the current restrictive consumer spending in southern Europe and to the restrained order behaviour in the Key Account segment at present.



Report on expected developments

Although economic growth and consumption are continuing to pick up in Germany and in other western European countries such as France, Belgium and the Benelux countries, the economic situation in southern Europe remains uncertain. In order to spread the risk as widely as possible, **UNITED**LABELS will be looking to attract further high-revenue trading partners in all European countries. Overall, the Group expects further slight growth in the current financial year, with strict cost management in all Group areas. This means that total revenue will grow by between 2 % and 10 % p.a. within the next two years. Taking into account the initial losses of Elfen Service GmbH, consolidated profit is expected to break even in 2012 and reach 2011 levels in 2013. The new E-Commerce segment is to generate its first revenue as of August 2012; however, profits are only expected after it breaks even in 2014.
As in the previous year, the largest growth area in 2012 will be the Key Account segment, with textiles accounting for a high share of this.
In airport shops, **UNITED**LABELS expects sales revenue of € 8.3 million (+19 %) and earnings of € 0.9 million (2011: € 0.04 million).
By implementing this overall plan and spreading the risk across client, country and licence portfolios, it will be possible to exploit growth opportunities in all areas of the company.



5. Risk Report on the Use of Financial Instruments

The deployment of financial instruments exposes the company to the usual risks, which include default risks, market price risks and liquidity risks. The company systematically makes use of forward exchange dealings to hedge existing orders, with exchange gains or losses occurring in relation to the respective spot price. The company's objective is to minimise all risks without impairing operational opportunities. The nature of the risks and the precautionary measures implemented by the company are described in point 4 of this management report and in points B.16 and C.1, 2, 5 and 6 of the notes.

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

Disclosures pursuant to Section 315 (4) HGB

At 31 December 2011, the Group's share capital amounted to € 4.2 million and comprised 4.2 million no-par-value bearer shares. Each share is equipped with one vote at the General Meeting of Shareholders. All shares are associated with the same rights and responsibilities. There are no restrictions affecting voting rights or the transfer of shares. However, with regard to insider knowledge, blocking periods apply to the company's governing bodies and other relevant staff members in connection with the publishing of quarterly and annual results. Restrictions on voting rights may also arise from provisions of the German Stock Corporation Act (Aktiengesetz – AktG), for example in accordance with section 136 AktG, or, in the case of treasury shares, section 71b AktG.
As required under Section 160 (1), no. 8 AktG (German Stock Corporation Act), Mr. Peter Boder, member of the Management Board, declared on 31 October 2005 that he holds 2.63 million shares (a 62.69 % stake) in the company. The 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 is comprised of 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 resolve on changes to the Articles of Association relating only their wording; the Annual General Meeting passes resolutions on all other amendments to the Articles of Association.
On 24 May 2011, the Annual General Meeting of Shareholders granted the Management Board a mandate to increase the

company's share capital, subject to the consent of the Supervisory Board, in one or more stages up to 23 May 2016, by up to a total of € 2,100,000.00, through issuing 2,100,000 new shares against contributions in cash or in kind (Authorised Capital 2011). The previous mandate (Authorised Capital 2006) expired on 22 May 2011.
At the Annual General Meeting held on 19 May 2010, it was resolved that the authorisation to acquire shares granted on 15 May 2009 would be revoked from the time the new authorisation takes effect and replaced by a new authorisation. In accordance with section 71 et seq. AktG, the company's Management Board was authorised to acquire shares with a proportional amount of the company's share capital of up to 10 % of the current share capital before 18 May 2015. This right was not exercised during the financial year under review.
As at 31 December 2011, the Company held 46,199 treasury shares, unchanged on last year's figure. The proportional amount of share capital stands at 1.1 %; the proportional amount of share capital made up of treasury shares stands at € 46,199.00. The shares were acquired in the 2007 financial year in accordance with Section 71 (1) no. 8, AktG.
Loan, licensing and customer contracts are the main types of contract held by **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 in 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 profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. Variable compensation amounted to € 4 thousand in 2011 (prev. year: € 7 thousand). The members of the Audit Committee receive additional fixed compensation of € 2 thousand, while the Chairman receives € 4 thousand.
Management Board compensation totalled € 475 thousand (previous year: € 448 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. In 2010, the variable component amounted to € 113 thousand. Of this, € 80 thousand was allocated to provisions in 2010. No provision allocation was made in 2011. The contract in respect of the Management Board was extended for a period of five years in FY 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, € 158 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 € 1,229 thousand (prev. year: € 1,071 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 retirement pension of € 18,900.00 and an invalidity pension in the same amount. These increase or decrease in line with changes to the basic salary of a German civil servant in compensation category A 14 of the Civil Servants' Remuneration Act (Bundesbesoldungsgesetz – BBesG) in relation to the index figure for December of the preceding year. Provision is also made for dependants in the form of a widow's pension in the amount of 60 % of the applicable retirement pension, and an orphan's allowance.

Information disclosed in accordance with 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 transactions 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 analysed 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 of UNITEDLABELS AG, 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 financial year."

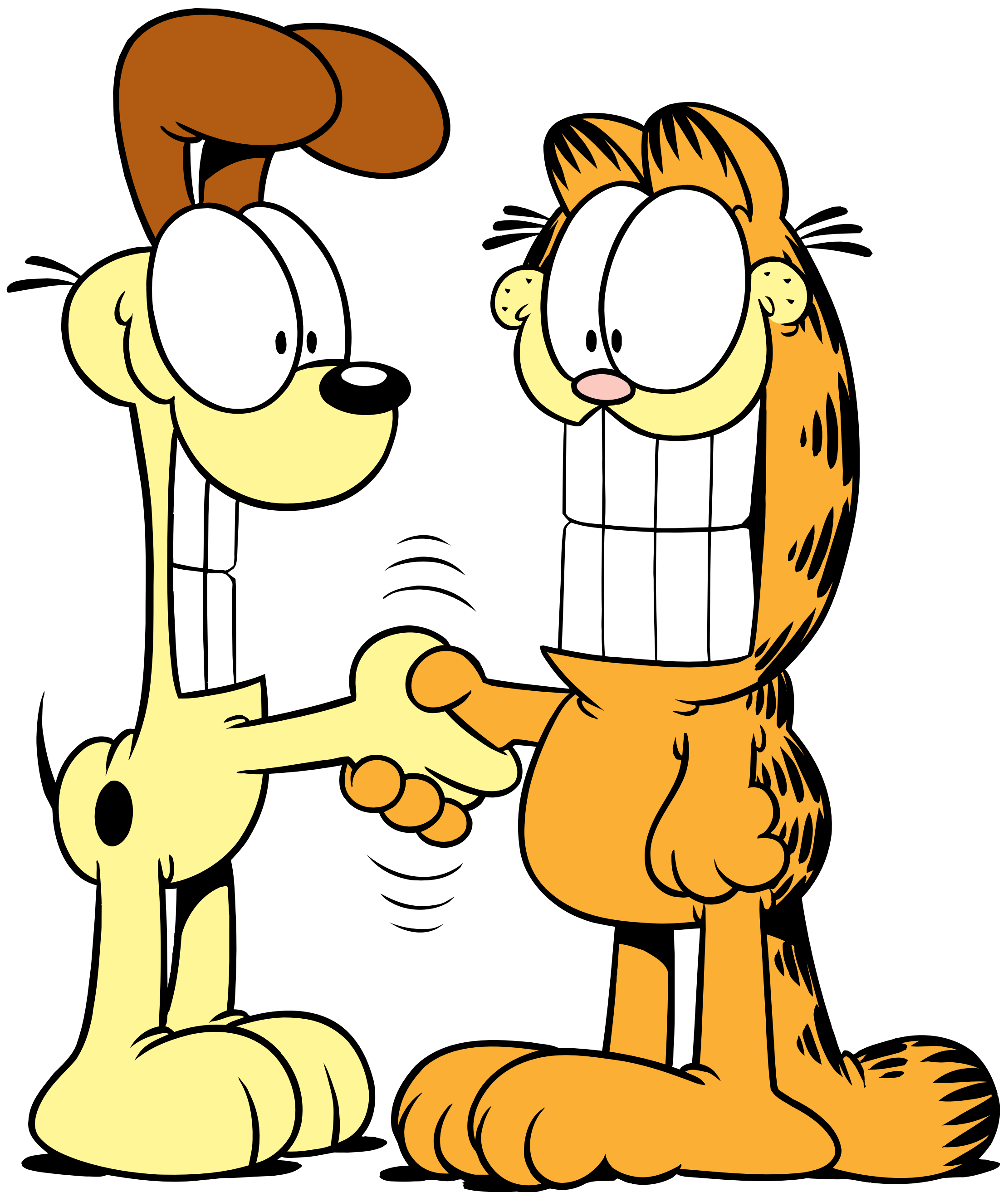
Münster, 22 March 2012

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 2011

ASSETS

	Notes	31/12/2011 €	31/12/2010 €
Assets			
Non-current assets			
Property, plant and equipment	C.1.	6,030,425.02	6,265,685.55
Intangible assets	C.1.	9,513,897.96	8,164,816.00
At-equity investments	C.2.	981,206.14	850,138.91
Deferred taxes	C.3.	4,086,349.88	3,997,437.74
		20,611,879.00	**19,278,078.19**
Current assets			
Inventories	C.4.	14,330,866.45	8,411,756.00
Trade receivables	C.5. / C.8	13,001,099.16	15,774,075.25
Other assets	C.6.	3,978,456.49	3,270,782.57
Cash and cash equivalents	C.7.	1,569,540.67	5,467,654.72
		32,879,962.76	**32,924,268.55**
Total assets		**53,491,841.76**	**52,202,346.74**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2011

EQUITY AND LIABILITIES

	Notes	31/12/2011 €	31/12/2010 €
Equity			
Capital and reserves attributable to the owners of the parent company			
Issued capital	C.9.	4,200,000.00	4,200,000.00
Capital reserves		19,194,174.55	19,194,174.55
Retained earnings		2,883,209.63	2,883,209.63
Currency translation		-507,125.51	-477,619.29
Consolidated unappropriated surplus		2,976,892.99	3,060,552.41
Treasury shares		-223,413.73	-223,413.73
Total equity		**28,523,737.93**	**28,636,903.57**
Non-current liabilities			
Provisions for pensions	C.10.	1,228,570.00	1,070,797.00
Financial liabilities	C.12.	2,765,518.20	2,909,940.73
Trade payables	C.12.	583,304.67	426,398.00
Deferred tax liabilities	C.3.	88,952.43	13,344.38
		4,666,345.30	**4,420,480.11**
Current liabilities			
Provisions	C.11.	707,046.02	1,134,443.48
Current tax payable	C.12.	175,806.01	178,186.96
Financial liabilities	C.12.	7,491,255.09	6,882,982.94
Trade and other payables	C.12.	11,927,651.41	10,949,349.68
		20,301,758.53	**19,144,963.06**
Total liabilities		**24,968,103.83**	**23,565,443.17**
Total equity and liabilities		**53,491,841.76**	**52,202,346.74**

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

1 January to 31 December 2011

	Notes	2011	2010
		€	€
Revenue	**D.1.**	**59,558,355.01**	**58,701,787.61**
Cost of materials	D.2.	-37,807,374.35	-36,865,306.58
Amortisation of usufructuary rights	D.3.	-4,284,140.04	-4,638,967.88
		-42,091,514.39	**-41,504,274.46**
		17,466,840.62	**17,197,513.15**
Other operating income	D.4.	538,057.76	785,845.50
Staff costs	D.5./C.10.	-6,665,354.07	-6,550,439.95
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation of usufructuary rights)	D.6.	-630,944.92	-612,767.67
Other operating expenses	D.7.	-9,575,724.77	-8,849,558.89
Profit from operations		**1,132,874.62**	**1,970,592.14**
Finance income	D.8.	532,757.35	84,181.23
Result from at-equity investments		118,567.23	16,573.31
Finance costs	D.8.	-1,172,884.59	-742,429.72
Net finance cost		**-521,560.02**	**-641,675.18**
Profit before tax		**611,314.61**	**1,328,916.95**
Taxes on income	D.9.	-71,903.87	-260,690.99
Net income		**539,410.73**	**1,068,225.96**
Other comprehensive income:			
Exchange differences on translating foreign operations		-29,506.22	-111,483.39
Other comprehensive income, total		-29,506.22	-111,483.39
Total comprehensive income		**509,904.51**	**956,742.58**
Consolidated (loss)/earnings (based on income statement) per share			
basic	C.9.	0.13 €	0.26 €
diluted	C.9.	0.13 €	0.26 €
Weighted average shares outstanding			
basic	C.9.	4,153,801 shares	4,153,801 shares
diluted	C.9.	4,153,801 shares	4,153,801 shares

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Cash Flows

Notes to Cash Flow Statement, cf. C.16	Notes	2011 T€	2010 T€
Net income		539	1,068
Interest income from financing activities		1,094	658
Depreciation of usufructual rights	C.1,D.3/6	4,284	4,639
Depreciation and armotisation of entengible assets	C.1,D.3/6	48	83
Depreciation of proberty of plant and equipment	C.1,D.3/6	583	529
Change in provisions	C.10,C.11	-269	385
Other non-cash expenses (Prev. year earnings)		-763	7
Result from disposal of non-current assets		51	173
Change in inventories, trade receivables, and other assets not attributable to investing or financing activities	C.4-6	-3,176	-4,413
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	1,133	2,852
Payments for tax on profit		-76	-46
Cash flows from operating activities		**3,448**	**5,935**
Payments for investments in intangible assets and property, plant and equipment		-6,080	-5,121
Payments for investments in financial assets		-13	0
Cash flows from investing activities		**-6,093**	**-5,121**
Proceeds from bank loans		739	2,392
Payment of dividends		-623	0
Repayment of financial loans		-275	-775
Interest received		79	84
Interest paid		-1,173	-742
Cash flows from financing activities		**-1,253**	**959**
Net change in cash and cash equivalents		-3,898	1,774
Cash and cash equivalents at the beginning of the period		5,468	3,694
Cash and cash equivalents		**1,570**	**5,468**
Gross debt bank		10,257	9,793
Net debt bank		**8,687**	**4,325**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**1,570**	**5,468**

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 01/01/2010	**4,200**	**19,194**	**4,875**	**-366**	**-223**	**27,680**
Consolidated profit 2010	0	0	1,068	0	0	1,068
Other gains and losses	0	0	0	0	0	0
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**
Consolidated profit 2011	0	0	540	0	0	540
Other gains and losses	0	0	0	0	0	0
Currency translation	0	0	0	-30	0	-30
Total comprehensive income 2011	**0**	**0**	**540**	**-30**	**0**	**510**
Transactions with owners						
Distribution	0	0	-623	0	0	-623
Balance at 31/12/2011	**4,200**	**19,194**	**5,860**	**-507**	**-223**	**28,524**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2011

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 2011 are to be approved, and thus adopted, and subsequently released for publication at the Supervisory Board meeting on 22 March 2012.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2011, 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 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 exception of specific financial instruments.
Financial assets are recognised in the statement of financial position at the date of trading and derecognised when the transaction has been completed.
The financial year of all entities included in the consolidated financial statements corresponds to the annual period from 1 January to 31 December 2011. The preparation of the 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 goodwill, provisions and deferred taxes. Actual results may differ from forecasts if consumer behaviour or the actions of licensors or trading partners (customers, suppliers) change.

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 2011 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:

- Amendment to IAS 24, „Related Party Disclosures" (November 2009) (EU endorsement on 19 July 2010, to be applied as from 1 January 2011).
- 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 IFRIC 14: „Prepayments of a Minimum Funding Requirement" (EU endorsement on 19 July 2010, to be applied as from 1 January 2011)
- IFRIC 19, „Extinguishing Financial Liabilities with Equity Instruments" (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 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 2012 (the Company did not make use of the option to apply such standards, interpretations and amendments to standards at an earlier date).

- Amendment to IFRS 7, „Financial Instruments: Disclosures – Transfers of Financial Assets" (EU endorsement on 22 November 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:

- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendment to IAS 12, Deferred Tax: Recovery of Underlying Assets
- Amendment to IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (June 2011)
- Amendment to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments: Classification and Measurement: Financial Assets (November 2009)
- IFRS 9 Financial Instruments: Classification and Measurement: Financial Liabilities (October 2010)
- Amendments to IFRS 7 and IFRS 9: Mandatory Effective Date and Transition Disclosures
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- IAS 27, Separate Financial Statements (rev. May 2011)
- IAS 28, Investments in Associates and Joint Ventures (rev. May 2011)
- IAS 19, Employee Benefits (rev. June 2011)
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (October 2011)

Following endorsement, the amendments to IAS 19 will give rise to changes in the recognition of actuarial gains and losses from pension provisions. Under IAS 19 (rev. June 2011), they are to be accounted for in full in the financial statements (increase in pension provisions with a concomitant reduction in equity). In the current EU-endorsed version of IAS 19, the gains and losses are recognised through profit and loss by applying the corridor method.

3. Basis of consolidation

Consolidated group

The entities included in the consolidated group are those over which the Group holds control as regards their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

Subsidiaries are included in the consolidated financial statements as of the date on which the power to govern the financial and operating policy or the control over the entity has passed to the Group. They are deconsolidated as of the date on which control ceases to exist. Subsidiaries are recognised on the basis of acquisition method. The cost of the acquisition corresponds to the fair values of assets given, equity instruments issued and liabilities incurred or assumed at the date of 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 excess of the cost of the business combination over the Group's interest in the fair value of the net assets is recognised as goodwill. If the acquirer's interest in the fair value of the net assets exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

Investments in which the Company does not have economic control are included in the consolidated financial statements on the basis of the equity method. Generally, these relate to investments with an ownership interest of between 20 and 50% in entities in which the Company has a significant influence but no control. In the case of investments recognised according to the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise **UNITED**LABELS' share of the profit or loss of the investee after the date of acquisition. The investment, recognised at amortised cost, 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, to the extent that this was possible, in order to ensure consistent financial accounting throughout the Group. Profits and losses resulting from transactions between Group companies and associated companies are eliminated according to the interest of the Group in the associated entity. There were no differences attributable to offsetting.

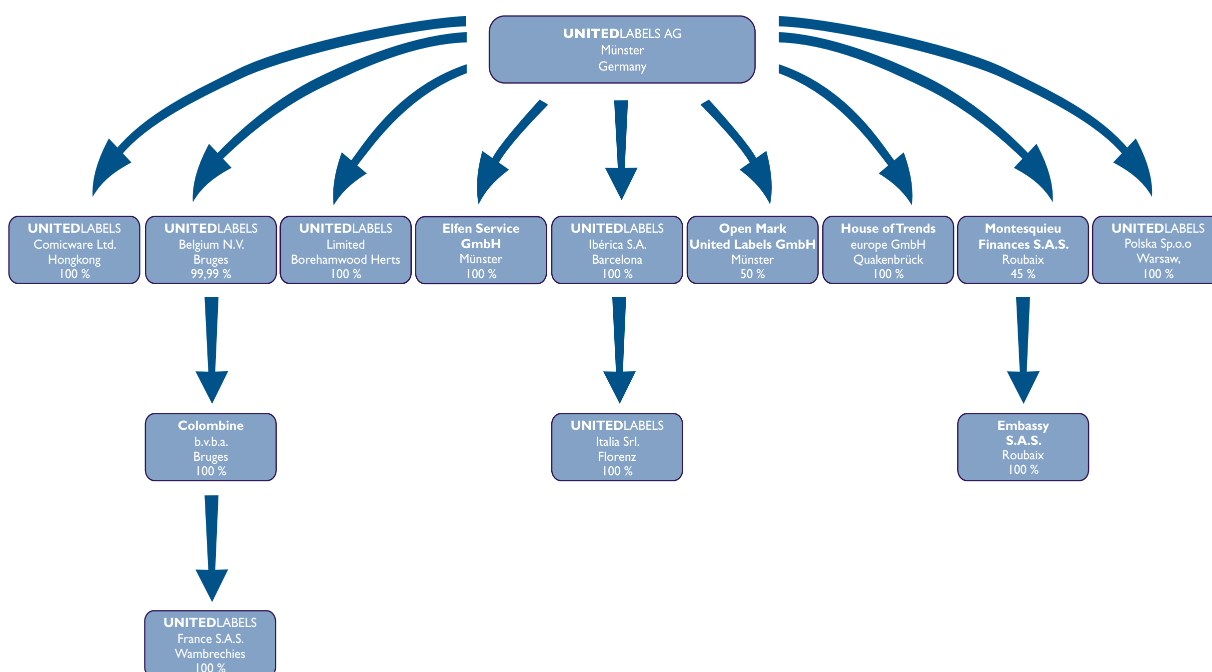
In accordance with regulations governing the scope of consolidated financial statements, in addition to **UNITED**LABELS Aktiengesellschaft as the
parent company the following enterprises are included in the consolidated financial statements as at 31 December 2011, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

	Ownership interest	Period that the entity has been included in the consolidated fi-nancial state-ments
UNITEDLABELS Ibérica S.A., Barcelona, Spanien	100,000 %	01.01.-31.12.2011
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florenz, Italien	100,000 %	01.01.-31.12.2011
UNITEDLABELS Belgium N.V., Brügge, Belgien	99,999 %	01.01.-31.12.2011
as its wholly owned subsidiary		
Colombine b.v.b.a., Brügge, Belgien	100,000 %	01.01.-31.12.2011
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, Frankreich	100,000 %	01.01.-31.12.2011
UNITEDLABELS Ltd., Borehamwood Herts, Großbritannien	100,000 %	01.01.-31.12.2011
UNITEDLABELS Comicware Ltd., Hongkong	100,000 %	01.01.-31.12.2011
UNITEDLABELS Polska Sp.o.o., Warschau, Polen	100,000 %	22.10.-31.12.2011
Elfen Service GmbH Münster	100,000 %	08.11.-31.12.2011
House of Trends europe GmbH, Quakenbrück	100,000 %	01.01.-31.12.2011

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, UNITEDLABELS 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. Additionally, Open Mark United Labels GmbH i.G., Münster, in which the Company holds an interest of 50 %, has been included on the basis of the equity method effective from the financial year under review.
The annual financial statements and consolidated financial statements of **UNITED**LABELS AG are published in the Electronic Federal Gazette.

Entities included in the consolidated financial statements as at 31 December 2011



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 were 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 Group‘s interest in the fair value of the net assets of the acquired entity at the acquisition date. Goodwill arising from a business combination is recognised as an intangible asset.
Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that it might be impaired (triggering events); it is carried at cost less accumulated impairment losses. Gains and losses arising from the disposal of an entity include the carrying amount of goodwill attributable to the entity to be disposed of. The impairment test is performed on the basis of the cash-generating unit. In this case, the cash-generating units within the Group are identified in accordance with the internal reporting by management. On this basis, the **UNITED**LABELS Group has identified the individual entities in their respective countries as cash-generating units.

(b) Concessions, industrial property rights

Trademarks and licences are recognised at their historical cost of purchase/conversion. Trademarks and licences (not cartoon/animation licences) have finite useful lives and are carried at their cost of purchase/conversion, less accumulated amortisation. Amortisation is performed on a straight-line basis over an estimated economic life of 3 to 10 years.
Computer software licences acquired by the Company are capitalised at cost (cost of purchase/conversion), plus the cost of preparing the asset for its intended use. These costs are amortised over the estimated economic life of the asset (3 to 5 years).
The licences for the commercial use of cartoon/animation characters have also been accounted for in this item and are recognised as assets on the basis of the purchase price payments made in connection with the licence agreements and recognised correspondingly in trade payables. The rights associated with such licences relate to a specific period (1 to 3 years), a defined geographical sales territory and a specific product, as well as giving rise to a fee for the use of the licence. The licences for cartoon/animation characters are amortised on the basis of their economic use. The latter is determined by a contractually agreed percentage figure of the revenue generated by the specific licensed products.
Development costs are capitalised if the requirements of IAS 38 have been met. If this is not the case, the costs are expensed as incurred.

3. Impairment and reversal of impairment

Assets with indefinite useful lives are not subject to systematic depreciation/amortisation. Instead, they are tested for impairment on an annual basis. Assets that are depreciated/amortised on a systematic basis are tested for impairment if there is any indication or change in circumstances to suggest that the carrying amount of an asset is no longer recoverable. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount; this reduction is an impairment loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of impairment testing, assets are aggregated on the basis of the smallest group for which separate cash flows can be identified (cash-generating units). These cash-generating units 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 within the next five years 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 always 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. To the extent that other assets include derivative financial instruments, these are recognised at their fair value through profit and loss.
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 financial assets at fair value through profit or loss (FVPL), 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 5.2 % (prev. year: 4.8 %) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5 % (previous year: 2.5 %), and an interest rate of 2.0 % (previous year: 2.0 %) was applied as regards future increases in pensions.
Within the Group a post-employment obligation exists towards Peter Boder, CEO/Chairman of the Management Board. The associated obligation is determined on the basis of an actuarial report. 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 collectibility of the receivable arising therefrom is probable. A right of return exists for some of the products sold. Experience gained in the past is used as a basis for estimating the rate of return and presenting such details in the consolidated financial statements. 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 classified as equity.
The financial statements of the subsidiary in Hong Kong, as an integrated foreign unit, have been prepared in euros, while the financial statements of **UNITED**LABELS Ltd., United Kingdom, have been prepared in British pounds. The average exchange rate for the 2011 financial year was 1.15224 £/€ (prev. year: 1.16564 £/€), and the closing rate at 31/12/2011 was 1.19119 £/€ (prev. year: 1.17233 £/€). **UNITED**LABELS Polska is accounted in Polish złoty. The average exchange rate for the applicable accounting period was 4.10100 zł/€ (prev. year: 3.97131 zł/€), and the closing rate was 4.48142 zł/€ (prev. year: 3.96255 zł/€)
Accounts receivable and payable in foreign currency were translated at the closing rate. Foreign exchange differences arising from the consolidation of liabilities are recognised in profit and loss.

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. Additionally, the Company has a call option for the purchase of 20% of the ownership interests in SAS Montesquieu Finances, Roubaix, France; in 2011 a waiver was issued in respect of the exercise of this option. In accordance with its treasury guidelines, the Group does not deploy derivative financial instruments held for trading.
On initial recognition derivative financial instruments are measured at the fair value applicable at the date of the contractual agreement. Subsequent measurement is based on the fair value applicable at the respective reporting date. In the case of foreign exchange forward contracts, the fair value is measured on the basis of externally identifiable market parameters („Level II"), and in the case of the call option, on the basis of input factors that are not associated with identifiable market parameters. Changes in the fair values are recognised in the statement of comprehensive income. Subsequent measurement takes place accordingly within the category of FVPL.

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.
- The fair value measurement of the call option is based on forecasts in respect of the future economic performance of the entity whose ownership interests the call option relates to within this context.

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 subsequent 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 returns ratio of 61% applicable in the past (prev. year: 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 attributable to the carryforward of losses 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.
The fair value measurement of the call option is based on forward-looking assumptions as to the economic performance of the entity whose ownership interests the call option relates to within this context. Changes to these assumptions may correspondingly lead to changes in the fair value, thus necessitating an adjustment to the recognised asset through profit and loss.
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 2012 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 2011

	Cost of purchase or conversion					
	Balance 01/01/2011	Currency adjustment	Additions	Transfers	Disposals	Balance at 31/12/2011
	€	€	€	€	€	€
I. Property, plant and equipment						
1. Land and leasehold rights and buildings, as well as buildings on third-party land	6,010,009.25	0.00	0.00	0.00	0.00	6,010,009.25
2. Technical equipment and machinery	1,260,747.20	0.00	48,815.67	31,768.64	-1,781.89	1,339,549.62
3. Other plant, operating and office equipment, furniture and fixtures	2,843,467.87	93.07	163,289.74	11,600.24	-228,858.10	2,789,592.82
4. Prepayments and assets under construction	0.00	0.00	177,580.22	-34,083.64	-1480.00	142,016.58
	10,114,224.32	**93.07**	**389,685.63**	**9,285.24**	**-232,119.99**	**10,281,168.27**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	15,538,070.20	0.00	5,690,156.12	-9,285.24	-10,879,793.66	10,339,147.42
2. Goodwill	9,677,116.84	0.00	0.00	0.00	-2,474,313.44	7,202,803.40
	25,215,187.04	**0.00**	**5,690,156.12**	**-9,285.24**	**-13,354,107.10**	**17,541,950.82**
III. Financial assets						
At-equity investments	850,138.91	0.00	131,447.60	0.00	-380.37	981,206.14
	36,179,550.27	**93.07**	**6,211,289.35**	**0.00**	**-13,586,607.46**	**28,804,325.23**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01/01/2011	Currency adjustment	Additions	Disposals	Balance at 31/12/2011	Balance at 31/12/2011	Balance at 31/12/2010
€	€	€	€	€	€	€
1,462,146.73	0.00	178,971.42	0.00	1,641,118.15	4,368,891.10	4,547,862.52
421,521.99	0.00	163,692.25	-1,781.89	583,432.35	756,117.27	839,225.21
1,964,870.05	94.58	240,632.37	-179,404.25	2,026,192.75	763,400.07	878,597.82
0.00	0.00	0.00	0.00	0.00	142,016.58	0.00
3,848,538.77	**94.58**	**583,296.04**	**-181,186.14**	**4,250,743.25**	**6,030,425.02**	**6,265,685.55**
12,998,478.17	0.00	4,331,788.92 *	-10,879,793.66	6,450,473.43	3,888,673.99	2,539,592.03
4,051,892.87	0.00	0.00	-2,474,313.44	1,577,579.43	5,625,223.97	5,625,223.97
17,050,371.04	**0.00**	**4,331,788.92**	**-13,354,107.10**	**8,028,052.86**	**9,513,897.96**	**8,164,816.00**
0.00	0.00	0.00	0.00	0.00	981,206.14	850,138.91
20,898,909.81	**94.58**	**4,915,084.96**	**-13,535,293.24**	**12,278,796.11**	**16,525,529.12**	**15,280,640.46**

* of this amount, € 4,284,140.04 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 47,648.88 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 (€ 630,944.92).

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).

Goodwill was calculated as follows:

	2011 €'000	2010 €'000
Balance at 1/1	5,625	5,625
Depreciation/amortisation	0	0
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 6.03 % (Colombine) and 6.39 % (Ibérica), 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 the 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 assumed to be 0.5 % to 2.0% depending on the specific entity (previous year: 2 %). The discount rate was between 6.01 % and 6.39 %, depending on goodwill, (prev. year: between 6.94 % and 7.46 %) after taxes. The non-impairment of goodwill was confirmed by impairment tests. Therefore, no impairment losses were recognised in the financial year under review.
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 S.A.S 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. Additionally, Open Mark United Labels GmbH, Münster, was established in the financial year under review; **UNITED**LABELS AG holds a 50 % interest in this entity. The entity's share capital is € 25 thousand, and in 2011 no significant operating activities had commenced. 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 %.

Montesquieu

	31/12/2011 €'000	31/12/2010 €'000
Total assets	11,444	14,902
Total liabilities	9,837	13,538
	2011	**2010**
Sales revenues	19,202	16,243
Result	264	37

Open Mark United Labels

	31.12.2011 €'000
Total assets	25
Total liabilities	1
	2011
Sales revenues	0
Result	-1

3. Deferred tax assets

The deferred tax assets in the amount of € 4,086 thousand (prev. year: € 3,997 thousand) com-prise an amount of € 3,290 thousand (prev. year: € 3,183 thousand) for the carryforward of un-used tax losses, an amount of € 115 thousand (prev. year: € 0) for tax deductions, as well as an amount of €681 thousand (prev. year: €814 thousand) for temporary differences between the carrying amounts in the IFRS statement of financial position and the tax base. Deferred tax lia-bilities from temporary differences amounted to € 89 thousand (prev. year: € 13 thousand). Cur-rent deferred tax assets amounted to €638 thousand (prev. year: € 513 thousand).
The composition of deferred tax assets and changes during the financial year were as follows:

	31/12/2011		31/12/2010		2011	2010
	Deferred tax assets €'000	Deferred tax liabili-ties €'000	Deferred tax assets €'000	Deferred tax liabili-ties €'000	Expense (-) Income (+) €'000	Expense (-) Income (+) €'000
Loss carryforward	3,290	0	3,183	0	107	-52
Tax deduction amounts	115	0	0	0	115	0
Intangible assets	477	0	641	0	-164	-44
At-equity investments	0	7	0	0	-7	0
Receivables from subsidiaries	12	0	0	1	13	-1
Other assets	0	79	0	0	-79	0
Prepaid expenses	0	0	0	0	0	2
Provisions for post-employment benefits	162	0	147	0	15	28
Other provisions	19	0	19	0	0	2
Bank borrowings	10	0	7	0	3	-7
Trade payables	0	3	0	0	-3	3
Payables to subsidiaries	0	0	0	12	12	-12
Other liabilities	1	0	0	0	1	-8
	4,086	**89**	**3,997**	**13**	**13**	**-89**

In the case of domestic entities and the domestic operating sites of foreign entities, the deferred taxes are calculated on the basis of a tax rate of 31.93 % (prev. year: 31.93 %).
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: 460 %), corporation tax of 15 % (prev. year: 15 %) and a solidarity surcharge of 5.5 % (prev. year: 5.5 %) on corporation tax. The loss carryforwards result from corporation tax as well as trade tax; they can be utilised for an indefinite period of time. Non-impairment was determined on the basis of medium-term planning. To the extent that there were differences between the corporation tax and trade tax loss carryforwards, these were accounted for when determining the deferred tax assets.
In the case of the foreign entities, deferred taxes were measured on the basis of the tax rates applicable in the respective countries.
Deferred tax assets are only recognised for tax loss carryforwards if the deferred tax assets are considered to be recoverable in the future. Due to an improved earnings forecast, deferred tax assets in connection with loss carryforwards were recognised for the first time in respect of the entities UL France and UL Hong Kong, totalling € 19 thousand (prev. year: € 0). Additionally, for the first time, tax deduction amounts were capitalised in respect of UL Iberica, totalling € 115 thousand (prev. year: € 0).
The deferred tax assets in connection with loss carryforwards relate to **UNITED**LABELS Aktiengesellschaft, House of Trends europe GmbH, **UNITED**LABELS Belgium, **UNITED**LABELS Ibérica including its German operating sites, **UNITED**LABELS France and **UNITED**LABELS Hong Kong. In total, no deferred taxes were recognised for tax loss carryforwards amounting to € 2,235 thousand (prev. year: € 2,513 thousand). These related solely to non-domestic subsidiaries.
The total of positive temporary differences in relation to subsidiaries for which no deferred taxes were recognised was € 44 thousand (prev. year: € 75 thousand). They are not recognised, as a reversal is considered unlikely.

4. Inventories

Of the total inventories of € 14,331 thousand (prev. year: € 8,412 thousand), 32 % (€ 4,639 thousand; prev. year 49 %, € 4,095 thousand) is attributable to the storage location in Spain and 65 % (prev. year 48 %), i.e. € 9,361 thousand (prev. year € 4,036 thousand) to the storage location in Germany. The remaining 3 % is attributable to **UNITED**LABELS France (€ 59 thousand; prev. year € 114 thousand) and House of Trends europe GmbH (€ 272 thousand; prev. year € 132 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 € 3,169, thus amounting to € 8,462 thousand (prev. year: € 5,293 thousand) in the financial year under review.
Inventories are not restricted by third-party rights.

5. Trade receivables

Trade receivables fell by € 2,773 thousand year on year, from € 15,774 thousand to € 13,001 thousand. This item includes prepayments for inventories amounting to € 33 thousand (prev. year: € 89 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:

	2011 €'000	2010 €'000
Not due	9,316	13,916
Due		
due for 0 – 30 days	574	779
due for 30 – 60 days	140	169
due for 60 – 90 days	146	145
due for more than 90 days	2,825	765
	13,001	**15,774**

The maximum default risk, without taking into account existing credit insurance, stands at € 13,001 thousand. In total, 33 % of these receivables are covered by credit insurance.
In the 2012 financial year, part of the receivables due for over 90 days and attributable to the French entity Embassy SAS – totalling € 2,182 thousand – were converted into long-term loans. Beyond this, a 13-month extension of payment was granted with regard to receivables due from Embassy in connection with trading activities in 2011, effective from the date of invoicing. As a result, receivables with a remaining term of more than one year total € 1,596 thousand.
There was an allowance for uncollectible accounts of €745 thousand (prev. year: € 596 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 the 2011 financial year, receivables of € 323 thousand (prev. year: € 241 thousand) had to be written down.
The parent company as well as Colombine b.v.b.a., Belgium, sell 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. At the end of the reporting period, € 8,853 thousand of receivables outstanding had been sold to the factoring company. 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. 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. The retention is to be seen as a form of security withheld provisionally by the factor for possible credit notes attributable to the parent company. When the receivable is sold to the factor, all material risks and opportunities pass to the factor, and therefore to a large extent these assets qualify for derecognition. Risks remaining within the company include the risk of late payment on the part of its customers and thus higher interest payments to the factor. Additionally, as the company is responsible for receivables management in respect of its customers

(silent factoring), it incurs accounting expenses in the subsequent financial year for receivables actually sold in respect of 2011. These aspects were accounted for by means of calculations in line with the „continuing involvement" provisions set out in IFRS 7. Within this context, the continuing involvement for the two companies amounted to € 140 thousand, the associated liability stood at € 145 thousand, interest expense totalled €5 thousand and accounting-related expenses amounted to € 0.4 thousand.

6. Other assets

This item mainly includes receivables from the factoring agency in Germany and Belgium (€ 1.0 million; prev. year € 2.0 million), receivables from reinsurance (€ 0.9 million; prev. year € 0.8 million), creditors with debit balances (€ 0.8 million; prev. year € 0.1 million) and an interest-bearing loan to S.A.S. Montesquieu Finances, France (€ 373 thousand; prev. year € 373 thousand).
Additionally, this item includes financial assets recognised at fair value. These relate to the fair values of outstanding forward foreign exchange transactions, amounting to € 224 thousand, and a call option in connection with interests in the French entity Montesquieu, totalling € 454 thousand.
In addition, prepaid expenses as non-financial assets, in the amount of € 142 thousand (prev. year: € 124 thousand), were recognised within this item.

7. Cash and cash equivalents

Cash and cash equivalents declined from € 5,468 thousand to € 1,570 thousand in the financial year under review. The interest rates for monies invested were between 0.125 % and 0.750 %.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31/12/2011			31/12/2010		
	Gross value €'000	less impairment €'000	Net value €'000	Gross value €'000	less impairment €'000	Net value €'000
Trade and other receivables	13,746	745	13,001	16,370	596	15,774

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 2011 share capital remained unchanged at € 4,200 thousand, divided into 4.2 million no-par-value bearer shares („Stückaktien" governed by German law).
On 24 May 2011, the General Meeting of Shareholders of the Company granted to the Management Board a mandate to increase the Company's share capital, subject to the consent of the Supervisory Board, in one of more stages in the period up to 23 May 2016, 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 2011). The previous resolution (Authorised Capital 2006) had ended on 22 May 2011.
The Annual General Meeting of 19 May 2010 resolved that the authorisation to acquire shares granted on 15 May 2009 will be revoked from the time the new authorisation takes effect. In accordance with Section 71 et seq. AktG, the company's Management Board was authorised to acquire shares with a proportional amount of the company's share capital of up to 10 % of the current share capital before 18 May 2015. This right was not exercised during the financial year under review. As at 31 December 2011, the Company continued to hold 46,199 treasury shares. The historical cost of purchase amounting to € 223 thousand was deducted fully from equity.

In accordance with the resolution passed by the General Meeting of Shareholders on 3 April 2000, the share option plan for employees has ended. No resolutions were passed for a new share option plan.
Retained earnings remained unchanged year on year.
The unappropriated surplus developed as follows:

	2011 €'000	2010 €'000
Balance at 1/1	3,061	1,993
Dividend 2010	-623	0
Profit for the year	539	1,068
Balance at 31/12	**2,977**	**3,061**

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

Consolidated earnings per share	**2011**	**2010**
basic diluted	0.13 € 0.13 €	0.26 € 0.26 €
Weighted average shares outstanding		
basic diluted	4,153,801 shares 4,153,801 shares	4,153,801 shares 4,153,801 shares

Consolidated earnings per share amounted to € 0.13 (prev. year: € 0.26), calculated by dividing the profit of € 539,410.73 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 € 1,516 thousand (prev. year: € 1,470 thousand) is non-funded.
Measurement and recognition of the benefit obligation and the expenses required to cover this obligation are performed by an actuarial valuer on the basis of the projected unit credit method prescribed by IAS 19 „Employee Benefits“. As part of this method, besides pensions and benefits known at the reporting date, expected future increases in these factors are taken into account.
The assumptions upon which the actuarial valuation of the benefit and costs is based have been presented in the following table:

Actuarial assumptions	**2011**	**2010**
Interest rate	5.20 %	4.80 %
Rate of salary increase	2.50 %	2.50 %
Pension trend	2.00 %	2.00 %
Underlying biometric data	RT 2005 G	RT 2005 G

Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions are recognised only if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10 % of the present value of the defined benefit obligation at that date. The portion exceeding this corridor is recognised as income or expense over the expected remaining working life of the Management Board member.
The following table presents the changes in the present value of the defined benefit obligation (DBO) determined in accordance with IAS 19, having accounted for expected salary and pension increases:

Change in defined benefit obligation	**2011 (in €)**	**2010 (in €)**
DBO at 01/01	1,469,811	1,197,885
Service cost	72,397	62,215
Interest cost	70,551	63,488
Actuarial gains	-96,739	-146,223
– of which from experience adjustments	-74,488	42,569
– of which from changes in actuarial assumptions	171,227	-188,792
DBO at 31/12	**1,516,020**	**1,469,811**

As in the previous year, there were no plan assets in the 2011 financial year.
Reconciliation between funded status, calculated as the difference between defined benefit obligation and the actuarial losses not yet accounted for, and provisions recognised in the statement of financial position:

	2011 (in €)	**2010 (in €)**
Funded status	1,516,020	1,469,811
Unrecognised actuarial losses	287,450	399,014
Provisions for pensions	**1,228,570**	**1,070,797**

The following table presents changes in pension provisions:

Change in provision for pensions	**2011 (in €)**	**2010 (in €)**
Provisions for pensions at 01/01	1,070,797	937,270
Net pension cost	157,773	133,527
Provisions for pensions at 31/12	**1,228,570**	**1,070,797**

All pension costs were accounted for as staff costs, with the exception of interest cost. Interest cost is recognised in net finance cost/income.

The total cost of the defined benefit obligation towards the Management Board member is composed of the following items:

Net pension cost	**2011 (in €)**	**2010 (in €)**
Service cost	72,397	62,215
Interest cost	70,551	63,488
Amortisation of actuarial gains/losses	14,825	7,824
Net pension cost	**157,773**	**133,527**

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

	31/12/2011	**31/12/2010 €**	**31/12/2009 €**	**31/12/2008 €**	**31/12/2007 €**
Present value of the obligation	1,516,020	1,469,811	1,197,885	919,468	927,334
Plan assets	0	0	0	0	0
Funded status	1,516,020	1,469,811	1,197,885	919,468	927,334
Experience adjustments	-74,488	42,569	37,181	35,647	-94,334

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01/01/2011 €'000	**Reversed €'000**	**Utilised €'000**	**Allocated €'000**	**Balance at 31/12/2011 €'000**
Other provisions	60	0	-60	60	60
Provision for contingent losses from goods returned	765	0	-765	623	623
Litigation	309	0	-285	0	24
Total provisions	**1,134**	**0**	**-1,110**	**683**	**707**

Other provisions relate to fees in respect of licences and licence assessments. Within this con-text, a total of €60 thousand was utilised as part of licence assessments in 2011; 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 2011 the provisions existing from 2010 were fully utilised; a provision of €623 thousand in respect of new risks was recognised. Sales revenues were reduced by the corresponding amount. The provisions recognised in connection with litigation relate to a provision for a pending customs inspection at one of the subsidiaries. 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:

2011	Remaining Term					
	Total amount	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	10,257	7,491	1,316	1,450	2,702	Land charges
2. Trade and other payables	12,511	11,928	583	0	0	
	22,768	**19,419**	**1,899**	**1,450**	**2,702**	

2010	Remaining Term					
	Total amount	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**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 Dec. 2011 and 31 Dec. 2010:

in €'000	Carrying amount 31/12/2011	Cash flows 2012			Cash flows 2013			Cash flows 2014–2016			Cash flows 2017 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	3,163	135	0	397	119	0	490	275	0	826	373	0	1,450

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

At the end of the reporting period, foreign exchange forward contracts amounted to (nominal) $ 8,790 thousand and zł 9,247 thousand. There were no interest rate swaps. The effective inter-est 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 € 73 thousand (prev. year: €76 thousand) is attributable to liabilities relating to social security and € 207 thousand (prev. year: €255 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 31/12/2011	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/2011
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	1,570	1,570					1,570
Trade receivables	13,001	13,001					13,001
Receivables from factoring company	3,115	3,115					3,115
	FVPL						
Value Buying option Montesquieu	454				454		
Currency Swap	224				224		
Liabilities	FLAC						FLAC
Trade payables	11,740	11,740					11,740
Finance lease liabilities in accordance with IAS 17	10,257	10,257					10,257
Payables to banks							
Of which aggregated by measurement category according to IAS 39:	678				678		
Loans and Receivables (LaR)	17,686	17,686					17,686
Financial Liabilities Measured at Amortised Cost (FLAC)	21,997	21,997					21,997

Carrying amount 31/12/2011	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/2011
	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
LaR						LaR
5,468	5,468					5,468
15,684	15,684					15,684
2,887	2,887					2,887
FLAC						FLAC
10,621	10,621					10,621
9,793	9,793					9,793
24,039	24,039					24,039
20,414	20,414					20,414

Cash and cash equivalents, trade receivables and trade payables mainly have short-term ma-turities. Therefore, their carrying amounts at the reporting date approximate their fair values. Part of the receivables from Embassy SAS (€ 2,182 thousand) were converted into long-term loans, and a 13-month extension was granted for other receivables (€ 1,636 thousand) in connection with trading transactions with this entity, effective from the date of invoicing.
Foreign exchange forward contracts are entered into for the purpose of hedging against curren-cy risks. At the end of the reporting period, hedging transactions (nominal) amounted to USD 8,790,000 and PLN 9,247,279, which were measured at the applicable closing rate as at the end of the reporting period (Level II). This resulted in a positive exchange difference of € 224 thousand, which was accounted for in cost of materials. In the previous year no foreign ex-change forward contracts existed at the end of the reporting period.
The call option on 20 % of the interests in S.A.S. Montesquieu Finances has a market value (Level III) of € 454 thousand. Income from the recognition of this item was recognised as finance income. The aforementioned option had no market value in the previous year, and thus this item has been recognised for the first time in the financial year under review.
If the key parameters used to determine the value of the option (volatility, risk-free interest rate, market value of the equity of the Montesquieu Group) were to change by +10 % or -10 %, the value of the option would increase or decrease by 14.85 %.
The net result attributable to financial instruments recognised at fair value through profit and loss amounted to € 678 thousand (prev. year: € 0).

14. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2011 €'000	Total 2010 €'000
Orders to suppliers	6,659	8,734
Leasing agreements	169	193
Rental agreements	2,843	4,499
	9,671	**13,426**

Of these obligations, an amount of € 7,485 thousand (prev. year: € 9,810 thousand) is due within one year.
The Company was not in the possession of collateral at the reporting date and furnished Volksbank Münster with the right to set land charges in the amount of € 5,600 thousand in connection with the construction of a logistics centre. Additionally, the French entity Embassy SAS, in which the Company holds an indirect interest of 45 %, was given a guarantee in respect of bank loans amounting to € 1,300 thousand.

15. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to € 169 thousand (prev. year: € 193 thousand).

Maturity within 1 year:	€ 92 thousand	(prev. year: € 81 thousand)
Maturity 1-5 years:	€ 77 thousand	(prev. year: € 112 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 € 65 thousand (previous year: € 87 thousand).

Maturity within 1 year:	€ 746 thousand	(prev. year: € 1,014 thousand)
Maturity 1-5 years:	€ 2,097 thousand	(prev. year: € 3,485 thousand)

16. Statement of cash flows

The cash flow statement reports cash flows of the Group over the course of the financial year. Within this context, cash flows are classified by operating, investing and financing activities (IAS 7). Payments associated with investing activities are presented in greater detail within the fixed assets schedule. These mainly relate to investments in usufructuary rights for licences.
The cash outflows for income taxes paid and refunded amounted to €76 thousand (prev. year: €46 thousand), while those attributable to interest payments were € 1,173 thousand (prev. year: € 742 thousand). Interest received amounted to € 79 thousand (prev. year: € 84 thousand).

17. Segment reporting

Reporting format

Segment reporting covers the segments „Special Retail“ and „Key Account“. Segment data de-rived from internal reporting was as follows:

2011

€'000	Special Re-tail	Key Account	Unallocated items	Group
Sales revenue	15,406	44,152		59,558
Segment expenses	-13,372	-36,912	-3,226	-53,510
Depreciation/amortisation	-1,246	-3,383	-286	-4,915
Segment result	**788**	**3,857**	**-3,512**	**1,133**
Net finance cost				-641
Result from at-equity investment				119
Result from ordinary activities				**611**
Taxes				-72
Consolidated profit/loss				**-539**

€m	Special Re-tail	Key Account	Unallocated items	Group
Segment assets	18.0	22.6	12.9	53.5
Segment liabilities	4.4	9.8	10.8	25.0
Capital expenditure	1.4	4.7	0.1	6.2

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	Key Account	Unallocated items	Group	Konzern
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

There were no segment revenues or expenses between the individual segments in the financial year under review. 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 €16,660 thousand in 2011 (prev. year: € 6,735 thousand), 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 do-mestic 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	**2011 €'000**	**2010 €'000**
Germany	17,928	18,621
Iberian Peninsula	17,429	20,396
France	6,963	7,707
Rest of the World	17,238	11,978
Group	**59,558**	**58,702**

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

Total assets	**2011 €'000**	**2010 €'000**
Germany	34,988	31,983
Iberian Peninsula	11,942	12,872
France	1,191	1,446
Rest of the World	5,371	5,901
Group	**53,492**	**52,202**

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

Capital expenditure	**2011 €'000**	**2010 €'000**
Germany	4,562	2,049
Iberian Peninsula	1,601	3,071
France	33	0
Rest of the World	15	1
Group	**6,211**	**5,121**

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 considered probable that long-term exchange rate fluctuations will result in an increase in the cost of sales.
In the 2011 financial year, the average euro/US dollar exchange rate was € 1 = US $ 1.3916 (prev. year: € 1 = US $ 1.3280). **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 € 20.4 million in absolute terms. If the average exchange rate had been € 1 = US $ 1.30, the cost of goods sold would have been €1.4 million higher; if the average exchange rate had been €1 = US $ 1.50, the cost of goods sold would have been € 1.5 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. In early 2011, the price of cotton reached a peak of 215 US cents. However, this upward trend came to a halt towards the late spring of 2011. Having remained at a particularly high level throughout the year, the price of cotton fell to 92 US cents as at 30 December 2011. The Company was only able to pass on to its customers part of the increase in the price of cotton recorded during the year, which had a corresponding impact on 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, UNITEDLABELS 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 UNITEDLABELS have been extended.
UNITEDLABELS holds cartoon licence rights that are recognised in the statement of financial position at an amount of €3,863 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 are impaired under normal circumstances. Having said that, the Company is exposed to the general risk that the carrying amounts of the assets may have to be adjusted following changes to future 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 impossi-ble to rule out a shortage in liquidity if the principal entities within the Group were to fail to meet their targets significantly over an extended period of time. **UNITED**LABELS is committed to creating as much room for manoeuvre possible with regard to its liquidity by performing daily, weekly and annual forecasts, maintaining a high level of transparency towards its principal banks and optimising cash flows throughout the Group.As at 31 December 2011, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	2011	2010
Current account	8,200	7,350
Long-term loans	2,766	3,127
Bills of exchange	2,740	1,940
Letters of credit	9,000	7,000

Further financial flexibility was created by resuming factoring-based financing from late 2010 onwards. The maximum drawing limit for **UNITED**LABELS AG and Colombine bvba, Belgium, rose to € 15.0 million.
UNITEDLABELS AG has provided financial guarantees for the French entity S.A.S. Montesquieu Finances 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 in the short and medium term.

Other current assets

Other current assets include claims against two suppliers, totalling € 0.7 million. These are at-tributable in part to claims for costs incurred in connection with goods that were non-compliant or delivered late; the associated costs were charged to these suppliers via a debit note; in 2012, the amounts in question are to be gradually offset, by means of partial invoice deductions, with future obligations arising from business transactions with these suppliers. We anticipate that these credit amounts will be fully offset in the coming financial year and have therefore opted against discounting for the sake of simplicity.

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 monitored 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 revenue

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

	2011		2010	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	59,151	99	58,357	99
Services	407	1	345	1
	59,558	**100**	**58,702**	**100**

2. Cost of materials

The materials-expense ratio rose slightly by 0.7 percentage points from 62.8 % to 63.5 %. In absolute terms, costs rose from € 36,865 thousand to € 37,807 thousand. This is attributable to higher sales revenue as well as to the shift in the customer portfolio in favour of Key Account business.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they declined from € 4,639 thousand to € 4,284 thousand.

4. Other operating income

This item mainly comprises income from exchange differences in the amount of € 264 thousand (prev. year: € 257 thousand) and income from the reversal of provisions of € 39 thousand (prev. year: €243 thousand).

5. Staff costs

Staff costs rose from € 6,550 thousand to € 6,665 thousand. For further details regarding post-employment benefits, please refer to Chapter 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 € 631 thousand in 2011 and were related solely to systematic depreciation/amortisation.
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, in particular, distribution costs of € 4.538 thousand (prev. year: € 4,693 thousand) and rental expense amounting to € 2,070 thousand (prev. year: € 1,161 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of € 323 thousand (prev. year: € 241 thousand).

8. Finance income and finance cost

Interest expense amounted to € 1,173 thousand (prev. year: € 742 thousand) and relates mainly to long-term loans, use of overdraft facilities, notes payable and factoring. Interest income amounted to € 79 thousand (prev. year: € 84 thousand). Net finance cost also includes income of € 119 thousand (prev. year: € 17 thousand) attributable to the 45 % interest held in the French Montesquieu Group. Additionally, an option for the purchase of an additional 20 % in the French Montesquieu Group was accounted for in 2011. The value of this call option was € 454 thousand and has been included in finance income.

9. Taxes on income

This item is composed of the following:

	2011	2010
	€'000	€'000
Current tax expense	85	172
Deferred tax expense/income	-13	89
Total income tax expense	**72**	**261**

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

	2011 €'000	2010 €'000
Consolidated result before income taxes	611	1.329
Applicable tax rate in %	31,93	31,93
Expected tax expense	195	415
Difference to foreign tax on income	11	9
Tax effect of non-deductible expenses	90	69
Tax effect of non-taxable income	-191	-29
Reversal of impairment losses for deferred tax assets	-12	-177
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	-28	-12
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	7	47
Taxes attributable to other periods	0	-4
Current tax expense	0	-57
Current tax rate	**72**	**261**
Consolidated result before income taxes	**11,8**	**19,6**

The domestic tax rate includes German trade tax computed on the basis of a „Hebesatz“ (a municipal percentage that varies depending on location) of 460 % (prev. year: 460 %), corporation tax of 15 % (prev. year: 15 %) and a solidarity surcharge of 5.5 % (prev. year: 5.5 %) on corporation tax.

E.Other Notes and Information

1. Governing bodies

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

- Dr. jur. Jens Hausmann, Lawyer, Münster (Chairman)
- Prof. Dr. rer. pol. Helmut Roland, President of the Board of Directors of FR Finance Relations AG, St. Gallen (CH) (Deputy Chairman)
- Dipl.-Kaufmann Gert-Maria Freimuth, Chief Investment Officer at MBB Industries AG, Berlin

Mr. Michael Dehler, a former Supervisory Board member, resigned from his post on 13 September 2011. Mr. Gert-Maria Freimuth was newly appointed on 4 October 2011 at the request of the Management Board. An Audit Committee was established in 2004. The members of the Audit Committee are Prof. Dr. Helmut Roland (Chairman) and Mr. Gert-Maria Freimuth.

The fixed component of Supervisory Board compensation amounts to € 40 thousand in total (prev. year: € 40 thousand). The Chairman of the Supervisory Board receives € 20 thousand p.a., and the two other Supervisory Board members receive € 10 thousand p.a. In addition, the members of the Supervisory Board received variable compensation which is calculated on the basis of 0.25 % of consolidated profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. Variable compensation amounted to € 4 thousand in 2011 (prev. year: € 7 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 Dr. Jens Hausmann and Mr. Gert-Maria Freimuth.

In addition to the duties performed for **UNITED**LABELS Aktiengesellschaft, the following Supervisory Board members are also members of the supervisory boards or similar bodies listed below:

- Dr. Jens Hausmann:
  Parsch Schläuche Armaturen GmbH & Co. KG, Ibbenbüren; Sole Member of the Advisory
  Sorbion AG, Senden; Chairman of the Supervisory Board
  Schäfer Holding GmbH & Co.KG, Ibbenbüren, Mitglied des Beirats
  Schäfer-Bauten GmbH, Ibbenbüren, Member of the Advisory Board
- Prof. Dr. Helmut Roland:
  FR Finance Relations AG, St. Gallen (CH); President of the Board of Directors
  Laren Estate AG, Hamburg, Chairman of the Supervisory Board
- Gert-Maria Freimuth:
  DTS IT AG, Herford, Chairman of the Supervisory Board
  Delignit AG, Blomberg, Deputy Chairman of the Supervisory Board

The Management Board consists of:

- Mr. Peter Boder, Diplom-Kaufmann, Münster (Sole Director)

Management Board compensation totalled € 475 thousand in the financial year under review (prev. year: € 448 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 2011 financial year was € 444 thousand; no provision was recognised for the variable component of compensation. In December 2009, a new management contract with largely similar conditions was agreed for a further five years with the Management Board. 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 contract contains a basic salary along with both a short-term and a long-term variable compensation component.

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 € 158 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 €1,229 thousand.

From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of € 18,900.00 and an invalidity pension of the same amount (since 1 July 2006, this has increased by 2 % per annum calculated in relation to the previous year's pension) as well as a widow's pension equivalent to 60 % of the applicable retirement pension and an orphan's pension. The agreed benefit package includes a guaranteed adjustment of the current pension 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:

	2011	2010
Salaried staff	131	149
School-leaver trainees	6	4
	137	**153**

On average, 152 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 www.unitedlabels.com/investor-relations/corporate-governance.

4. Employee share option plan

As at 31 December 2011, 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 € 110 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

AIn 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 2011, the amount received was € 79 thousand (prev. year: € 80 thousand). In 2011, a lease agreement was signed with Facility Management GmbH for the use of facility roof surfaces to operate photovoltaic systems; income from this agreement totalled € 4 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 S.A.S, Roubaix, France, a subsidiary of S.A.S. Montesquieu Finances, in which the Company holds an ownership interest of 45 %. The loan is extinguished on a regular monthly basis. At the end of the reporting period, the loan amounted to € 144 thousand. In the 2009 financial year, **UNITED**LABELS AG granted a loan of € 545 thousand to S.A.S. Montesquieu Finances, 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. Additionally, agreements were concluded with Embassy SAS in 2012 in respect of loans and extensions.
All business transactions were effected on the basis of regular way terms and conditions.
The **UNITED**LABELS Group uses available liquidity for the purpose of minimising interest payments throughout the Group. In addition, internal supply relations exist between the individual entities. At the reporting date, loans to subsidiaries amounted to € 4,168 thousand in total (prev. year: € 3,951 thousand), while current receivables stood at € 4,237 thousand (prev. year: € 3,660 thousand). These amounts are eliminated as part of the consolidation process.

7. Events after the reporting period

In the financial year 2012, part of a receivable from the French entity Embassy SAS, which had been due for over 90 days and totalled € 2,182 thousand, was converted into a long-term loan. Beyond this, a 13-month extension of payment was granted with regard to receivables due from Embassy in connection with trading activities in 2011, effective from the date of invoicing.
There are no other significant events to report subsequent to the end of the 2011 financial year.

Münster, 22 March 2012

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 2011. 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 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.

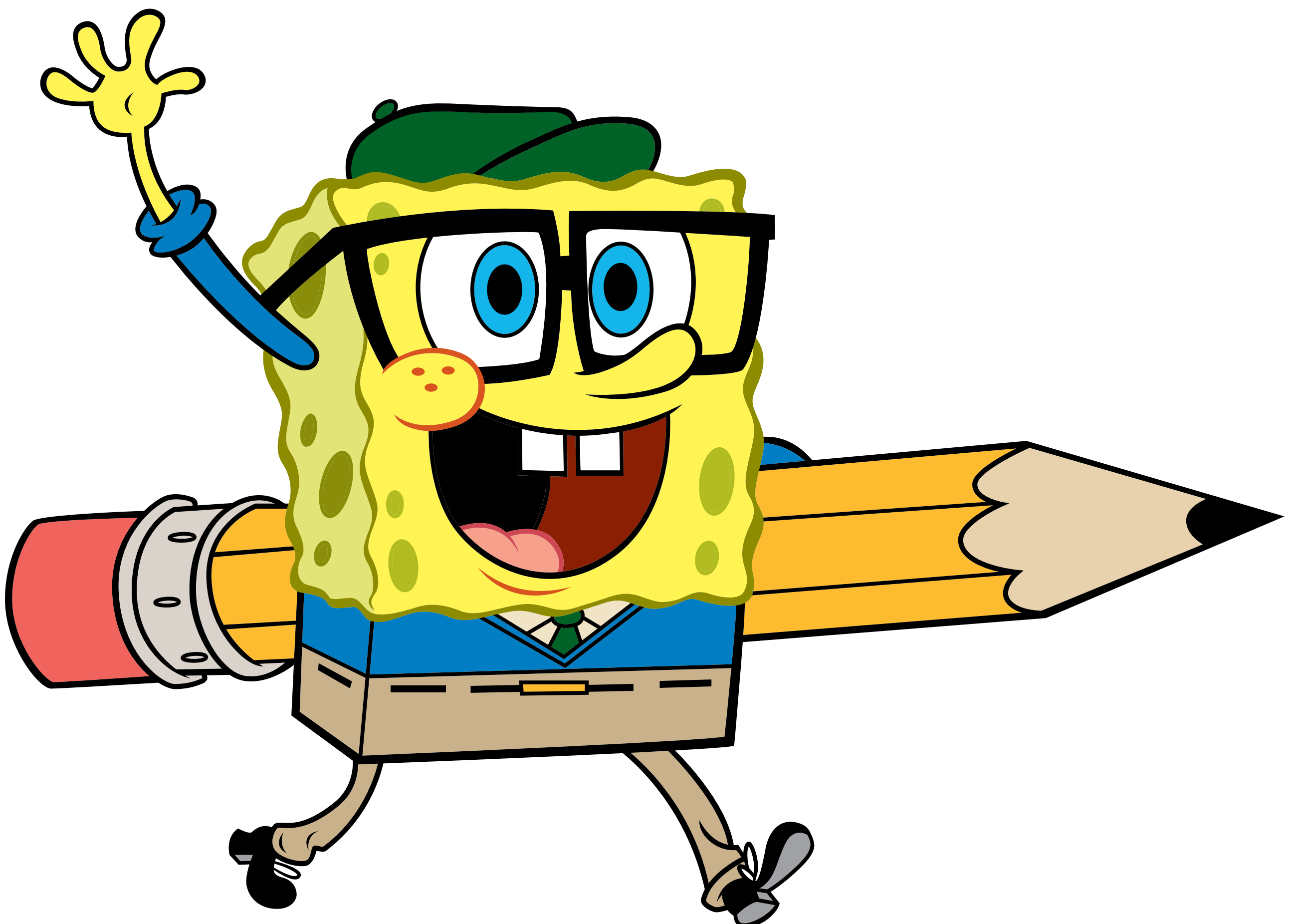
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the financial position, financial performance and 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 2012
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Peter Weiler)
German Public Accountant

(ppa. Dr. Michael Wittekindt)
German Public Accountant

SEPERATE FINANCIAL STATEMENTS OF UNITEDLABELS AG



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UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period from 1 January to 31 December 2011

	2011 €	2010 €
1. Sales revenues	34,672,224.16	29,596,938.32
2. Cost of purchased goods	-24,636,965.70	-21,562,302.11
3. Amortisation of usufructuary rights	-3,031,074.23	-2,333,737.98
	7,004,184.23	**5,700,898.23**
4. Other operating income	1,561,993.19	2,548,825.16
5. Staff costs		
a) Wages and salaries	-3,206,091.24	-3,321,398.74
b) Social security, post-employment and other employee benefit costs	-604,062.11	-518,139.47
6. Amortisation and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment	-309,165.24	-330,183.86
7. Other operating expenses	-3,967,455.24	-3,414,200.88
	479,403.59	**665,800.44**
8. Income from investments	247,844.67	32,594.08
9. Other interest and similar income	200,196.93	283,560.31
10. Write-down of long-term financial assets and securities classified as current assets	-100,000.00	0.00
11. Interest and other expenses	-622,585.29	-293,787.67
12. Result from ordinary activities	**204,859.90**	**688,167.16**
13. Extraordinary expenditure = extraordinary result	-39,742.73	-39,742.73
14. Other taxes	-11,990.25	-11,191.90
15. Net income	**153,126.92**	**637,232.53**
16. Unappropriated retained earnings brought forward from the previous year	60,361.38	0.00
17. Withdrawals from revenue reserves (Prev. year: allocation revenue reserves)	0.00	46,199.00
18. Unappropriated surplus	**213,488.30**	**683,431.53**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2011

ASSETS	31/12/2011 €	31/12/2010 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	3,187,545.56	1,767,374.38
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	4,368,891.10	4,547,862.52
2. Technical equipment and machinery	24,597.80	24,773.46
3. Other equipment, operating and office equipment	422,414.98	472,623.64
4. Prepayments and assets under construction	30,654.00	0.00
	4,846,557.88	**5,045,259.62**
III. Long-term financial assets		
1. Investments in affiliated companies	7,704,502.57	7,644,377.01
2. Loans to affiliated companies	1,971,613.82	2,250,550.69
3. Other long-term equity investments	562,500.00	550,000.00
	10,238,616.39	10,444,927.70
	18,272,719.83	**17,257,561.70**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	9,360,790.84	4,035,583.26
2. Prepayments	2,122.35	29,606.00
	9,362,903.19	**4,065,189.26**
II. Receivables and other assets		
1. Trade receivables	3,938,421.53	4,298,720.55
2. Receivables from affiliated companies	2,432,891.17	2,604,820.29
3. Receivables from et-equity investments	373,288.50	373,137.50
4. Other current assets	3,193,221.77	3,406,475.15
	9,937,822.97	**10,683,153.49**
III. Cash, bank deposits, cheques	**719,888.18**	**4,651,492.15**
	20,020,614.34	**19,399,834.90**
C. Prepaid expenses		
I. Prepaid expenses	**163,314.40**	**199,116.60**
Assets, total	**38,456,648.57**	**36,856,513.20**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2011

EQUITY AND LIABILITIES	31/12/2011 €	31/12/2010 €
A. Equity		
I. Issued capital	**4,200,000.00**	**4,200,000.00**
Nominal value of own shares	-46,199.00	-46,199.00
	4,153,801.00	4,153,801.00
II. Capital reserves	**19,241,162.21**	**19,241,162.21**
III. Revenue reserves	**250,000.00**	**250,000.00**
IV. Unappropriated surplus	**213,488.30**	**683,431.53**
	23,858,451.51	**24,328,394.74**
B. Provisions		
1. Provisions for pensions and similar obligations	1,023,703.46	778,117.73
2. Other provisions	3,230,193.94	3,044,843.95
	4,253,897.40	**3,822,961.68**
C. Liabilities		
1. Payables to banks	4,490,251.38	4,512,551.59
2. Trade payables	4,055,474.47	3,025,716.41
3. Trade payables to affiliated companys	1,654,512.86	892,941.84
4. Other liabilities	144,060.95	273,946.94
	10,344,299.66	**8,705,156.78**
Total equity and liabilities	**38,456,648.57**	**36,856,513.20**

Supervisory Board

Dr. Jens Hausmann, Chairman of the Supervisory Board
Lawyer, Hausmann & Müller Rechtsanwälte (Münster)

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

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

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

Gert-Maria Freimuth, Member of the Supervisory Board
Deputy Chairman of the Board of Directors, MBB Industries AG (Berlin)

Gert-Maria Freimuth, born 1965, married, with three children, and currently residing in Münster, has been the Deputy Chairman of the Board of Directors of MBB Industries AG, Berlin, an investment company listed in the Prime Standard, since 1997. He is also one of the founding shareholders of MBB Industries. In addition to directing Mergers & Acquisitions, he is responsible for Legal Affairs and Corporate Identity within the company. Freimuth studied Business/Economics and Christian Social Ethics at the University of Münster. Until 1994, he held a position with the accountancy and consulting firm Price Waterhouse, where his focus was on Corporate Finance. From 1994 to 1996, he worked as a senior manager at BDO Structured Finance GmbH. Gert-Maria Freimuth is the Deputy Chairman of the Supervisory Board of Delignit AG, Blomberg, as well as the Chairman of the Supervisory Board of DTS AG, Herford. Additionally, he is an active member of several church committees.

Management Board

Peter Boder, CEO UNITEDLABELS AG
(Dipl.-Kfm., 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 SAS, **UNITED**LABELS Benelux B.V. 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

Albert Hirsch
Managing Director
Elfen Sevice GmbH

Markus Landmann
Head of
Operations

Holger Pentz
Head of Finance

Frank Zollner
Business Manager
House of Trends

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

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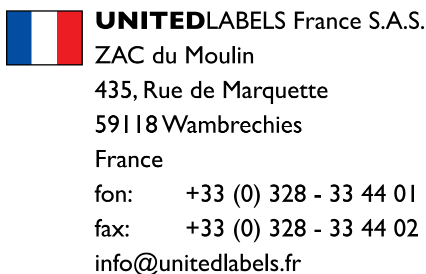

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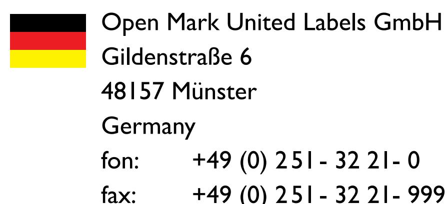

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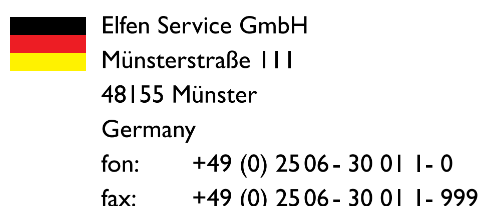

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1987
· Founding of **Duke** GmbH

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**

2010
· Founding of **UNITED**LABELS Polska

2011
· Founding of Open Mark United Labels GmbH
· Founding of Elfen Service GmbH

UNITED LABELS
COMICWARE

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