ANNUAL REPORT 2012

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)	2012	2011**	2010	2009	2008	2007
Revenue	43,144	59,558	58,702	40,260	44,238	43,232
EBITDA*	-9,818	-428	2,584	-1,716	1,266	1,995
EBIT	-12,380	-1,059	1,971	-4,072	631	1,281
Consolidated profit/loss for the year	-18,652	-379	1,068	-3,858	769	397
Operating Cash flow	4,691	3,448	5,935	4,169	7,111	2,268
Net income per share (€)	-4.46	-0.09	0.26	-0.93	0.19	0.10
Liquidity	1,640	1,570	5,468	3,694	4,986	4,781
Equity	6,229	24,935	28,637	27,680	32,450	32,743
Equity ratio (%)	20%	47%	55%	60%	61%	61%
Net debt	8,725	8,687	4,325	4,481	3,963	5,385
Total assets	31,270	538	52,202	46,385	53,052	53,359
Bookvalue per share (€)	1.50	6.00	6.82	6.59	7.73	7.80
Shareprice per year end (€)	1.06	3.14	4.28	2.46	1.95	3.54
Market capitalization	4,452	13,188	17,976	10,332	8,190	14,868
Staff member (average)	132	146	132	132	139	131
Revenue per staff member	327	392	445	305	318	330

*incl. amortisation of usage rights / ** changed

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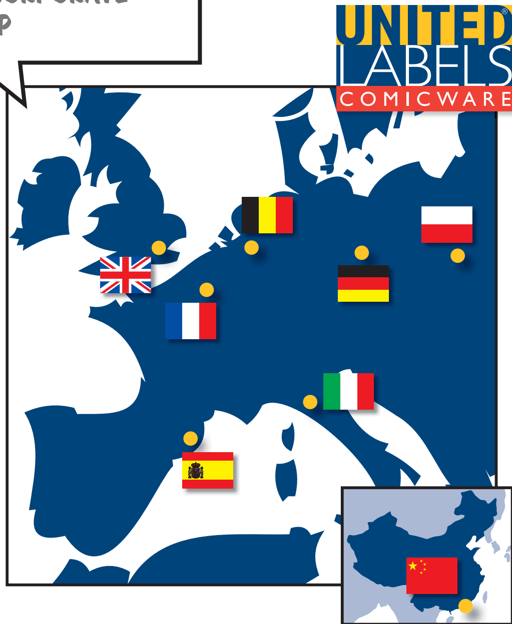
THE COMPANY

UNITEDLABELS AG…

… is one of the leading European specialists for licensed merchandise featuring cartoon/comic book and other characters. Partners of the independent Muenster-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

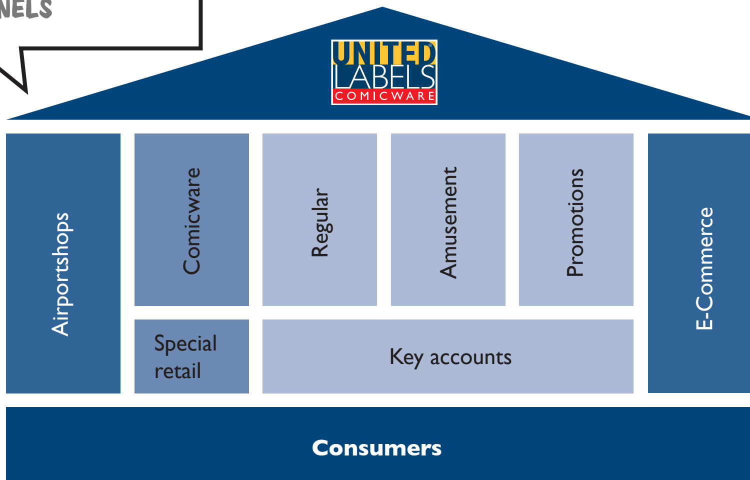


- Over 4,500 customers
- Over 52,000 sales outlets
- Over 60 million items sold annually
- Over 40 licences covering more than 200 characters
- Over 25 sales regions in Europe
- Over 25 years of licensing expertise

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

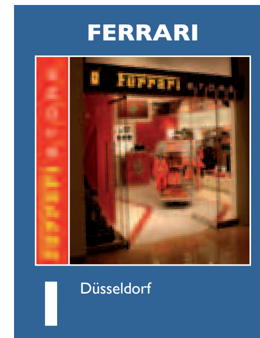
OUR AIRPORT SHOPS

UNITEDLABELS currently operates 7 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)

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



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

Auswahl einiger unserer Standards:

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

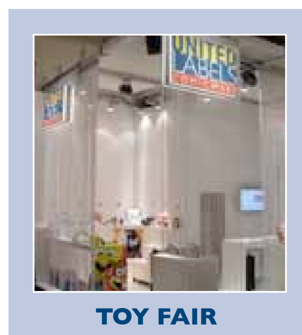
Quality and legal regulations

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.

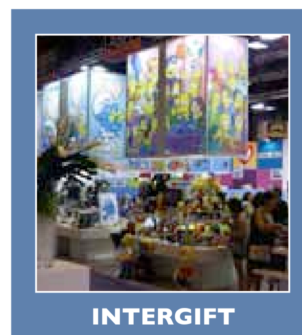
TRADE FAIR APPEARANCES

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.



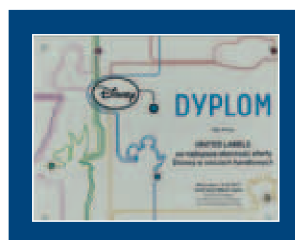
TOY FAIR



INTERGIFT

etc.

OUR AWARDS



Various prizes **UNITED**LABELS AG has been awarded. The company was recently on the Las Vegas Licensing Show the „Krusty Seal of Approval Award" from „Twentieth Century Fox". On the international „Disney Day 2011" in Warsaw **UNITED**LABELS AG received the „Disney Dyplom". In previous years, the company has already received numerous international awards - including the „Homey International Award" in gold, silver and bronze, the „Golden Pencil" and also multiply the „LIMA Award."

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

ALBERT HIRSCH
MEMBER OF THE
MANAGEMENT BOARD

Dear Shareholder,

UNITEDLABELS AG achieved consolidated sales of €43.1 million (prev. year: €59.6 million) in the 2012 financial year just ended. Owing to exceptional charges outlined in detail in our interim reports for the first half and the first nine months of 2012, the loss for the financial year amounted to €-18.7 million (prev. year: €+0.5 million or €-0.4 million after restatement).

Overall, 2012 proved to be one of the most turbulent and intense years for **UNITED**LABELS since its inception. Due to extensive and severe problems relating to the French Montesquieu Group, in which we hold a 45% interest and which has been operating under procédure de sauvegarde since mid-2012, we were forced to recognise impairments for call options, loans, receivables and goodwill in respect of the French entity, in addition to conducting remeasurements relating to various items of the balance sheet.

Revenue contracted in both the Key Account segment (-35%) and the Special Retail segment (-6%). In Germany, we generated revenue of €22.8 million in the financial year just ended (prev. year: €34.7 million).
As regards the foreign subsidiaries, consolidated revenue declined by 11% in Spain, by 36% in Belgium, by 61% in Italy and by 41% in France. The protracted financial crisis had an adverse effect on purchasing behaviour in these countries, particularly those in Southern Europe, and thus also on our sales volumes. By contrast, revenue generated by the subsidiary in Hong Kong rose by 19%, fuelled by direct sales in Asia, while the subsidiary in Poland, where we have been active for three years, saw growth of 231%. Elfen Service GmbH, which launched its new e-commerce platform in October 2012, achieved revenue of €0.6 million in its first year.
The seven airport shops recorded revenue of €6.8 million in total, with positive earnings of €0.2 million.

The licence highlights of the year just ended were „Spiderman“, „Hello Kitty“ and „Peanuts“. We rolled out new textile and giftware collections for these and many other well-known licences in the year under review.

The process of analysing and assessing the overall situation was extremely time-consuming for all those involved, and the necessary consequences of this process proved to be particularly painful.
Against this backdrop, we realigned our Group of companies in several areas, with the express purpose of returning to profitability as rapidly as possible. First and foremost, this included a more or less complete reassessment of all our companies in Germany and abroad as well as an in-depth analysis of where our existing business model may benefit from a programme of optimisation.

Based on our findings, we intend to amalgamate our subsidiaries in France and Italy together with other sites, thereby bringing them together in organisational terms. Additionally, we will now serve our customers in the United Kingdom exclusively from our site in Germany.

Furthermore, our entire management team was involved in restructuring our licence portfolio as well as streamlining and optimising our product range and the categories served by the company. In total, we plan to make savings to our cost and personnel structures of around €3.0 million per annum. Within this context, the Management Board has also made a contribution by forgoing part of its remuneration. All measures aimed at reducing costs have already been implemented, as a result of which we can look forward to the current financial year with renewed optimism.

Our activities are focused primarily on textiles business within the Key Account segment, with an emphasis on more premium-quality, higher-margin products, as well as expansion within the NOS giftware category. We charted our route for future growth as early as the year before last: the coming years will be dominated by our „NextGen“ – Next Generation – programme. As part of these measures, we are committed to incorporating direct business-to-consumer (B2C) activities within our

business mix. Alongside the seven existing airport shops, which will be complemented by additional retail locations, our strategic focus will also include expanding our new e-commerce operations.

With the support of our new subsidiary Elfen Service GmbH, we will extend our line of business by pressing ahead with our e-commerce platform for licensed merchandise and toys. We are currently in the midst of setting up and reorganising our existing central warehouse, with the express purpose of being able to dispatch the entire **UNITED**LABELS NOS range to end-consumers and our retail partners from around May 2013 onwards. In doing so, we will be able to exploit tangible opportunities for value creation.

We have experienced difficult times, and structural reorientation of our Group will continue to require a great deal of energy and strength from all those involved. We are confident that we can improve our business model by pursuing the programme of change and adjustment outlined above. At the same time, we believe that we have laid a solid foundation with regard to the successful positioning of **UNITED**LABELS AG for the future.

We would like to express our gratitude to all members of staff for their tremendous commitment as well as their tireless efforts and their willingness to support the change process, particularly over the course of the year just ended. Our thanks also go to our business partners and to all of you, our valued shareholders, for your consideration and the trust placed in us.

Münster, 16. April 2013

Peter Boder
Chairman of the Management Board

Albert Hirsch
Member of the Management Board

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Report by the Supervisory Board

GERT-MARIA FREIMUTH
CHAIRMAN OF THE
SUPERVISORY BOARD

During the financial year the Supervisory Board, in accordance with the tasks and responsibilities assigned to it by legislation and the Articles of Association, kept abreast of business and strategic developments affecting the company and monitored the Management Board as stipulated in the corporate governance code. The Supervisory Board achieved this through personal discussions between its chairman and members of the Management Board, regular reports from the Management Board concerning business activity and through Supervisory Board meetings. At the eight Supervisory Board meetings that were held, intensive and occasionally contentious exchanges took place with the Management Board regarding business policy, corporate planning and the risk situation as well as the financial position, performance and cash flows of **UNITED**LABELS AG and the **UNITED**LABELS Group. Strategic options and associated measures necessary to improve business performance over the long term were also discussed with the Supervisory Board. The Supervisory Board examined individual transactions requiring its consent in line with the Articles of Association or legal provisions and subsequently reached decisions on approval.
The Supervisory Board also dealt with the issues of corporate governance and the German Corporate Governance Code. During the year under review, the Supervisory Board and the Management Board implemented the steps necessary to conform with the recommendations of the Code to a high degree; the minor exceptions are listed in the declaration submitted together with the Management Board in accordance with Section 161 of the Stock Corporation Act. This declaration was published in the annual report and on the company's website.
During the reporting year the Supervisory Board again formed an Audit Committee comprising Professor Helmut Roland (chairman) and Mr. Gert-Maria Freimuth. At its only meeting, the Committee audited the annual and consolidated financial statements for financial year 2011. The results of the interim audit for 2012 were discussed by the full Supervisory Board.
As the Supervisory Board only has three members and an Audit Committee comprising just two members is not competent to pass resolutions of its own, the Supervisory Board took the decision to dissolve the Audit Committee in February 2013; its tasks will henceforth be performed by the full Supervisory Board.

Staff changes:
Dr. Jens Hausmann resigned his mandate as a member of the Supervisory Board on 8 November 2012. The company, the Management Board and the Supervisory Board would like to thank him most sincerely for his many years of dedication to **UNITED**LABELS. Professor Dr. Helmut Roland also resigned his mandate as a Supervisory Board member on 19 September 2012; the company and its Management and Supervisory Boards would again like to extend their thanks for his commitment and the role he played over many years. By resolution of the district court of Münster, Mr. Frank Rohmann was nominated as the successor to Professor Helmut Roland on the Supervisory Board. Also by resolution of the Münster district court, Mr. Otto E. Umbach was appointed as Dr. Jens Hausmann's successor on the Supervisory Board. Mr. Gert-Maria Freimuth was elected as the chairman of the Supervisory Board.
The company, the Management Board and the Supervisory Board are confident that these changes will restore continuity to the Supervisory Board and that the combined expertise of the Board's members will promote the company's future development.
Mr. Albert Hirsch was appointed as a member of the Management Board of **UNITED**LABELS AG on 1 May 2012. The appointment underlines the importance of the ‚Next Gen' project – and the associated emergence of the e-commerce business segment – to the **UNITED**LABELS Group and the Management Board.

Economic challenges:
The debtor protection procedure (procedure de sauvegarde) initiated in the second quarter of 2012 at the French company Embassy, in which **UNITED**LABELS holds a stake, came as an unwelcome surprise. These developments have had a deeply negative economic impact and necessitated urgent and far-reaching changes to both the parent company and the Group. Not only has this led to the significant impairment of assets and the formation of provisions; the heart of the business model has also had to be revised and adapted to the new situation. This in turn has resulted in site closures, job losses, a reduction in the product and licence range as well as streamlining of the supplier structure.

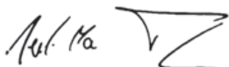
In future, the company will focus on textiles in the Key Account segment and on gift articles in the NOS area. Throughout this phase of business re-engineering, the Supervisory Board received regular reports from the Management Board and contributed its own ideas to the discussion. It should be stressed that the Supervisory and Management Boards have mutually agreed to cut Management Board remuneration until 2014 in view of the economic situation.
The business re-engineering concept was drawn up by the Management Board on the basis of standard IDW S6 issued by the German Institute of Public Auditors, taking the views of managerial staff into consideration. The concept, which was approved by an external consulting firm, was discussed in detail with the Supervisory Board with regard to substantive results and relevant decisions on its future structuring. The main structural measures for the realignment were implemented at the end of 2012; the Supervisory Board regards the job cuts enacted as painful but unavoidable.
The Supervisory Board shares the view of the Management Board that the company is well placed to face the tasks ahead thanks to the amended strategy, the relevant measures and in particular a workforce that remains motivated.
The platform www.elfen.de was launched in line with expectations within the new E-Commerce segment in October 2012.

Annual and consolidated financial statements:
The Supervisory Board duly awarded the contract to audit the annual and consolidated financial statements for financial year 2012 to PricewaterhouseCoopers AG of Düsseldorf, the auditing firm nominated by the Annual General Meeting. The auditor submitted a declaration of independence to the Supervisory Board in accordance with Section 7.2.1 of the German Corporate Governance Code. The declaration confirms that no professional, financial or other relationships which could call its independence into question exist between the auditor, its executive bodies and head auditors on the one hand and between the company and its senior executives on the other.
The auditor, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, audited the financial statements of the company prepared by the Management Board as at 31 December 2012, including bookkeeping, the consolidated financial statements, the Group management report and the related-party disclosure report. 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 Supervisory Board meeting devoted to discussion of the annual financial statements. At this meeting, 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 Supervisory Board were answered by the Management Board and the certified accountants carrying out the audit of the annual financial statements. 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 2012 financial year.
The company's annual financial statements for the 2012 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 offset the annual loss of € 15.8 Mio. against the retained earnings and capital reserve.

THE SIMPSONS TM & © 2013 FOX

Conclusion:
Financial year 2012 was not satisfactory – neither for the company nor for its shareholders. For this reason, the managers and employees of **UNITED**LABELS are strongly motivated to get back on track in 2013 by taking new approaches. The Supervisory Board will do everything possible to support fresh initiatives; we trust we can also count on your support as a shareholder or interested person.

Münster, den 16. April 2013
On behalf of the Supervisory Board



Gert-Maria Freimuth

Corporate Governance Statement/ German Corporate Governance Code 2012

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
issued by the Management Board and Supervisory Board of
UNITEDLABELS Aktiengesellschaft

pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz – AktG) with re-gard to the German Corporate Governance Code in the version of 15 May 2012.

The Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft hereby declare that the Company complied and continues to comply with the recom-mendations of the Commission of the German Corporate Governance Code, as pub-lished by the Federal Ministry of Justice in the official section of the electronic Feder-al 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).

These recommendations were not applied in the period prior to 8 May 2012. Up to this point, the Management Board of **UNITED**LABELS Aktiengesellschaft was comprised of one person.

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 Man-agement Board members and shall resolve and regularly review the Manage-ment 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 com-panies. Criteria for determining the appropriateness of compensation are both the tasks of the individual member of the Management Board, his personal perfor-mance, the economic situation, the performance and outlook of the enterprise as well as the common level of the compensation taking into account the peer com-panies 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 enter-prise.

Up to 8 May 2012, the Management Board was comprised of one member. The remuneration of the CEO (sole Management Board member) was reviewed and redefined on a regular basis within the context of the decision 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 al-so 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 han-dling 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 appoint-ment shall only take place under special circumstances. An age limit for mem-bers of the Management Board shall be specified.

Up to 8 May 2012, the Management Board was comprised of one member. In extending the Management Board, the Supervisory Board also addressed the is-sue of diversity when resolving on the composition of the board.

4. Section 5.1.2 sentence 2 and 3

The Chairman of the Supervisory Board shall also chair the committees that han-dle contracts with members of the Management Board and prepare the Supervi-sory Board meetings. He shall not be Chairman of the Audit Committee.

In 2012, the incumbent Chairman of the Audit Committee was also elected as the Chairman of the Supervisory Board. In the interest of continuity regarding the du-ties performed by the Audit Committee and the Supervisory Board the decision was taken not to make changes to the chairmanship of the Audit Committee. As the Supervisory Board consists of just three members and an audit committee merely comprising two members is not in a position to pass its own resolutions as it is deemed inquorate, the Supervisory Board will consider at its next meeting whether the Audit Committee should be dissolved.

5. 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 com-plex issues. The respective committee chairmen report regularly to the Supervi-sory 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.

6. Section 5.3.3:

The Supervisory Board shall form a nomination committee composed exclusive-ly of shareholder representatives which proposes suitable candidates to the Su-pervisory Board for recommendation to the General Meeting.

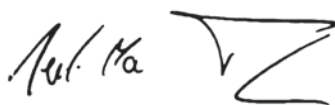
The Supervisory Board comprises only three members. They are elected exclu-sively by shareholders. The Supervisory Board therefore sees no need for the establishment of such a nomination committee.

7. 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 composi-tion which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, 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 Supervi-sory Board and the status of the implementation shall be published in the Cor-porate Governance Report.
In its election recommendations to the General Meeting, the Supervisory Board shall disclose the personal and business relations of each individual candidate with the enterprise, the executive bodies of the company and with a shareholder holding a material interest in the company.
The recommendation to disclose is limited to those circumstances which, in the appraisal of the Supervisory Board, a shareholder judging objectively would consider authoritative for his election decision.
Within the meaning of this recommendation, shareholders holding a material interest are shareholders who directly or indirectly hold more than 10% of the voting shares of the company.
*Paragraphs 2 and 3 of this recommendation were not complied with in the 2012 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 deci-sion-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 observ-ing the company-specific situation at the time of making this decision. However, the Company does not consider necessary the disclosure of concrete objec-tives. Consequently, the recommendations relating to the associated measures to be taken, as specified in Section 5.4.1 (3) of the Code, cannot be implement-ed.*

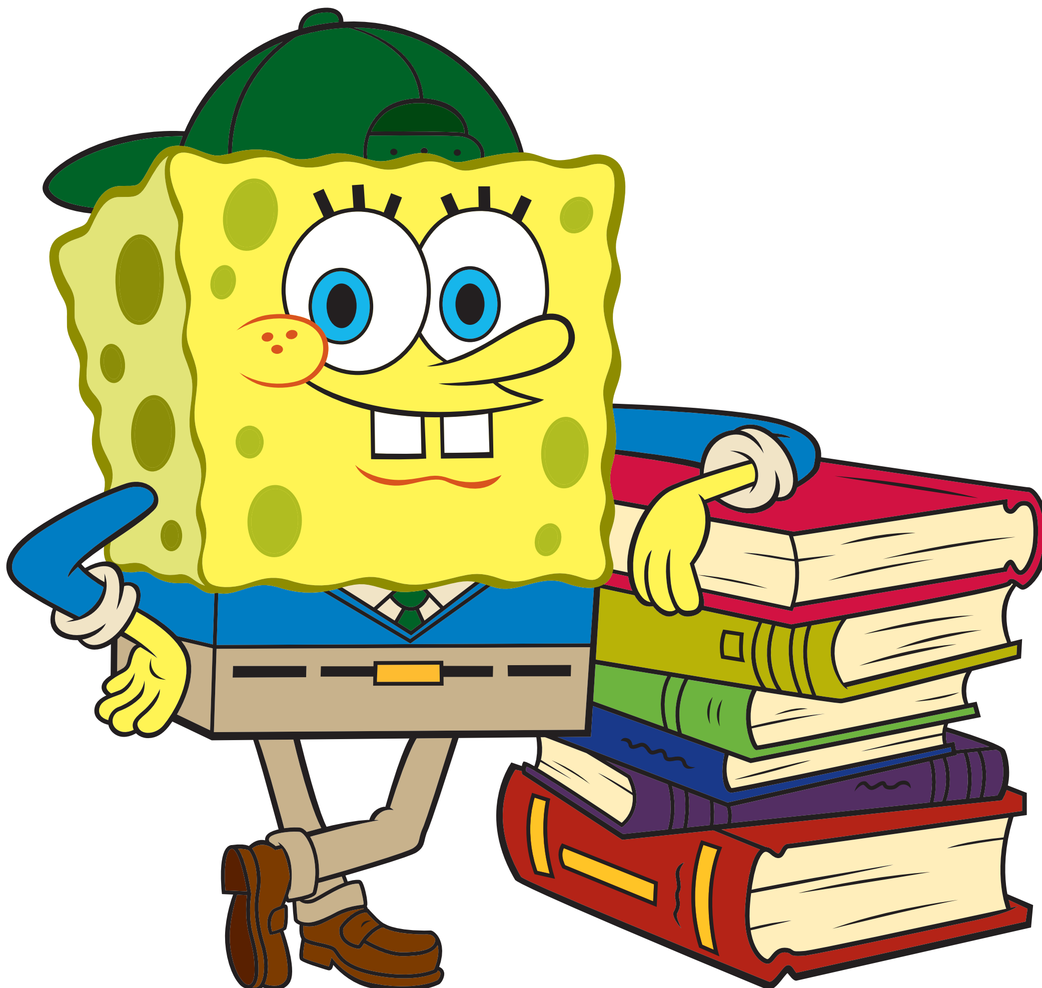
Since issuing the last Declaration of Conformity in December 2011, the Company has conformed with the Code in the version of 26 May 2010, with the exception of the deviations from the recommendations relating to Sections 3.8, 4.2.1, 4.2.2, 5.1.2, 5.3.1, 5.3.3 and 5.4.1. Since the appointment of a second Management Board mem-ber on 8 May 2012 the Company's divergences from Sections 4.2.1 and 4.2.2 no longer apply. In November 2012, the former Chairman of the Supervisory Board stepped down from the Supervisory Board. Mr. Gert-Maria Freimuth was appointed as the new Chairman of the Supervisory Board. He was also the Chairman of the Audit Committee. According to Section 5.2 sentence 3 of the Code in the version of 15 May 2012, the Chairman of the Supervisory Board shall not simultaneously hold the post of Chairman of the Audit Committee. However, in the interest of continuity regarding the duties performed by the Audit Committee and the Supervisory Board the decision was taken not to make changes to the chairmanship.

Muenster, December 2012



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 2012

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1. Business Report and Economic Situation

UNITEDLABELS AG has been listed in the Prime Standard of the Frankfurt Stock Exchange since May 2000. The company has ten subsidiaries across various countries, including Germany and Spain. The company is run by the two-member Management Board, which includes Peter Boder and Albert Hirsch, together with two other senior managers. The Management Board is monitored by the Supervisory Board. **UNITED**LABELS AG sells clothing and giftware through major retailers/wholesalers and speciality retailers, as well as – to a lesser extent – its own retail outlets. One of the largest players in its sector, it operates in all European Union member states. The company does not carry out research and development.

Against the backdrop of current economic conditions, **UNITED**LABELS AG performed as follows:

The German economy achieved very modest growth during 2012, principally due to the eurozone crisis and the economic collapse in southern Europe. Gross domestic product (GDP) grew by 0.7% during 2012, after adjusting for inflation. Analysis from the Institute of Growth Research (Institut für Wachstumsstudien - IWS) identifies Latvia as the leading European economy in 2012, with growth of 4.3%. Next came Norway (3.1%), Lithuania (2.9%) and Slovakia (2.6%), with Greece (-6.0%) and Portugal (-3.0%) at the bottom of the list. Its forecasts indicate that the slowdown in growth is a temporary setback, giving a more positive outlook for 2013. In contrast, the European Commission has been predicting stagnant economic growth in many other EU countries since the beginning of 2012. The economies of southern Europe are suffering particularly badly from the crisis. Spain's slump into recession during 2012 led to high unemployment, while the Italian economy also shrank. Although Germany is moving towards greater economic stability, it still faces significant threats, according to the Ifo Institute for Economic Research.

The German domestic market is particularly important for **UNITED**LABELS AG. Data from market research specialist GfK suggests that German consumer confidence is recovering. Although tax rises and downward pressure on salaries are still leading shoppers to put off major purchases, the public seem to be looking to the future with more optimism and a greater sense of security. A key driver for this has been the upturn in the job market during 2012, with unemployment at its lowest rate since 1991.

The company's purchasing activities are driven by exacting quality standards, not only on the part of **UNITED**LABELS AG itself but also with regard to customers' product expectations. Other significant factors are trends in the price of cotton and the euro-dollar exchange rate.

Because the business purchases a large proportion of its goods in Asia, it is particularly vulnerable to US dollar exchange risks. Although there was significant volatility in the euro's value against the dollar during 2012, it did strengthen somewhat over the twelve-month period. The euro started the year at USD 1.29 and dropped to 1.22 by mid-summer. By the end of the year it had rallied to just over 1.34, after briefly peaking even higher. This represented a significant jump from the values seen in the summer and a moderate increase on the beginning of the year.
On top of the fourfold increase seen in cotton prices in recent years, there was a further rise of four cents in the price listed on the New York Mercantile Exchange (NYMEX) in March 2012 due to the Indian ban on cotton exports. The price then remained largely stable for the rest of the year, moving within the range of 70 to 90 cents per pound.

The textiles business continues to deliver the strongest sales of all **UNITED**LABELS AG's product lines. New collections were marketed to the large-scale retail/wholesale and discount sectors with great success, as the company responded to the increasing trend towards low-cost retailers among German consumers.

Quality assurance was significantly improved across all products in the course of the last year. Drawing on the company's experience from the successful launch of its own airport retail outlets, **UNITED**LABELS AG took the decision to create and develop a digital sales platform. The aim is to strengthen the company's B2C operations, i.e. direct sales to end consumers. The subsidiary Elfen Service GmbH, established in 2011, has been the vehicle for this new approach via its internet platform, which went live at the end of last year. The online shop offers a wide variety of toys and other licensed **UNITED**LABELS AG products and, by the end of the year, around 30,000 articles from over 90 major brands were on sale. The company expects to increase the number of available product lines significantly in the course of 2013. The online retail sector is currently experiencing a boom, with revenue from e-commerce spending in Germany increasing from 18.3 billion to 29.5 billion over the past 6 years and continuing to grow.

The global market for licensed merchandise was estimated to be worth around $151 billion in 2011. Of this figure, approximately $32 billion was spent in Western, Central and Eastern Europe. Although there was a decline in Southern Europe and the United Kingdom, the market continued to grow in Germany, Austria and Switzerland. Russia's strength meant that Central and Eastern Europe showed the largest growth rate, at approximately 14%.

UNITEDLABELS AG maintained its status as a leading player in the licensed goods market across Europe during 2012. Licences were extended for high-profile, bestselling ranges, including The Simpsons, Batman und Sponge Bob. A number of new and exclusive licences were also added to the portfolio, such as Mia and me, Mike the Knight and Teenage Mutant Ninja Turtles. Products from these new ranges are expected to be available on the market from the second quarter of 2013.

2. Financial Performance, Financial Position and Cash Flows

In 2012, **UNITED**LABELS AG identified errors in determining usage rights. These errors have implications for the depreciation/amortisation and write-down of usage rights as well as for trade payables and provisions in the financial years 2008 to 2011. Additionally, a disclosure error has been identified with regard to the current/non-current classification of other assets. In accordance with IAS 8, the corresponding adjustments to consolidated amounts were made retrospectively in the opening statement of financial position as at 1 January 2011 and in the 2011 financial year (comparative period).

Additionally, the corrections had an impact on tax loss carryforwards and associated deferred taxes. In essence, depreciation/amortisation and write-downs of usage rights were increased by €2.2 million in the income statement for 2011 and the consolidated accumulated deficit was increased by €3.6 million as at 31 December 2011. For details of these changes, please refer to the notes to the consolidated financial statements (section C.1).

Financial performance

Sales revenue in the financial year under review was €43.1 million, 27.7% down on the previous year's figure of €59.6 million.

The decline affected both Key Accounts and Special Retail, which contracted by 35% and 6% respectively. These two segments are the supporting pillars of the business.

The German parent company generated sales revenue of €22.8 million compared to €34.7 million in the preceding year, equivalent to a decline of 34%. Sales to one particular key account fell from €16.6 million to €7.4 million.

Looking at regional performance, consolidated revenue in Spain ended the year 11% lower at €14.5 million, while Belgium stood at €3.1 million (down 36%), Italy €1.0 million (down 61%) and France €1.4 million (down 41%). By contrast, revenue at the Group's Hong Kong subsidiary was up 19% at €0.9 million, with Poland reporting a 231% rise to €0.2 million. Elfen Service GmbH generated sales of €0.6 million.

The German parent company, **UNITED**LABELS AG, contributed external sales revenue (adjusted for intra-Group sales) of €19.4 million (prev. year: €29.6 million).

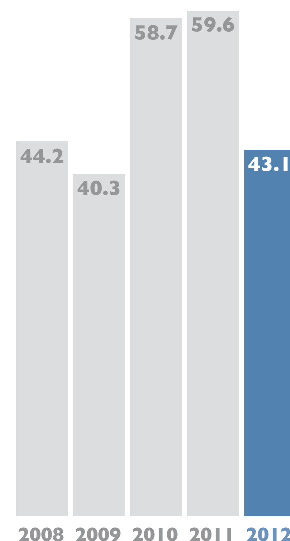
The Spanish subsidiary saw its external sales contract by €1.9 million compared to the previous year. Accordingly, the proportion of Group sales attributable to **UNITED**LABELS Ibérica stood at 37%, down from a share of 27% in the previous year.

The cost of sales within the Group comprises material expenses as well as the amortisation of usage rights for licences. In the financial year 2012, the cost of sales stood at €37.1 million (prev. year: €44.3 million). In relation to Group sales revenue, the cost-of-sales ratio rose to 86.0% (prev. year: 74.3%). This increase is mainly due to the sale of inventories with low margins and, in some cases, below the cost of purchase.

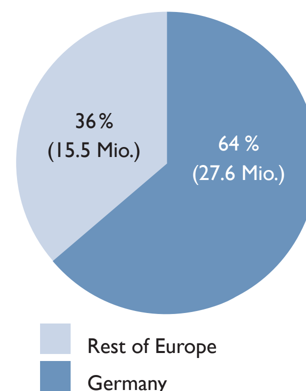
The Group's other operating income of €0.7 million (prev. year: €0.5 million) was partly attributable to foreign exchange gains totalling €0.1 million and the reallocation of administrative costs totalling €0.1 million to Open Mark United Labels GmbH.

Staff costs declined from €6.7 million to €6.1 million. The Group's headcount was down by 13 calculated on an annual average. There were thirteen fewer employees in Spain (the majority at the company's airport shops), although six new staff were recruited at Elfen Service GmbH. Given the Group's financial position, no additional remuneration was granted (annual bonuses). Per-capita revenue (annual average) fell from €392 thousand in

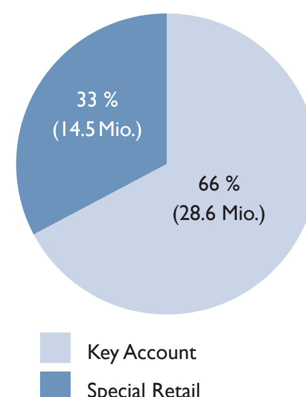
Past sales performance (in €m)



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



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



2011 to €326 thousand in 2012.
Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment stood at €0.8 million (prev. year: €0.6 million). Amortisation of usage rights (licence fees) amounting to €4.5 million (prev. year: €6.5 million) was accounted for separately as material expense. While the licence ratio remained comparatively stable, the absolute figure for the previous year was significantly higher due to the restatement and significantly higher revenue in the prior period. Additionally, the item classified as write-downs of current assets to the extent that they exceed write-downs that are usual for the entity includes a write-down of €1.8 million with regard to receivables from the French Montesquieu Group.

Other operating expenses amounted to €10.5 million (prev. year: €9.6 million). This figure includes legal and consulting costs of €0.8 million, write-downs of €0.6 million on receivables and additional payments of €1.1 million to licence holders. Net finance cost of €-4.7 million (prev. year: €-0.5 million) encompasses finance income and cost as well as the results contributed by the Group's at-equity investment in the French Montesquieu Group (€-1.2 million) and by Open Mark United Labels GmbH. Write-downs on loans totalled €2,155 thousand. Furthermore, the existing option to purchase an additional 20% stake in the Montesquieu Group was written down from €0.5 million to zero in accordance with IFRS requirements. Looking at net interest income in isolation, the use of factoring over the entire year exerted downward pressure on income. Income within this area was reduced by a more pronounced use of credit lines.

Taxes on income stood at €-1.6 million (prev. year: €1.2 million). Within this context, there were adjustments to deferred taxes on loss carryforwards for **UNITED**LABELS AG, **UNITED**LABELS Belgium, House of Trends and **UNITED**LABELS France.
On this basis, the consolidated loss for the financial year 2012 was €-18.7 million, compared to an adjusted consolidated loss of €-0.4 million for the previous financial year. This corresponds to earnings per share of €-4.46 (prev. year: €-0.09).
The result for the Key Account segment was €-4.7 million (prev. year: €3.9 million), primarily as a result of the write-down of the Group's French equity holding.

The Special Retail segment posted a result of €-0.3 million (prev. year: €0.8 million), with the southern European sales regions contributing the largest share. Unallocated administrative costs rose from €5.7 million in the previous year to €7.4 million due to an increase in liabilities and provisions associated with the licensing business. This result is attributable to the decision by the French company Embassy (the operating subsidiary of the Montesquieu Group) to apply for sauvegarde (judicial protection) in July of last year. This led to a write-down of the Group's equity holding along with the associated loans and receivables and a rise in liabilities in respect of additional claims from rights owners. 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 the key financial performance indicators within the Group. In the financial year 2012, sales revenue fell by 27.6% compared to an increase of 1.4% in 2011. The gross profit margin was 14.0% in 2012 (prev. year: 25.7%) in relation to sales, while the EBIT margin ended the year 28.7% lower (prev. year: down 1.8%) in relation to sales.

Performance of the subsidiaries

Results of the major subsidiaries (separate financial statements):

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		Elfen Service GmbH, Deutschland		**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)
2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
15,807	19,562	1,411	2,396	1,932	4,431	611	0	1,007	2,572	1,961	2,995
-1,742	409	-763	-74	48	196	-482	0	-121	53	-425	-67
-2,115	106	-803	-81	47	196	-543	-5	-134	49	-441	-79
-1,815	4	-825	-72	74	187	-559	-5	-177	2	-479	-93
2,464	4,639	0	65	0	0	56	0	0	0	15	273
33	138	404	201	376	51	60	50	40	73	20	107
4,057	4,998	0	0	0	0	0	0	0	197	283	644

Alongside its holdings in the subsidiaries, the parent company currently holds a 45% interest in the French-based Montesquieu Group. Montesquieu Finances SAS incurred an annual loss of €2,664 thousand in the financial year under review. This was attributable to the significant loss generated by its operating subsidiary Embassy, which lost its usage rights for a major licence in mid-2012 and filed for procédure de sauvegarde. Additionally, the parent company has a 50% in Open Mark United Labels GmbH, based in Münster. In the financial year just ended, this entity recorded revenue of €1,507 thousand and a post-tax profit of €7 thousand. The at-equity carrying amount presented in the Group statement of financial position is €16 thousand.

Cash flows

The Group's cash flow statement shows net cash from operating activities of €4.6 million for the 2012 financial year. Investments totalled €4.0 million, with a particular emphasis on the extension of licensing rights. In the context of the Group's financing activities, a sum of €0.4 million was used for the purpose of servicing loans. Net cash used in financing activities was €-0.8 million (prev. year: €-1.3 million). On this basis, cash and cash equivalents rose by €0.1 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 2012, receivables totalling €1.1 million (prev. year: €6.9 million) had been sold to the factoring company.

Negotiations were conducted with the four banks responsible for financing the parent company in the recent past, the focus being on maintaining the lines of credit and extending the repayment periods of existing loans. In the meantime, the scope of financing has been addressed by means of addenda to existing agreements. This has been taken into account in the liquidity planning of the parent company. The three banks that have agreed to provide the parent company with the lines of credit are committed to maintaining their dealings with the company as part of a pooling agreement. In the event of unforeseen liquidity shortfalls, the company has the option of extending letter of credit maturities or expanding its factoring.

Financial position

Non-current assets fell from €21.6 million to €18.0 million. Intangible assets decreased by €0.7 million as a result of unit-of-production amortisation and impairments, while property, plant and equipment contracted by €0.5 million due to straight-line depreciation. At-equity investments amounted to €0.02 million at the end of the reporting period. The carrying amount relating to the investment in the French entity Montesquieu as well as loans to Groupe Montesquieu were adjusted in full. Therefore, this item is attributable solely to the equity interest held in Open Mark United Labels GmbH. Current assets declined by €18.7 million, down from €32.0 million to €13.5 million.
Inventories (including goods in transit) fell to €4.8 million (prev. year: €14.3 million), as the company stepped up its efforts to reduce stock levels in the second half of the year.

At the end of the reporting period, trade receivables totalled €6.3 million (prev. year: €13.0 million). The year-on-year reduction in trade receivables is attributable to the downturn in business as well as the write-down of receivables from the Montesquieu Group.

Cash increased slightly to €1.6 million.

Other assets fell by €2.3 million, primarily due to the value adjustment to the call option held in the French Montesquieu Group (€0.5 million), allowances made in connection with creditors with debit balances (€0.4 million) and the lower 15% retainer associated with factoring (€-0.9 million).
Thus, total assets fell by 42% to €31.3 million.

Meanwhile, equity contracted by €18.7 million, primarily as a result of the consolidated loss for the year. The consolidated loss itself amounted to €18.7 million. Of this total, €0.1 million is attributable to non-controlling interests. At the beginning of the financial year under review, Mr. Albert Hirsch acquired a 20% interest in Elfen Service GmbH. Non-current liabilities rose by €3.0 million to €7.7 million, primarily due to an increase in long-term payables and provisions within the area of licences. They mainly relate to licence fees attributable to the parent company.

Current liabilities fell by €6.6 million in total to €17.4 million. Provisions contracted by €1.3 million due to less extensive provisioning for the potential return of goods by customers. Current financial liabilities rose by €0.3 million to €7.8 million. The year-on-year increase was attributable primarily to the fact that **UNITED**LABELS AG had to cover a bank loan of the French investee Montesquieu, for which **UNITED**LABELS AG had provided a guarantee. It amounted to €0.5 million. Trade and other payables fell by €5.5 million to €9.2 million. This was due to the downturn in business.

At €18.0 million, non-current assets account for 57% (prev. year: 40%) of total assets. At €13.3 million, current assets account for 43% (prev. year: 60%) of total assets.

Amounting to €7.7 million, the share of non-current liabilities in total equity and liabilities rose to 25%. By contrast, current liabilities fell markedly to €17.4 million, which represents 56% (prev. year: 45%) of total equity and liabilities. The percentage increase is attributable to the significant reduction in total equity and liabilities.
In total, Group debt amounted to €25.0 million in the financial year under review, compared to €28.6 million in the previous year. Group debt in relation to total equity and liabilities rose significantly to 80%, up from 53% in the previous year.
Based on equity of €6.2 million reported by **UNITED**LABELS, the equity ratio stands at 20%, compared to 47% in the previous financial year.
Equity covers the Group‘s non-current assets by 35%. The proportion of goodwill in relation to equity is 90%.

Staff

At 31 December 2012, 128 members of staff were employed within the Group (prev. year: 137). Staff downsizing was a response to the business performance of the individual subsidiaries and the parent company after the first six months of the year. At 140, the average headcount was down 13 compared to the previous year.
The Group is not attached to, or bound by, any collective wage scale. Remuneration is based on an employee’s position within the company and his/her performance.

It is a particular aim within the company to continuously develop employees‘ potential and improve its service towards customers. The company therefore organised several internal and external training sessions during the period under review. In addition, the company has established an employee development programme in Germany to encourage and motivate each employee individually. For example, this includes regular staff information events for all employees, where current issues are brought up and employees have the opportunity to engage in a dialogue with the company‘s management. At least twice a year, each employee meets with his/her supervisor for a feedback and career development meeting. Due to the small size of the teams within the Group (up to eight people), each employee can be given individual support.

Diversity within the workforce is of immense importance to the Group and constitutes a core component of our HR strategy. **UNITED**LABELS AG has set itself a target of becoming more international with regard to employment. At the same time, the potential appointment of women to senior management positions is a key issue.

At present, the proportion of women in management roles stands at 20% throughout the Group. The company remains fully committed to promoting the appointment of women to positions of responsibility.

The share of foreign managerial staff also stands at 20%. The Group organises cross-cultural workshops for the purpose of improving mutual understanding among staff members when it comes to international communication and teamwork at a global level. Furthermore, HR Development has been tasked with also involving more international staff members in the Group‘s qualification programmes and supporting them with an even broader range of corporate training and development offerings over the coming years.

3. Events after the Reporting Period

In view of the consolidated loss for the year and the thus resulting financial situation, a banking pool is to be established for the purpose of maintaining the financial lines of credit provided for the parent company.

In principle, an agreement was reached in respect of payables to a licensor, which is to be signed in the near future. The implications and effects of this agreement have been accounted for in the consolidated financial statements.

The personnel-specific measures stipulated in the business reengineering concept have been implemented; the structural adjustments are progressing as planned and have already been completed in specific areas.

There are no other significant events to report subsequent to the end of the 2012 financial year.

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 raise its competitiveness and maximise profits in the medium to long term while steadily increasing shareholder value. Making the most of chances that present themselves involves confronting certain risks. Adherence to the principles of risk and opportunity management ensures business activity can be carried out in a properly controlled corporate environment.
The **UNITED**LABELS Group regularly encounters risks and opportunities that can impact both positively and negatively on its assets, profits and cash flow as well as 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 information derived from the Internet, other media and trade fairs and analyses of competitors. Such information (which is often provided by local entities of the company) is fed into the risk management system at the quarterly request of the Controlling department, which evaluates risks according to the likelihood of occurrence and the seriousness of potential damage. 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, outsourcing, distribution agreements or purchasing arrangements). The company is aware of significant risk in the following areas in particular:
A significant proportion of merchandise purchases 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 cut 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. Rapidly rising cotton prices are driving up cost prices, which cannot be passed on to customers in the short to medium term. For this reason, the company seeks to fix budgeted prices by issuing corresponding import letters of credit at a relatively early stage; the issuing of letters of credit is generally closely followed by purchases of raw materials by the factory.

As a licensee, **UNITED**LABELS exploits the proprietary rights of third parties. Although the company maintains long-standing and close relationships with its principal licensors, there remains a possibility of some large-scale licence agreements not being extended. The company must also ensure licence fees are properly documented and calculated in line with regulations. The possibility of incomplete licence fee billing as a result of human error or systemic faults discovered too late cannot be ruled out. Both situations can adversely affect the company's revenue and earnings situation.
Owing to the degree of market proximity required, **UNITED**LABELS is organised decentrally in a number of areas (sales and distribution, purchasing, design and parts of the licensing area). Even though processes are largely standardised and key areas have been centralised, the possibility of the Group itself, rather than a specific foreign subsidiary, sustaining financial losses through the wilful misconduct of individuals cannot be excluded. In view of events at the French company Embassy in the past financial year, we will make greater efforts to reduce such risks.

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

In the interests of responsible business activity on a social level, **UNITED**LABELS plays its part in ensuring human dignity is guaranteed in production facilities around the world. To this end, all producers and suppliers are subject to

a strict code of conduct designed to ensure companies involved in manufacturing and distribution exercise fairness, honesty and responsibility in all of their business dealings. Amongst other things, the code of conduct stipulates that no child labour or forced labour may be used in the manufacture of **UNITED**LABELS products.
Regular inspections of producers and suppliers carried out by company staff, various reputable testing institutes (such as Bureau Veritas, TÜV Rheinland and the Hohenstein Institute), licensor audit teams and associations like the Business Social Compliance Initiative (BSCI audits) aim to ensure that minimum social standards (covering working time regulations, minimum wages, workplace safety, the ban on child labour and so on) are observed. Despite these measures there remains a possibility that, contrary to their obligations, certain manufacturers will occasionally fail to comply with the standards in individual cases, without the knowledge of the company or its external auditors. Non-compliance can pose a financial risk to **UNITED**LABELS.

UNITEDLABELS works with major key account customers at home and abroad. Continuing to retain these customers and attracting new clients in the future will be critical to the development of the Group. **UNITED**LABELS does not conclude long-term supply contracts or other framework agreements with most of its customers; instead, clients place short-notice orders according to their requirements and **UNITED**LABELS supplies licensed products on that basis. The loss of certain clients – and especially those that account for a high share of sales (one of the customers accounts for more than 10% of revenue) – could lead to a decline in revenue and earnings for the company and have a negative impact on its financial position, performance and cash flows.
To a considerable degree, the economic prosperity of the company depends on the performance and continuing contribution of Management Board members and other staff in key positions. The failure of the company to attract and retain qualified staff could adversely affect its financial position, performance and cash flows.

Owing to the payment terms in Asia (credit transactions) and the long periods granted for payment to some large clients, an appropriate financing framework is required. Up to 10 months can elapse between the placing of orders with suppliers (and thus the utilisation of documentary credit facilities) and final payment by the customer; this period must be bridged with own resources or outside funds. Owing to the exceptional factors of the past financial year, credit lines (and in particular unused lines) have been reduced. For this reason, the company has started to monitor liquidity closely with a view to ensuring smooth order financing. The company makes use of factoring at the parent company in Germany and at Colombine in Belgium. Liquidity risks cannot be ruled out where customers settle large payments very late or suppliers require payment unusually early. The recently established subsidiary Elfen Service GmbH is co-financed by the Group. Cash funds are provided as agreed in the form of a subordinated loan issued by an investor in the entity. A risk to liquidity could arise where business performance of this entity falls short of expectations.
In general terms, the possibility of liquidity shortages may arise if targets are missed by the companies within the Group. Where sudden downturns in general economic conditions coincide with periods in which **UNITED**LABELS Aktiengesellschaft has a consistently high liquidity requirement, liquidity reserves could be used up faster than planned. In such a case, **UNITED**LABELS Aktiengesellschaft would have to rely on existing lines of credit (where available) or seek additional loans. Overall, successful implementation of the restructuring and financing measures already initiated as well as the preservation of established credit lines is critical in terms of the medium- and long-term financing concept; without them, the survival of the company as a going concern would be jeopardised.

The company continues to monitor environmental policy and conditions. At present, the Group is not aware of any environmental risks that could have a major impact on its financial position, performance and cash flows.

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 proactively carries out preventive system maintenance in order to minimise these risks and ensure critical IT practice is upheld.

The Group's intangible assets include goodwill in respect of **UNITED**LABELS Ibérica (€2.6 million) and Colombine in Belgium (€3.0 million). Non-impairment of this goodwill depends on the enterprise values of these entities, which will remain subject to continuous assessment. A sustained deterioration in these entities' business performance may result in adjustments to the value of goodwill.

In addition to the risks described above, other risks associated with general business (such as risks relating to price fluctuations, default and interest rates) are recorded by the internal risk management system and constantly monitored.

Our principal aims in terms of risk management involve safeguarding and monitoring the margin situation by means of costing guidelines and dollar hedging, strict cost regulation through budgetary controls and the safeguarding of liquidity by means of planning and supervision. Essentially, the risk management system serves to provide early warning of risks, evaluate their seriousness and probability of occurrence and initiate appropriate countermeasures.

In the paragraphs above we have set out the risks which, from our current standpoint, could have a seriously negative impact on our financial position, performance and cash flows. These are not necessarily the only risks facing the Group; factors of which we are not yet aware or which we do not presently regard as serious also have the potential to affect our business activity.

Needless to say, the general economic situation in Germany and across Europe affects the development of **UNITED**LABELS. During the first three quarters of 2012 the German economy expanded, albeit increasingly slowly; although the economy then contracted by 0.6 per cent in calendar-adjusted terms by the end of the year, an overall upturn was confirmed. The Federal Ministry of Economics and Technology (BMWi) is working on the assumption that investment levels will rise and the economy will stabilise in 2013 as a measure of security returns to international economies. According to forecasts, gross domestic product will increase by 0.4 per cent (annual average); the German economy is expected to remain in good shape and highly competitive overall. **UNITED**LABELS AG hopes to benefit from this situation, especially in its dealings with major clients. During the current financial year, textiles business in Germany will continue to account for the greater part of **UNITED**LABELS' revenue.

By contrast, the economic picture elsewhere in the eurozone remains clouded by recession; southern eurozone member states are particularly heavily indebted. Despite this, the eurozone should start to recover from its economic low point by the spring if the Economic Sentiment Indicator, which improved in the final two months of last year, is to be believed. Looking ahead, economic developments for Germany and the wider EU are hard to predict. In the short term, the debt crisis will continue to affect the situation adversely and restrict economic activity generally.

To enable **UNITED**LABELS to maintain its position and build market share within the European market at such an economically sluggish time, the company will continue to focus on top-quality, safe, high-margin products for which demand exists. **UNITED**LABELS will also aim to expand its portfolio of large international clients in particular with a view to minimising reliance on specific customers.

As a consequence of the exceptional factors in the past financial year, **UNITED**LABELS has initiated a strict optimisation process that is expected to realise cost savings of €3.0 million in 2013 alone. Material and staff costs will be cut throughout the Group as offices in various countries are amalgamated, externally rented storage space is surrendered, significant job cuts are implemented and stringent cost management is applied to all divisions and companies. Members of the Management Board will also be accepting reduced remuneration packages until the end of 2014. All of these cutbacks will be necessary to return **UNITED**LABELS AG to profitable growth as soon as possible. The business re-engineering concept was drawn up at the request of the Management Board on the basis of standard IDW S6 issued by the German Institute of Public Auditors (requirements on the drawing up of restructuring concepts); the views of managerial staff were taken into consideration through an external consulting firm. It has been established that **UNITED**LABELS is able to continue as a going concern provided the measures are implemented consistently and potential is utilised. On the basis of the assumptions made, there will be no shortfall in the development of liquidity to the end of 2014, with the exception of a period that is temporary in nature. To prevent liquidity bottlenecks, the company could extend the terms of letters of credit or expand factoring.
Progress and liquidity planning is reviewed regularly.
Aside from concentrating on business with large clients involving textile products with high margins, expanding the NOS giftware area at home and abroad and optimising the airport shops, **UNITED**LABELS is also seeking to build its consumer-focused e-commerce business base through the new subsidiary Elfen Service GmbH.

The new Internet platform Elfen.de was launched in October 2012 following a phase of design, formation and development lasting several months. It is hoped that the newly created platform, which will mainly be used to market toys and licensed products to customers, will also attract the interest of manufacturers and retailers and well as licensing, media and brand partners and clients. In this context, the platform has been designed to bring together these parties. Around 30,000 items were offered at the start of the Christmas trading period in 2012; the new online shop now presents over 150,000

articles – and the range is expanding all the time. As the full specialist retail range of the parent company is added, a broad product selection based on strong licences will be established for consumers with cooperation partners from a wide spectrum of areas.

In the field of airport shops, two marginally profitable shops in Barcelona were replaced by two new stores at Madrid Airport in 2012; the total number of shops is therefore unchanged at seven. **UNITED**LABELS AG is still involved in various tendering procedures at European airports; these processes tend to be very protracted, and can take several years to complete.

The licence portfolio currently comprises 40 licensed brands, all of which represent in-demand licences. As in previous years, a number of contracts no longer deemed economically viable by the company were discontinued. New arrivals include the successful series 'Mia and me', 'Teenage Mutant Ninja Turtles' (making a comeback this year) and 'Mike the Knight'. Contracts for classic characters such as 'The Simpsons', 'Bob the Builder' and 'Thomas & Friends' have been extended. In the past year, 'Spiderman', 'Hello Kitty' and 'Peanuts' were among the most successful licence subjects.

Report on expected developments

Given the current economic situation, we believe that the consumer climate throughout Europe will remain relatively subdued.
In order to spread the associated risk to the largest extent possible and seize opportunities presenting themselves within this environment, **UNITED**LABELS will be looking to attract further high-revenue retailers across Europe, in addition to cementing and extending existing customer relationships. Overall, the Group expects to see slight growth in the current financial year, accompanied by a stringent optimisation and streamlining process in all areas of the Group, as outlined above. Against this backdrop, total sales revenue is to expand by 3-10% in 2013 and by a considerable margin from 2014 onward. The Group's bottom-line result for the 2013 financial year, excluding the start-up losses of Elfen Service GmbH, is to be similar to the level recorded in 2011, with annual profit subsequently expanding at a moderate rate from 2014 onward. The new E-Commerce division is to produce further revenue growth. The company will be targeting profits from the more expansive online segment from the third year onwards, i.e. in 2015.
Key Account business, with a large proportion of textiles and clothing, is expected to be the key growth driver in 2013. In this context, the company anticipates that US dollar exchange rates will remain relatively stable. The company counteracts potentially unfavourable exchange rate movements relating to the US dollar by entering into hedging agreements.

Within the area of airport shops, **UNITED**LABELS will be targeting revenue of around €7.5 million (+11%) and profit of approx. €0.5 million (2012: €0.2 million).
With a distribution of risk within the customer, country and licence portfolio, our corporate road map is aimed at exploiting growth opportunities in all areas of business.

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

The aforementioned shall also apply to any indicators disclosed in this report that do not fall within the requirements of financial accounting standards. Such indicators may not be entirely comparable with those applied by other entities. The English version of this report is a translation of the original German report. Only the German version of this report is legally binding.

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 makes use of forward exchange dealings on a case-by-case basis for the purpose of hedging 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.6, 7 and 20 of the notes to the consolidated financial statements.

6. 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 62.6% 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 currently comprised of two members. 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 to their wording; the Annual General Meeting passes resolutions on all other amendments to the Articles of Association.
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 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 2012, the company held 46,199 treasury shares, unchanged on last year's figure. The proportional amount of share capital stands at 1.2%; 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 agreement entered into 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 employees. An agreement has been concluded with the Management Board under which severance pay shall not exceed 150% of the value of two years' compensation in the event of termination of a Management Board contract following a change of control.

Compensation system for the company's governing bodies

Supervisory Board compensation was reorganised based on a resolution passed by the General Meeting of Shareholders in 2012. The fixed component of compensation amounts to €40 thousand per annum. 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. Furthermore, the members of the Supervisory Board and its committees to which they are assigned receive remuneration of €1 thousand for meetings attended. The Chairman of the Supervisory Board as well as the Chairman of the Audit Committee receive double this amount for meetings attended. Total Supervisory Board compensation for the 2012 financial year was €72 thousand.
Mr. Hirsch was newly appointed to the Management Board of the company effective from 1 May 2012. Mr. Boder subsequently became the Chairman of the Management Board. Total Management Board compensation amounted to €465 thousand in the financial year under review (prev. year: €475 thousand) (Mr. Boder: €337 thousand; Mr. Hirsch €128 thousand). Management Board compensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2012 financial year amounted to €465 thousand; no variable-component compensation was granted in 2012. In December 2009, a new management contract with largely similar conditions was agreed for a further five years with the Chairman of 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.
An agreement covering long-term bonus payments has been concluded with the Management Board member Albert Hirsch. It shall apply subject to the proviso that his Management Board mandate with the company is maintained without changes and as planned until at least 31 December 2016. For the purpose of determining the bonus, any positive difference in the share price (between the thirty-day average price on 31 December 2012 and on 31 December 2016) is multiplied by 10,000. The entitlement to a bonus shall cease if the annual profit of **UNITED**LABELS AG, Elfen Service GmbH or the consolidated profit of **UNITED**LABELS AG were to become negative as a result of said bonus payment. A payment under this agreement could take place in 2017 for the first time.
In response to the company's business performance, the fixed compensation component of the Chairman of the Management Board was halved as of 18 August 2012 until 31 December 2014 for an effective period of two years. As regards the second member of the Management Board, the variable component was cancelled.

In accordance with IAS 19 requirements, €129 thousand was allocated to provisions for pensions as an expense item in the consolidated financial statements as regards pension benefit obligations towards one member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is €1,357 thousand (prev. year: €1,229 thousand).
From the age of 65, the Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €17,081.52 and an invalidity pension of the same amount. The monthly retirement pension is calculated on the basis of the average basic salary of the last five years.
These increase or decrease in line with the changes in the basic salary of a German civil servant of compensation category A 14 BBesG in relation to the index figure for the month of December of the preceding year. Additionally, the package includes a widow's pension equivalent to 60% of the applicable retirement pension as well as an orphan's pension.

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 no form of internal control system can 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 **UNITED**LABELS 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. The second member of the Management Board, Mr. Albert Hirsch, has no business relationship with the company under the provisions of Section 312 AktG.

In accordance with Section 312 AktG, the Management Board reports on the company's relationship to affiliated companies. The following is the closing statement of this report:

„The Management Board declares that **UNITED**LABELS AG received appropriate consideration for every transaction carried out under the conditions known to the Management Board at the time of the transaction. No measures subject to reporting obligations were undertaken in the reporting period."

Münster, 16. April 2013

UNITEDLABELS Aktiengesellschaft

The Management Board

Peter Boder Albert Hirsch

FINANCIAL STATEMENTS

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UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2012

ASSETS

	Notes	31.12.12 €	31.12.2011* €	01.01.2011* €
Assets				
Non-current assets				
Property. plant and equipment	C.2.	5,560,402.24	6,030,425.02	6,265,685.55
Intangible assets	C.2.	8,821,348.18	9,513,897.96	8,164,816.00
At-equity investments	C.3.	15,846.95	981,206.14	850,138.91
Other assets	C.7.	1,100,598.25	916,102.87	762,610.00
Deferred taxes	C.4.	2,473,848.45	4,132,446.30	2,770,374.22
		17,972,044.07	**21,574,078.29**	**18,813,624.68**
Current assets				
Inventories	C.5.	4,759,531.57	14,330,866.45	8,411,756.00
Trade receivables	C.6. / C.9	6,279,629.67	13,001,099.15	15,774,075.25
Other assets	C.7.	619,271.03	3,062,353.62	2,508,172.57
Cash and cash equivalents	C.8.	1,640,002.04	1,569,540.67	5,467,654.72
		13,298,434.31	**31,963,859.89**	**32,161,658.54**
Total assets		**31,270,478.38**	**53,537,938.18**	**50,975,283.22**

2011* changed; notes C.1.

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2012

EQUITY AND LIABILITIES

	Notes	31.12.2012 €	31.12.2011* €	01.01.2011* €
Equity				
Capital and reserves attributable to the owners of the parent company				
Issued capital	C.10.	4,200,000.00	4,200,000.00	4,200,000.00
Capital reserves		3,352,705.65	19,194,174.55	19,194,174.55
Retained earnings		2,883,209.63	2,883,209.63	2,883,209.63
Currency translation		-571,415.53	-507,125.51	-477,619.29
Consolidated unappropriated surplus		-3,309,449.74	-611,738.32	390,219.63
Treasury shares		-223,413.73	-223,413.73	-223,413.73
Shareholders' equity		**6,331,636.28**	**24,935,106.62**	**25,966,570.79**
Non-controlling interests		-102,765.20	0.00	0.00
Total equity		**6,228,871.08**	**24,935,106.62**	**25,966,570.79**
Non-current liabilities				
Provisions for pensions	C.11.	1,357,496.00	1,228,570.00	1,070,797.00
Provisions	C.12	979,667.62	0.00	0.00
Financial liabilities	C.13.	2,543,190.32	2,765,518.20	2,909,940.73
Trade payables	C.13.	2,781,562.08	583,304.67	426,398.00
Deferred tax liabilities	C.4.	53.43	88,952.43	13,344.38
		7,661,969.45	**4,666,345.30**	**4,420,480.11**
Current liabilities				
Provisions	C.12.	247,110.61	1,545,862.33	1,505,774.86
Current tax payable	C.13.	79,744.53	175,806.01	178,186.96
Financial liabilities	C.13.	7,821,661.36	7,491,255.09	6,882,982.94
Trade and other payables	C.13.	9,231,121.35	14,723,562.83	12,021,287.56
		17,379,637.85	**23,936,486.26**	**20,588,232.32**
Total liabilities		**25,041,607.30**	**28,602,831.56**	**25,008,712.43**
Total equity and liabilities		**31,270,478.38**	**53,537,938.18**	**50,975,283.22**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Comprehensive Income (IFRS)

for the period from 1 January to 31 December 2012

	Notes	2012	2011*
		€	€
Revenue	**D.1.**	**43,144,312.34**	**59,558,355.01**
Cost of materials	D.2.	-32,742,420.49	-37,807,374.36
Amortisation/write-down of usage rights	D.3.	-4,348,955.93	-6,475,598.51
		-37,091,376.42	**-44,282,972.87**
		6,052,935.92	**15,275,382.15**
Other operating income	D.4.	721,071.83	538,057.76
Staff costs	D.5./C.10.	-6,080,050.42	-6,665,354.07
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation/write-down of usage rights)	D.6.	-759,350.56	-630,944.92
Write-downs of current assets to the extent that they exceed the write-downs that are usual for the entity	D.6.	-1,802,678.93	0.00
Other operating expenses	D.7.	-10,511,673.49	-9,575,724.77
Profit from operations		**-12,379,745.65**	**-1,058,583.85**
Finance income	D.8.	213,270.57	532,757.35
Result from associated entities	D.8.	-1,195,285.97	118,567.23
Finance costs	D.8.	-3,684,949.96	-1,172,884.59
Net finance cost		**-4,666,965.36**	**-521,560.01**
Profit before tax		**-17,046,711.01**	**-1,580,143.87**
Taxes on income	D.9.	-1,605,234.51	1,201,256.07
Consolidated loss for the period		**-18,651,945.52**	**-378,887.80**
Loss attributable to owners		-18,540,120.57	-378,887.80
Loss attributable to non-controlling interests	C.10.	-111,824.95	0.00
Other comprehensive income („OCI“):			
Exchange difference on translating foreign operations		-64,290.02	-29,506.22
Other comprehensive income, total		-64,290.02	-29,506.22
Total comprehensive loss		**-18,716,235.54**	**-408,394.02**
Consolidated loss (based on income statement) per share			
basic	C.10.	-4.46 €	-0.09 €
diluted	C.10.	-4.46 €	-0.09 €
Weighted average shares outstanding			
basic	C.10.	4,153,801 Stück	4,153,801 Stück
diluted	C.10.	4,153,801 Stück	4,153,801 Stück

2011 * changed; notes C.I.

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Cash Flows

Notes to Group Statement of Cash Flows, cf. C. 17.	Notes	2012 T€	2011* T€
Consolidated loss for the period		-18,652	-379
Interest income from financing activities		863	1,094
Amortisation/write-down of usage rights	C.2,D.3/6	4,349	6,475
Amortisation of intangible assets	C.2,D.3/6	71	48
Depreciation of property, plant and equipment	C.2,D.3/6	688	583
Write-down of financial assets	C.2,D.3/6	2,155	0
Change in provisions	C.11,C.12	649	-269
Other non-cash expenses		2,796	-2,036
Result from disposal of non-current assets		18	51
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.5-7	15,963	-3,176
Change in trade payables and other liabilities not attributable to investing or financing activities	C.13	-4,229	1,133
Payments for tax on profit		-96	-76
Cash flows from operating activities		**4,575**	**3,448**
Payments for investments in intangible assets and property, plant and equipment	C.2	-3,964	-6,080
Proceeds from investments in financial assets (loans)	C.2	203	0
Payments for investments in financial assets (loans)	C.2	0	-13
Cash flows from investing activities		**-3,761**	**-6,093**
Proceeds from the disposal of non-controlling interests in fully consolidated entities	C.10	10	0
Proceeds from bank loans		506	739
Payment of dividends		0	-623
Repayment of financial loans		-397	-275
Interest received		213	79
Interest paid		-1,076	-1,173
Cash flows from financing activities		**-744**	**-1,253**
Net change in cash and cash equivalents		70	-3,898
Cash and cash equivalents at the beginning of the period		1,570	5,468
Cash and cash equivalents		**1,640**	**1,570**
Gross debt bank		10,365	10,257
Net debt bank		**8,725**	**8,687**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**1,640**	**1,570**

*2011 changed; cf. notes section C.1

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital €'000	Capital reserves €'000	Retained earnings and con-solidated net loss / profit €'000	Adjustment item for currency translation €'000	Treasury shares €'000	Equity €'000	Minority interest in capital €'000	Total (Group equity) €'000
Balance at 01.01.2011	**4,200**	**19,194**	**5,943**	**-477**	**-223**	**28,637**	**0**	**28,637**
Correction	0	0	-2,670	0	0	-2,670	0	-2,670
Balance at 01.01.2011 changed	**4,200**	**19,194**	**3,273**	**-477**	**-223**	**25,967**	**0**	**25,967**
Corrected consolidated results for 2011	0	0	-379	0	0	-379	0	-379
Other gains and losses								
Currency translation	0	0	0	-30	0	-30	0	-30
Total 2011 results	**0**	**0**	**-379**	**-30**	**0**	**-409**	**0**	**-409**
Transaction with owners								
Distribution	0	0	-623	0	0	-623	0	-623
Balance at 31.12.2011 changed	**4,200**	**19,194**	**2,271**	**-507**	**-223**	**24,935**	**0**	**24,935**
Net income in 2012	0	0	-18,540	0	0	-18,540	-112	-18,652
Other gains and losses								
Currency translation	0	0	0	-64	0	-64	0	-64
Total earnings in 2012	**0**	**0**	**-18,540**	**-64**	**0**	**-18,604**	**-112**	**-18,716**
Compensation paid by dissolution / withdrawal from reserves	0	-15,841	15,841	0	0	0	0	0
Transaction with owners								
Sale of minority shares	0	0	1	0	0	1	9	10
Balance at 31.12.2012	**4,200**	**3,353**	**-427**	**-571**	**-223**	**6,332**	**-103**	**6,229**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2012

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 2012 were approved, and thus adopted, and subsequently released for publication at the Supervisory Board meeting on 16 April 2013.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2012, 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. In the financial year just ended, the Company discovered that the prior periods 2008 to 2011 are to be corrected retrospectively in accordance with IAS 8. The correction is presented in section C.1.
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 group corresponds to the annual period from 1 January to 31 December 2012. The preparation of separate annual financial statements is performed using consistent accounting policies. The financial statements are presented in euros. With the exception of some amounts, which have been specified accordingly, the figures presented in these notes are expressed in thousands and have been rounded to the appropriate level.
In preparing the consolidated financial statements, the Management Board is required to make estimates and assumptions that affect the reported amounts of assets and liabilities/equity, the amounts disclosed in the statement of comprehensive income as well as the data presented in the notes. It is possible that these assumptions and estimates may not coincide with actual occurrences. Areas associated with greater complexity or allowing greater scope for interpretation as well as areas in which estimates and assumptions are of significant importance to the consolidated financial statements have been presented in the explanatory notes concerning 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.
Owing to the payment terms in Asia (credit transactions) and the long periods granted for payment to some large clients, an appropriate financing framework is required. Up to ten months can elapse between the placing of orders with suppliers (and thus the utilisation of documentary credit facilities) and final payment by the customer; this period must be bridged with own resources or outside funds. Owing to the exceptional factors of the past financial year, credit lines – and in particular unused lines – have been reduced. For this reason, the Company has started to monitor liquidity closely with a view to ensuring smooth order financing. The Company makes use of factoring at the parent company in Germany and at Colombine in Belgium. Liquidity risks cannot be ruled out where customers settle large payments very late or suppliers require payment unusually early. The recently established subsidiary Elfen Service GmbH is co-financed by the Group; a risk to liquidity could arise where business performance of this entity falls short of the expectations.
In general, it is impossible to rule out a shortage in liquidity if the entities within the Group were to fail to meet their

targets. In those cases in which a near-term deterioration in the economic climate coincides with periods in which **UNITED**LABELS Aktiengesellschaft regularly has a substantial requirement for liquidity, reserves of cash and cash equivalents may be depleted at a faster rate than originally planned. In this event, **UNITED**LABELS Aktiengesellschaft would have to utilise existing lines of credits – to the extent that these are available. Overall, successful implementation of the restructuring and financing measures already initiated as well as the preservation of established credit lines is critical in terms of the medium- and long-term financing concept; without them, the survival of the Company as a going concern would be jeopardised.
The Company prepared the annual financial statements on the basis of the going concern premise. This approach is substantiated in particular by a going-concern forecast, based on IDW S6, which was drawn up by the Company and favourably assessed by an external consulting firm.

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 2012 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 IFRS 7, Financial Instruments: Disclosures – Transfer of Financial Assets

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, with the exception presented below, are unlikely to have a material effect on **UNITED**LABELS Aktiengesellschaft, have already been adopted but do not become applicable until the coming annual periods, beginning on 1 January 2013 and 2014 (the Company did not make use of the option to apply such standards, interpretations and amendments to standards at an earlier date).

Mandatory application for reporting period as from 1 January 2013

- Amendment to IAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (EU endorsement on 5 June 2012)
- Amendment to IAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (EU endorsement on 11 December 2012)
- IAS 19, Employee Benefits (rev. June 2011) (EU endorsement on 5 June 2012)
- Due to the elimination of the corridor method for the recognition of actuarial gains and losses, all actuarial losses that exist, have been accumulated and are yet to be recognised as at 31 December 2012 in respect of pension obligations will be recognised in other comprehensive income at a carrying amount of €1,136 thousand in the subsequent financial year. As a result of the amendments to IAS 19, these actuarial gains and losses will subsequently be referred to as „remeasurements".
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (EU endorsement on 11 December 2012)
- Amendment to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (EU endorsement on 13 December 2012)
- IFRS 13, Fair Value Measurement (EU endorsement on 11 December 2012)
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (EU endorsement on 11 December 2012)

Mandatory application for reporting period as from 1 January 2014

- IAS 27, Separate Financial Statements (rev. May 2011) (EU endorsement on 11 December 2012)
- IAS 28, Investments in Associates and Joint Ventures (rev. May 2011) (EU endorsement on 11 December 2012)
- Amendment to IAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (EU endorsement on 13 December 2012)
- IFRS 10, Consolidated Financial Statements (EU endorsement on 11 December 2012)
- IFRS 11, Joint Arrangements (EU endorsement on 11 December 2012)
- IFRS 12, Disclosure of Interests in Other Entities (EU endorsement on 11 December 2012)

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 less than or equal 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 2012, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

	Anteil am Kapital	In den Konzernabschluss einbezogener Zeitraum
UNITEDLABELS Ibérica S.A., Barcelona, Spain	100.000 %	01.01.-31.12.2012
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italy	100.000 %	01.01.-31.12.2012
UNITEDLABELS Belgium N.V., Brugge, Belgium	99.999 %	01.01.-31.12.2012
as its wholly owned subsidiary		
Colombine b.v.b.a., Brugge, Belgium	100.000 %	01.01.-31.12.2012
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01.01.-31.12.2012
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01.01.-31.12.2012
UNITEDLABELS Comicware Ltd., Hong Kong	100.000 %	01.01.-31.12.2012
UNITEDLABELS Polska Sp.o.o., Warsaw, Poland	100.000 %	01.01.-31.12.2012
Elfen Service GmbH, Münster	80.000 %	01.01.-31.12.2012
House of Trends europe GmbH, Quakenbrück	100.000 %	01.01.-31.12.2012

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

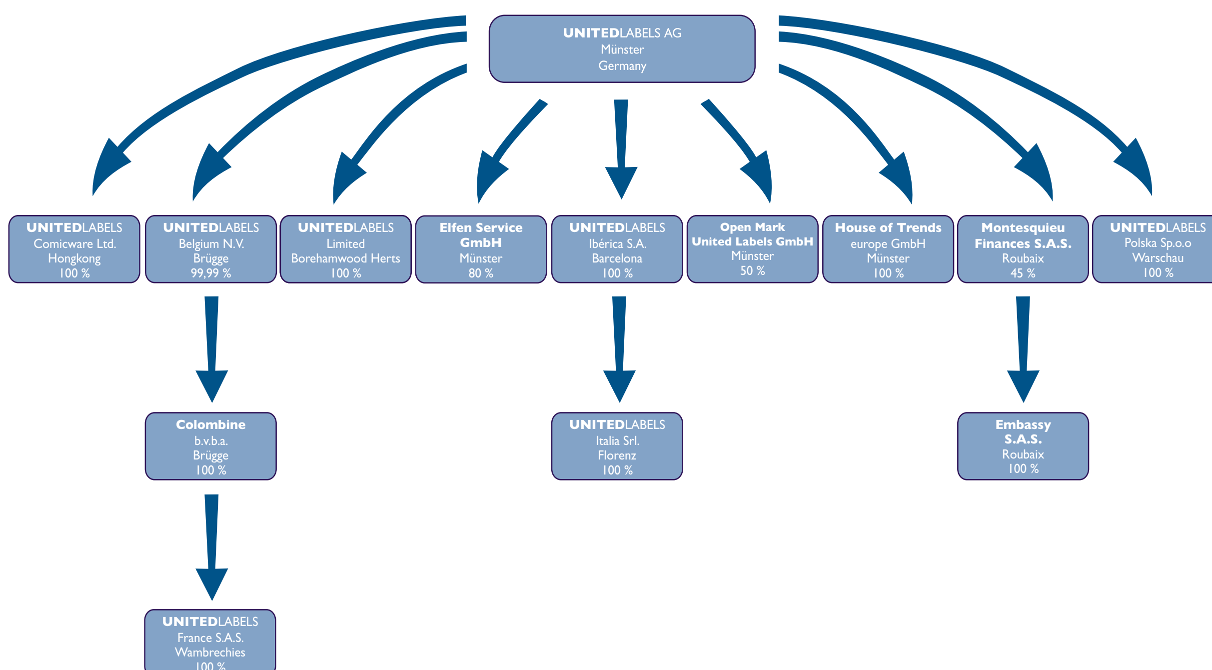
In addition, **UNITED**LABELS Ibérica S.A., Spain, has an 0.001% interest in **UNITED**LABELS Belgium N.V., Belgium, as a result of which a total interest of 100% in this entity is attributable to **UNITED**LABELS Aktiengesellschaft.

Since 2009, **UNITED**LABELS Aktiengesellschaft has held a 45% interest in the French-based Montesquieu Group. This investment has been included in the consolidated financial statements on the basis of the equity method. However, owing to a „sauvegarde“ – i.e. debtor safeguard – procedure initiated in respect of the operating subsidiary of Montesquieu Finances SAS, Embassy SAS, this investment was considered impaired. Since 2011, Open Mark United Labels GmbH, Münster, in which the Company holds an interest of 50%, has been included on the basis of the equity method, as control over economic activity is exercised on equal terms and is thus not held by a single investor.

As agreed, in January 2012 Mr. Albert Hirsch acquired 20% of the interests in Elfen Service GmbH at a fair value of €10 thousand.

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 2012



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 equipment 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 only for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

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

5. Inventories

Inventories are measured at the lower of cost of purchase/cost of conversion and net realisable value. The cost of purchase is determined by means of a standard valuation method that corresponds to the weighted-average cost formula. Alongside the directly attributable costs of purchase, ancillary costs of purchase are also capitalised. The lower realisable value is estimated on the basis of indicators such as age or anticipated storage duration that are applied consistently throughout the Group. Borrowing costs are not included in the cost of purchase, as the prerequisites for qualifying assets do not regularly apply.

6. Receivables and other assets

Receivables and other assets are 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.6 and C.13.

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 Group accumulated deficit. 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 are accounted for in accordance with IAS 19. Within this context, an interest rate of 3.5% (prev. year: 5.2%) 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. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. 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. If there are no specific indications relating to the scale of the returns ratio, 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 UNITEDLABELS Ltd., United Kingdom, have been prepared in British pounds. The average exchange rate for the 2012 financial year was 1.23464 £ / € (prev. year: 1.15224 £ / €), and the closing rate at 31/12/2012 was 1.23304 £ / € (prev. year: 1.19119 £ / €). UNITEDLABELS Polska is accounted in Polish złoty. The average exchange rate for the applicable accounting period was 4.17770 zł/€ (prev. year: 4.10100 zł/€), and the closing rate was 4.08150 zł/€ (prev. year: 4.48142 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 2012 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 („Level III“). 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.
- The recognition of provisions for the purpose of accounting for licence rights and determining such rights.

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 35% applicable in the past (prev. year: 61%) 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 2013 to the carrying amounts of the assets and liabilities recognised.

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

1. Adjustments in accordance with IAS 8 – Changes to prior-year consolidated financial statements

UNITEDLABELS AG has identified errors relating to the measurement of usage rights that have an impact on depreciation/amortisation and write-down of usage rights as well as on trade payables and provisions and relate to the financial years 2008 to 2011. Additionally, a disclosure error was identified relating to the current-/non-current classification of other assets. In accordance with IAS 8, the corresponding adjustments to consolidated amounts were made retrospectively in the opening statement of financial position as at 1 January 2011 and in the 2011 financial year (comparative period). Additionally, the corrections had an impact on tax loss carryforwards and associated deferred taxes. The latter are attributable to adjusted forecasting/planning as a result of licence ratios changed in prior periods.

The effects on the Group income statement are as follows:

	Originally 01.01.2011 31.12.2011	Correction	Changed 01.01.2011 31.12.2011
	€	€	€
Depreciation/amortisation and write-downs of usage rights	-4,284,140.04	-2,191,458.47	-6,475,598.51
Profit from operations	1,132,874.61	-2,191,458.47	-1,058,583.86
EBT	611,314.60	-2,191,458.47	-1,580,143.87
Income taxes (deferred taxes)	-71,903.87	1,273,159.94	1,201,256.07
Consolidated profit/loss	539,410.73	-918,298.53	-378,887.80
Total comprehensive income	509,904.51	-918,298.53	-408,394.02
Consolidated earnings per share			
basic	0.13	-0.22	-0.09
diluted	0.13	-0.22	-0.09

The effects on the Group statement of financial position are as follows:

	Originally 01.01.2011	Correction	Changed 01.01.2011
Other assets (non-current)	0.00	762,610.00	762,610.00
• Deferred tax assets	3,997,437.74	-1,227,063.52	2,770,374.22
Other assets (current)	3,270,782.57	-762,610.00	2,508,172.5
• Consolidated unappropriated surplus	3,060,552.41	-2,670,332.78	390,219.63
• Provisions	1,134,443.48	371,331.38	1,505,774.86
• Trade and other payables	10,949,349.68	1,071,937.88	12,021,287.56

	Originally 31.12.2011	Correction	Changed 31.12.2011
Other assets (non-current)	0.00	916,102.87	916,102.87
• Deferred taxes	4,086,349.88	46,096.42	4,132,446.30
Other assets (current)	3,978,456.49	-916,102.87	3,062,353.62
• Consolidated unappropriated surplus	2,976,892.99	-3,588,631.31	-611,738.32
• Provisions	707,046.02	838,816.31	1,545,862.33
• Trade and other payables	11,927,651.41	2,795,911.42	14,723,562.83

Owing to the change to depreciation/amortisation and write-down of usage rights, the figures as at 1 January 2011 as well as depreciation/amortisation and write-down for 2011 were adjusted accordingly in the Group's fixed asset schedule.

The effects on the Group statement of cash flows are as follows:

in € ´000	Originally 12,2011	Correction	Changed 12,2011
Consolidated profit/loss for the year	539	-918	-379
Depreciation/amortisation and write-down of usage rights	4,284	2,191	6,475
Other non-cash expenses	-763	-1,273	-2,036
Cash flow from operating activities	3,448	0	3,448

As the adjustments are non-cash in nature, these changes had no implications for cash flows.
The changes to equity relate to the consolidated unappropriated surplus and net income for 2011. For details, please refer to the statement of changes in equity.

The corrections relate to the Key Account segment and unallocated items. Segment reporting was adjusted accordingly.

2. 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 2012

	Cost of purchase or conversion					
	Balance 01.01.2012	Currency adjustment	Additions	Transfers	Disposals	Balance 31.12.2012
	€	€	€	€	€	€
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	1,339,549.62	2,787.70	0.00	107,359.21	-105,928.69	1,343,767.84
3. Other plant, operating and office equipment, furniture and fixtures	2,789,592.82	93,188.26	0.00	174,829.40	-332,615.68	2,724,994.80
4. Prepayments and assets under construction	142,016.58	131,649.64	0.00	-273,666.22	0.00	0.00
	10,281,168.27	**227,625.60**	**0.00**	**8,522.39**	**-438,544.37**	**10,078,771.89**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	13,973,875.15[1]	3,736,289.47	0.00	-8,522.39	-961,357.69	16,740,284.54
2. Goodwill	7,202,803.40	0.00	0.00	0.00	0.00	7,202,803.40
	21,176,678.55	**3,736,289.47**	**0.00**	**-8,522.39**	**-961,357.69**	**23,943,087.94**
III. Financial assets						
1. At-equity investments	981,206.14	3,727.32	0.00	0.00	-969,086.51	15,846.95
2. Loans to equity method accounted investments	0.00	0.00	373,137.50	0.00	-229,926.79	143,210.71
3. Other loans	0.00	0.00	2,215,244.82	0.00	-203,487.27	2,011,757.55
	981,206.14	3,727.32	2,588,382.32	0.00	-1,402,500.57	2,170,815.21
	32,439,052.96	**3,967,642.39**	**2,588,382.32**	**0.00**	**-2,802,402.63**	**36,192,675.04**

[1] 2011 changed; notes C.1

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01.01.2012	Currency adjustment	Additions	Disposals	Balance at 31.12.2012	Balance at 31.12.2012	Balance at 31.12.2011
€	€	€	€	€	€	€
1,641,118.15	0.00	178,971.41	0.00	1,820,089.56	4,189,919.69	4,368,891.10
583,432.35	0.00	212,913.03	-105,927.69	690,417.69	653,350.15	756,117.27
2,026,192.75	-0.18	296,105.19	-314,435.36	2,007,862.40	717,132.40	763,400.07
0.00	0.00	0.00	0.00	0.00	0.00	142,016.58
4,250,743.25	**-0.18**	**687,989.63**	**-420,363.05**	**4,518,369.65**	**5,560,402.24**	**6,030,425.02**
10,085,201.16	0.00	4,420,316.86*	-961,357.69	13,544,160.33	3,196,124.21	3,888,673.99
1,577,579.43	0.00	0.00	0.00	1,577,579.43	5,625,223.97	5,625,223.97
11,662,780.59	**0.00**	**4,420,316.86**	**-961,357.69**	**15,121,739.76**	**8,821,348.18**	**9,513,897.96**
0.00	0.00	0.00	0.00	0.00	15,846.95	981,206.14
0.00	0.00	143,210.71	0.00	143,210.71	0.00	0.00
0.00	0.00	2,011,757.55	0.00	2,011,757.55	0.00	0.00
0.00	0.00	2,154,968.26	0.00	2,154,968.26	15,846.95	981,206.14
15,913,523.84	**-0.18**	**7,263,274.75**	**-1,381,720.74**	**21,795,077.67**	**14,397,597.37**	**16,525,529.12**

* 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 (€ 583.,296.04).

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	-1,480.00	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	16,981,339.46[1]	0.00	7,881,614.59[1]	-9,285.24	-10,879,793.66	13,973,875.15
2. Goodwill	9,677,116.84	0.00	0.00	0.00	-2,474,313.44	7,202,803.40
	26,658,456.30	**0.00**	**7,881,614.59**	**-9,285.24**	**-13,354,107.10**	**21,176,678.55**
III. Financial assets						
At-equity investments	850,138.91	0.00	131,447.60	0.00	-380.37	981,206.14
	37,622,819.53	**93.07**	**8,402,747.82**	**0.00**	**-13,586,607.46**	**32,439,052.96**

[1] 2011 changed; notes C.1

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**
14,441,747.43[1]	0.00	6,523,247.39*[1]	-10,879,793.66	10,085,201.16	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
18,493,640.30	**0.00**	**6,523,247.39**	**-13,354,107.10**	**11,662,780.59**	**9,513,897.96**	**8,164,816.00**
0.00	0.00	0.00	0.00	0.00	981,206.14	850,138.91
22,342,179.07	**94.58**	**7,106,543.43**	**-13,535,293.24**	**15,913,523.84**	**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 (€ 583.,296.04).

Goodwill was calculated as follows:	2012 € '000	2011 € '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 5.37% (Colombine) and 5.81% (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 2.0% for both CGUs (previous year: 2.0%). The discount rate, depending on goodwill, was 5.37% or 5.81% (prev. year between 6.01% and 6.39%) 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. Similarly, the carrying amount would not have changed if there had been a 10% change to WACC or the growth rate. A reduction in the carrying amount by 6% would only have been necessary in the case of goodwill attributable to Colombine bvba if the growth rate had been 1.0% and WACC had stood at 6.37%.

3. 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. In 2012, a sauvegarde procedure was initiated in respect of the wholly-owned subsidiary of Montesquieu Finances. This is a debtor safeguard procedure under French law. According to this method, all liabilities of the company up to the date on which the sauvegarde procedure is initiated remain unpaid and the economic viability of the company is assessed. As Montesquieu Finances itself does not constitute an operating business, and the only income relates to potential dividends of Embassy SAS, adjustments were made to all carrying amounts in the statements of financial position of the entity. The result posted by Montesquieu Finances in 2012 was €-2,664 thousand. An amount of €-1,119 thousand (45% of the annual result of Montesquieu) has been accounted for in the consolidated profit/loss, as expenses relating to at-equity investments, which are presented in the result from at-equity investments (associates).
Additionally, Open Mark United Labels GmbH, Münster, was established in 2011; **UNITED**LABELS AG holds a 50% interest in this entity. The entity's share capital is €25 thousand, and in 2012 it generated a profit of €7 thousand. 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%.

Open Mark United Labels GmbH	**31.12.2012 € '000**	**31.12.2011 € '000**
Total assets	747	25
Total liabilities	715	1
	2012	**2011**
Sales revenues	1,507	0
Result	7	-1

4. Deferred tax assets

The deferred tax assets in the amount of €2,474 thousand (prev. year: €4,132 thousand) comprise an amount of €1,595 thousand (prev. year: €3,336 thousand) for the carryforward of unused tax losses, an amount of €0 (prev. year: €115 thousand) for tax deductions as well as an amount of €879 thousand (prev. year: €681 thousand) for temporary differences between the carrying amounts in the IFRS statement of financial position and the tax base. Deferred tax liabilities from temporary differences amounted to €1 (prev. year: €89 thousand). Current deferred tax assets amounted to €367 thousand (prev. year: €638 thousand).

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

	31,12,2012		31,12,2011*		01,01,2011*		2012	2011*
	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000	Deferred tax assets € '000	Deferred tax liabilities € '000	Expense (-) Income (+) € '000	Expense (-) Income (+) € '000
Loss carryforward	1,595	0	3,336	0	1,956	0	-1,741	1,380
Tax deduction amounts	0	0	115	0	0	0	-115	115
Intangible assets	455	0	477	0	641	0	-22	-164
At-equity investments	0	1	0	7	0	7	6	-7
Trade receivables	0	0	0	0	0	0	0	0
Receivables from affiliated companies	12	0	12	0	0	0	0	13
Other assets	0	0	0	79	0	79	79	-79
Prepaid expenses	0	0	0	0	0	0	0	0
Provisions for post-employment benefits	308	0	162	0	147	0	146	15
Other provisions	23	0	19	0	19	0	4	0
Bank borrowings	10	0	10	0	7	0	0	3
Trade payables	70	0	0	3	0	3	73	-3
Payables to affiliated companies	0	0	0	0	0	0	0	12
Other liabilities	1	0	1	0	0	0	0	1
* changed	**2,474**	**1**	**4,132**	**89**	**2,770**	**89**	**-1,570**	**1,286**

Deferred tax income for 2011 after adjustment amounts to €1,286 thousand (€13 thousand before adjustment). The difference totalling €1,273 thousand is attributable to the adjustment of loss carryforwards.

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. The deferred tax assets in connection with loss carryforwards relate to **UNITED**LABELS Aktiengesellschaft, **UNITED**LABELS Ibérica and **UNITED**LABELS France. Despite the negative separate results of **UNITED**LABELS Aktiengesellschaft in the financial year under review, the Company anticipates that positive results will be posted in the coming financial years, which justifies the continued recognition of deferred tax assets. An amount of €4,744 thousand (prev. year: €0) was not recognised by **UNITED**LABELS Aktiengesellschaft as deferred tax assets for the carryforward of unused corporation and trade tax losses amounting to €15,714 thousand and €14,014 thousand. Additionally, no deferred taxes were recognised for corporation tax loss carryforwards of subsidiaries in an amount of €5,980 thousand (prev. year: €2,235 thousand). Of this amount, €4,513 thousand (prev. year: €2,235 thousand) is attributable to non-domestic activities.

There were no positive temporary differences in relation to subsidiaries in the 2012 financial year (prev. year: €44 thousand).

5. Inventories

Of the total inventories of €4,760 thousand (prev. year: €14,331 thousand), 52% (€2,464 thousand; prev. year 32%, €4,639 thousand) is attributable to the storage location in Spain and 47% (prev. year 65%), i.e. €2,225 thousand (prev. year €9,361 thousand), to the storage location in Germany. The remaining one per cent is attributable to Elfen Service GmbH (€56 thousand; prev. year €0) and House of Trends europe GmbH (€15 thousand; prev. year €272 thousand). These inventories comprise finished goods within the categories of textiles, giftware and soft toys.
Inventories are not restricted by third-party rights.

6. Trade receivables

Trade receivables fell by €6,721 thousand year on year, from €13,001 thousand to €6,280 thousand. This item includes prepayments for inventories amounting to €21 thousand (prev. year: €33 thousand) as well as receivables from Open Mark United Labels GmbH amounting to €432 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:

Maturity of receivables	2012 € '000	2011 € '000
Not due	5,695	9,316
Due		
due for 0 - 30 days	255	574
due for 31 - 60 days	29	140
due for 61 - 90 days	124	146
due for more than 90 days	177	2,825
Total	**6,280**	**13,001**

The maximum default risk, without taking into account existing credit insurance, stands at €6,280 thousand. In total, 80% of these receivables are covered by credit insurance.
There was an allowance for uncollectible accounts of €2,656 thousand (prev. year: €745 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 due for more than 60 days are collected with the help of external or internal collection methods. In the 2012 financial year, receivables of €2,327 thousand (prev. year: €323 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, €1,113 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 2012. 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 €26 thousand, the associated liability stood at €27 thousand, interest income in respect of the previous year totalled €4 thousand and accounting-related expenses amounted to €0.1 thousand.

7. Other assets

Other non-current assets include receivables from pledged reinsurance policies.
This current item mainly includes receivables from the factoring agency in Germany and Belgium (€0.3 million; prev. year €1.0 million).

A financial asset of €454 thousand recognised at fair value in the previous year in respect of a call option in connection with interests in the French entity Montesquieu had a fair value of €0 at the end of the reporting period.
In addition, prepaid expenses as non-financial assets, in the amount of €142 thousand (prev. year: €142 thousand), were recognised within this item.

The maximum default risk, without taking into account existing insurance, stands at €2,151 thousand. As regards the other financial assets that were neither specifically impaired nor past due, there were no indications at the end of the reporting period of possible defaults on payments.

8. Cash and cash equivalents

Cash and cash equivalents rose from €1,570 thousand to €1,640 thousand in the financial year under review. The Company did not invest any monies during the financial year under review.

9. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31.12.2012			31.12.2011		
€ '000	**Gross value €'000**	**less impairment €'000**	**Net value €'000**	**Gross value €'000**	**less impairment €'000**	**Net value €'000**
Trade receivables	8,936	2,656	6,280	13,746	745	13,001

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.

10. Equity

As at 31 December 2012 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 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 2012, 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.
An amount of €15,841 thousand was withdrawn from capital reserves for the purpose of balancing the consolidated annual loss of the parent company. At the end of the reporting period, capital reserves amounted to €3,353 thousand (prev. year: €19,194 thousand).

The accumulated loss developed as follows:	2012 € '000	2011* € '000
Balance at 1/1	-612	390
Dividend 2011	0	-623
Consolidated loss for the year	-18,651	-379
Loss attributable to shareholders	111	0
Transfers from capital reserves	15,842	0
Balance at 31/12	**-3,310**	**-612**

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

Consolidated earnings per share	**2012**	**2011***
basic diluted	-4,46 € -4,46 €	-0,09 € -0,09 €
Weighted average shares outstanding		
basic diluted	4,153,801 pcs 4,153,801 pcs	4,153,801 pcs 4,153,801 pcs

*Changes to prior-year figures

Consolidated earnings per share amounted to €-4.46 (prev. year: €-0.09), calculated by dividing the annual consolidated loss of €-18,540,120.57 attributable to the owners 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.

As Mr. Hirsch, sole Managing Director of Elfen Service GmbH, acquired a 20% interest in Elfen Service GmbH in 2012, 20% of the loss incurred by Elfen Service GmbH, less the purchase price, is presented in non-controlling interests. This amount is equivalent to €-103 thousand.

11. 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 €2,493 thousand (prev. year: €1,516 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	**2012**	**2011**
Interest rate	3.50 %	5.20 %
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	**2012 (in €)**	**2011 (in €)**
DBO at 1/1	1,516,020	1,469,811
Service cost	67,951	72,397
Curtailments	-35,767	0
Interest cost	82,366	70,551
Actuarial losses	862,565	96,739
– of which from experience adjustments	-52,213	-74,488
– of which from changes in actuarial assumptions	914,778	171,227
DBO at 31/12	**2,493,135**	**1,516,020**

As in the previous years, there were no plan assets in the 2012 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:

	2012 (in €)	**2011 (in €)**
Funded status	2,493,135	1,516,020
Unrecognised actuarial losses	1,135,639	287,450
Provisions for pensions	**1,357,496**	**1,228,570**

The following table presents changes in pension provisions:

Change in provision for pensions	**2012 (in €)**	**2011 (in €)**
Provisions for pensions at 1/1	1,228,570	1,070,797
Net pension cost	128,926	157,773
Provisions for pensions at 31/12	**1,357,496**	**1,228,570**

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	**2012 (in €)**	**2011 (in €)**
Service cost	67,951	72,397
Interest cost	82,366	70,551
Ertrag aus Plankürzungen	-35,767	0
Amortisation of actuarial losses	14,376	14,825
Net pension cost	**128,926**	**157,773**

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

	31.12.2012 €	**31.12.2011 €**	**31.12.2010 €**	**31.12.2009 €**	**31.12.2008 €**
Present value of the obligation	2,493,135	1,516,020	1,469,811	1,197,885	919,468
Plan assets	0	0	0	0	0
Funded status	2,493,135	1,516,020	1,469,811	1,197,885	919,468
Experience adjustments	-52,213	-74,488	42,569	-37,181	35,647

12. Provisions

Provisions developed as follows in the period under review:

changed*	**Balance at 01/01/2012***	**Reversed**	**Utilised**	**Reclassified**	**Allocated**	**Balance at 31/12/2012**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Non-current provisions:	0	0	0	839	141	980
Other provisions	0	0	0	839	141	980
Current provisions:	1,546	-24	-683	-839	247	247
Other provisions	899	0	-60	-839		0
Provision for contingent losses from goods returned	623	0	-623	0	247	247
Litigation	24	-24	0	0	0	0
Total provisions	**1,546**	**-24**	**-683**	**0**	**388**	**1,227**

Other current provisions as at 1 January 2012 amount to €899 thousand after adjustment (€60 thousand before adjustment) and relate to fees in respect of risks associated with billings prepared by licensors in the past. Within this context, a total of €60 thousand was utilised as part of assessments in 2012; new provisions totalling €141 thousand were recognised. Based on findings in 2012, they constitute non-current provisions, as utilisation is considered unlikely in 2013. Therefore, they were reclassified accordingly. 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 2012 the provisions existing from 2011 were fully utilised; a provision of €247 thousand in respect of new risks was recognised. Sales revenues were reduced by the corresponding amount. The reversal of provisions in connection with litigation relate to the non-utilisation of a provision for a potential increase in customs duties. The claim is statute barred.

13. Trade and other payables as well as financial liabilities

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

2012

	Total amount	Remaining term: up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	10,365	7,822	1,017	1,526	2,427	Grundschulden
2. Trade and other payables	12,013	9,231	2,782	0	0	
	22,378	**17,053**	**3,799**	**1,526**	**2,427**	

2011

	Total amount	Remaining term: up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	10,257	7,491	1,316	1,450	2,702	Grundschulden
2. Trade and other payables	15,307	14,724	583	0	0	
	25,564	**22,215**	**1,899**	**1,450**	**2,702**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 December 2012 and 31 December 2011:

in €'000	Carrying amount 31/12/2012	Cash flows 2013			Cash flows 2014			Cash flows 2015–2017			Cash flows 2018 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	2,998	97	0	454	87	0	307	208	0	634	316	0	1,603

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 31/12/2012	Cash flows 2013			Cash flows 2014			Cash flows 2015–2017		
		Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment
Non-current trade payables	3,604	0	0	1,000	0	0	986	0	0	1,618

At the end of the reporting period, foreign exchange forward contracts amounted to (nominal) $2,280 thousand and zł705 thousand. There were no interest rate swaps. The effective interest rates for long-term borrowings are between 3.69% and 5.8% (prev. year: between 2.85% and 5.55%). For 2013, the Company negotiated a reduction of the nominal upper interest rate from 5.55% to 3.75% (nominal).

The trade receivables are associated with standard reservations of title.
Of the other liabilities, an amount of €62 thousand (prev. year: €73 thousand) is attributable to liabilities relating to social security and €131 thousand (prev. year: €207 thousand) to tax liabilities.

14. 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 31/12/2012	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/2012
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	1,640	1,640					1,640
Trade receivables	6,280	6,280					6,280
Receivables from factoring company	1,389	1,389					1,389
	FVPL						
Value Buying option Montesquieu	0				0		
Currency Swap	0				0		
Liabilities	FLAC						FLAC
Trade payables	10,603	10,603					10,603
Payables to banks	10,365	10,365					10,365
Forward foreign exchange contracts	-64				-64		
of which aggregated by measurement category according to IAS 39:							
Financial Assets at Fair Value through profit or loss (FVPL)	0				0		
Financial Liabilities at Fair Value through profit or loss (FVPL)	-64				-64		
Loans and Receivables (LaR)	9,309	9,309					9,309
Financial Liabilities Measured at Amortised Cost (FLAC)	20,968	20,968					20,968

* 2011 changed; C.1

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
1,570	1,570					1,570
13,001	13,001					13,001
3,115	3,115					3,115
FVPL						
454				454		
224				224		
FLAC						FLAC
14,536	14,536					14,536
10,257	10,257					10,257
0				0		
678				678		
0				0		
17,686	17,686					17,686
24,793	24,793					24,793

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

Foreign exchange forward contracts are entered into for the purpose of hedging against currency risks. At the end of the reporting period, hedging transactions (nominal) amounted to USD 2,280,000 (prev. year: USD 8,790,000) and PLN 705,000 (prev. year: 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 negative exchange difference of €64 thousand (prev. year: +€224 thousand, which was accounted for in cost of materials.

At the end of 2011, the call option on 20% of the interests in S.A.S. Montesquieu Finances had a market value (Level III) of €454 thousand. The value as at 31 December was €0. Expense relating to the change in value was accounted for in finance cost.

The net result attributable to financial instruments recognised at fair value through profit and loss amounted to €-742 (prev. year: € 678 thousand).

15. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Gesamt 2012 T€	Gesamt 2011 T€
Orders to suppliers	2,908	6,659
Leasing agreements	195	169
Rental agreements	3,863	2,843
	6,966	**9,671**

Of these obligations, an amount of €3,679 thousand (prev. year: €7,485 thousand) is due within one year.

The Company was not in the possession of collateral at the reporting date and furnished Volksbank Münster with the right to set land charges in the amount of €5,600 thousand in connection with the construction of a logistics centre. Additionally, a supplier of Elfen Service GmbH was granted a guarantee of €50 thousand, limited up until August 2013. The guarantee in respect of bank loans of €1,300 thousand, which had been granted to the French entity Embassy SAS, was terminated in 2012.

In principle, an agreement has been reached with one of the Company's suppliers concerning the amounts and dates of payment, which extend into the non-current category. The current draft agreement stipulates payments of €3.6 million, which have been accounted for in the consolidated financial statements. The draft agreement submitted by the supplier stipulated payments of up to €11.0 million in the event of future violations of legal provisions. Based on the findings set out in a legal opinion, the Management Board assumes that such a claim will not be enforceable.

16. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €195 thousand (prev. year: €169 thousand).

Maturity within 1 year:	€ 101 thousand	(prev. year: € 92 thousand)
Maturity 1-5 years:	€ 94 thousand	(prev. year: € 77 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 €92 thousand (previous year: €65 thousand).

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €3,863 thousand (prev. year: €2,843 thousand) in total.

Maturity within 1 year:	€702 thousand	(prev. year: €746 thousand)
Maturity 1-5 years:	€3,161 thousand	(prev. year: €2,097 thousand)

17. 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 €96 thousand (prev. year: €76 thousand), while those attributable to interest payments were €1,076 thousand (prev. year: €1,173 thousand). Interest received amounted to €213 thousand (prev. year: €79 thousand).

18. Segment reporting

Reporting format

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

2012

€'000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	14,545	28,599		43,144
Segment expenses	-13,543	-29,656	-5,414	-48,613
Depreciation/amortisation	-1,338	-3,602	-1,971	-6,911
Segment result	**-336**	**-4,659**	**-7,385**	**-12,380**
Net finance cost				-3,472
Result from at-equity investment				-1,195
Result from ordinary activities				**-17,047**
Taxes				-1,605
Consolidated loss				**-18,652**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	9.1	11.8	10.4	31.3
Segment liabilities	3.6	7.3	14.1	25.0
Capital expenditure	0.9	3.0	0.1	4.0

2011

€'000	Special Retail	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	-2,477	-7,106
Segment result	**788**	**3,857**	**-5,703**	**-1,058**
Net finance cost				-641
Result from at-equity investment				119
Result from ordinary activities				**-1,580**
Taxes				1201
Consolidated loss				**-379**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	18.0	22.6	12.9	53.5
Segment liabilities	4.4	9.8	14.4	28.6
Capital expenditure	1.4	4.7	0.1	6.2

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 €7,444 thousand in 2012 (prev. year: €16,660 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 domestic region of the parent company – which is responsible for the core business activities – covers Germany. The main focus is on marketing textiles/apparel and giftware to major retail customers.

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

Sales revenues	2012 €'000	2011 €'000
Germany	15,533	17,928
Iberian Peninsula	15,832	17,429
France	2,755	6,963
Rest of the World	9,024	17,238
Group	**43,144**	**59,558**

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

Total assets	2012 €'000	2011 €'000
Germany	20,003	35,034
Iberian Peninsula	7,370	11,942
France	572	1,191
Rest of the World	3,325	5,371
Group	**31,270**	**53,538**

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

Capital expenditure	2012 €'000	2011 €'000
Germany	3,239	4,562
Iberian Peninsula	723	1,601
France	0	33
Rest of the World	2	15
Group	**3,964**	**6,211**

19. 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.

20. 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 2012 financial year, the average euro/US dollar exchange rate was €1 = US$1.2855 (prev. year: €1 = US$1.3916). **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 €17.6 million in absolute terms. If the average exchange rate had been €1 = US$1.20, the cost of goods sold would have been €1.2 million higher; if the average exchange rate had been €1 = US$1.40, the cost of goods sold would have been €1.4 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 are of significance. Having already quadrupled in previous years, the price of cotton rose by another four cents at the New York Mercantile Exchange in March 2012 following India‘s export ban on cotton. Over the rest of the year the price remained relatively stable, moving between 70 and 90 cents per pound. At the end of 2012, the price of cotton stood at 75 cents per pound. The Company endeavours to secure its individual order-specific costings at an early stage by entering into binding supply contracts or by establishing letters of credit.

Licences

As a licensee, **UNITED**LABELS exploits the proprietary rights of third parties. Although close, long-term business relationships have been established with the Group‘s key licensors, it is possible that certain licence agreements will not be extended. This may have an adverse effect on the Group‘s revenue and earnings performance. At the end of September 2012, a contract for textiles was not extended.

UNITEDLABELS holds cartoon licence rights that are recognised in the statement of financial position at an amount of €2,683 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.

Liquidität

Overall, it is impossible to rule out a shortage in liquidity if the entities within the Group were to fail to meet their targets. In those cases in which a near-term deterioration in the economic climate coincides with periods in which **UNITED**LABELS Aktiengesellschaft regularly has a substantial requirement for liquidity, reserves of cash and cash equivalents may be depleted at a faster rate than originally planned. In this event, **UNITED**LABELS Aktiengesellschaft would have to utilise existing lines of credits – to the extent that these are available. As regards the medium- and long-term financing concept, it is imperative that the restructuring and financing measures already initiated are successfully implemented and the current lines of credit available to the Company are maintained. Otherwise, the entity's existence as a going concern would be in jeopardy. **UNITED**LABELS is committed to creating as much room for manoeuvre as possible with regard to its liquidity by performing daily, weekly and annual forecasts, maintaining a high level of transparency towards its principal banks and optimising cash flows throughout the Group. As at 31 December 2012, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	Available	Utilised	2012	2011
Current account	842	4,258	5,100	8,200
Long-term loans	0	2,908	2,908	2,766
Short-term loans	1,750	3,199	4,949	2,740
Letters of credit	1,996	1,304	3,300	9,000

Further financial flexibility was created by resuming factoring-based financing from late 2010 onwards. The maximum possible drawing limit for **UNITED**LABELS AG and Colombine b.v.b.a., Belgium, was €1.5 million.

In 2012, **UNITED**LABELS AG terminated three guarantees totalling €1.3 million that had been granted to the French entity S.A.S. Montesquieu Finances. These guarantees were not utilised in the period under review. Instead an additional guarantee of €500 thousand towards Deutsche Bank, Paris, was invoked in respect of Montesquieu. **UNITED**LABELS AG extinguished a total of €50 thousand in 2012 and has agreed a plan for full payment by June 2013.

Interest rates

UNITEDLABELS secures long-term loans by means of fixed interest rate arrangements. Depending on the loan, the effective interest rate lies between 3.69 and 5.80%. 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 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.

Another risk focused on by the Company is the potential dependence on individual customers. In 2012, the largest customer accounted for 17% of total sales revenue. Furthermore, the carrying amounts of deferred taxes recognised by the Company as well as existing goodwill totalling €5.6 million are subject to continuous monitoring.

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.

	2012		2011	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	42,509	99	59,151	99
Services	635	1	407	1
	43,144	**100**	**59,558**	**100**

2. Cost of materials

The materials-expense ratio rose by 12.4 percentage points from 63.5% to 75.9%. This was attributable to substantial sales from stock in the second half of 2012, in some cases below the initial purchase price. In absolute terms, costs fell from €37,807 thousand to €32,742 thousand. This was due to lower sales revenue.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they decreased from €6,476 thousand (2011 corrected) to €4,349 thousand. As a percentage of sales revenue, the ratio fell from 10.9% (2011 corrected) to 10.1%. In 2012, depreciation/amortisation and write-downs included impairment losses of €258 thousand (prev. year: €0) for usufructuary/usage rights.

4. Other operating income

This item mainly comprises income from exchange differences in the amount of €119 thousand (prev. year: €264 thousand), an apportionment of administrative expenses totalling €131 thousand (prev. year: €0) in respect of Open Mark United Labels GmbH and income of €24 thousand (prev. year: €39 thousand) from the reversal of provisions.

5. Staff costs

Staff costs fell from €6,665 thousand to €6,080 thousand. For further details regarding post-employment benefits, please refer to C.11.

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 €759 thousand in 2012 and were attributable to systematic depreciation/amortisation. A total of €1,803 thousand has been recognised in write-downs of current assets to the extent that they exceed write-downs that are usual for the entity. This item relates to the write-down of receivables from the French Groupe Montesquieu.

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 €3,422 thousand (prev. year: €4,538 thousand) and rental expense amounting to €1,943 thousand (prev. year: €2,070 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of €524 thousand (prev. year: €323 thousand).

8. Net finance cost

Finance income only encompasses interest income, which amounted to €213 thousand in the period under review (prev. year: €79 thousand). The profit/loss of associates relates to transfer/assumption of profits and losses attributable to the investments, accounted for using the equity method, in Open Mark United Labels GmbH (€4 thousand) and Montesquieu Finances SAS (€-1,199 thousand). Finance cost includes interest expenses of €1,076 thousand (prev. year: €1,173 thousand) relating to long-term loans, the use of overdraft facilities, notes payable and factoring. Additionally, this item includes a loss of €2,155 thousand relating to the write-down of loans and the book value of the 45% investment in the French Montesquieu Group and a value adjustment of €454 thousand relating to the call option recognised in 2011 for the purchase of a further 20% interest in the French Montesquieu Group.

9. Taxes on income

This item is composed of the following:

	2012 €'000	2011* €'000
Current tax expense	36	85
Deferred tax expense/income	1,570	-1,286
Total income tax expense/income	**1,606**	**-1,201**

*changed

Deferred tax income for 2011 amounted to €1,286 thousand (€13 thousand before adjustment).

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

	2012 €'000	2011 €'000
Consolidated result before income taxes	-17,047	-1,580
Applicable tax rate in %	31.93	31.93
Expected tax income	-5,443	-504
Difference to foreign tax on income	34	11
Tax effect of non-deductible expenses	1,946	90
Tax effect of non-taxable income	-38	-191
Impairment losses for deferred tax assets	2,524	0
Reversal of impairment losses for deferred tax assets	0	-586
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	-5	-28
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	2,588	7
Current tax expense/income	**1,606**	**-1,201**

The consolidated result before income taxes for 2011, after adjustment, amounts to €-1,580 thousand (€611 thousand before adjustment).

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:

- Dipl.-Kaufmann Gert-Maria Freimuth, Chief Investment Officer at MBB Industries AG, Berlin (Chairman)
- Frank D. Rohmann, Managing Partner at Frank Rohmann Unternehmensentwicklung GmbH und Co. KG (Münster) and Managing Partner at Frank Rohmann Beteiligungsgesellschaft mbH (Münster), (Deputy Chairman)
- Otto E. Umbach, Management Consultant, Hildesheim

Prof. Dr. Helmut Roland, a former Supervisory Board member, resigned from his post on 19 September 2012. Dr. Jens Hausmann resigned from his post effective from 8 November 2012. Mr. Frank D. Rohmann was newly appointed on 5 October 2012 at the request of the Management Board. Mr. Otto E. Umbach was newly appointed to the Supervisory Board on 28 December 2012 at the request of the Management Board. At the Supervisory Board meeting of 29 October 2012, Mr. Gert-Maria Freimuth was elected as the new Chairman of the Supervisory Board and Mr. Frank D. Rohmann as his Deputy.

Until 25 February 2013, the Audit Committee established in 2004 comprised Mr. Gert-Maria Freimuth (Chairman) and Mr. Frank Rohmann. It was subsequently dissolved. Supervisory Board compensation was reorganised based on a resolution passed by the General Meeting of Shareholders in 2012. The fixed component of compensation amounts to €40 thousand per annum. The Chairman of the Supervisory Board receives €20 thousand per annum, while the two other Supervisory Board members receive €10 thousand for each financial year. In addition, the members of the Supervisory Board receive variable compensation which is calculated on the basis of 0.25% of consolidated net profit (before payment of the variable compensation component); the maximum amount is €10 thousand. Furthermore, the members of the Supervisory Board and its committees to which they are assigned receive remuneration of €1 thousand for meetings attended. The Chairman of the Supervisory Board as well as the Chairman of the Audit Committee receive double this amount for meetings attended. Total Supervisory Board compensation for the 2012 financial year was €72 thousand.

Mr. Gert-Maria Freimuth holds 10,000 shares. Neither Mr. Frank D. Rohmann nor Mr. Otto E. Umbach holds shares in the Company. 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:

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 (Chairman)
- Mr. Albert Hirsch, Diplom-Kaufmann, Rinkerode (sole Managing Director of Elfen Service GmbH and Management Board member responsible for E-Commerce)

Mr. Hirsch was newly appointed to the Management Board of the Company effective from 1 May 2012. Mr. Boder became the Chairman of the Management Board. Total Management Board compensation in the period under review was €465 thousand (prev. year: €475 thousand) (Mr. Boder: €337 thousand; Mr. Hirsch: €128 thousand). Management Board compensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2012 financial year was €465 thousand. There was no variable component of compensation. In December 2009, a new management contract with largely similar conditions was agreed for a further five years with the Chairman of 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. Mr. Hirsch receives variable compensation of a long-term nature that has been determined on the basis of 10,000 virtual shares and may become payable in 2017. At the end of the reporting period, the fair value of the stock-based long-term compensation component was €0. In the event of premature termination of the contracts of Mr. Boder or Mr. Hirsch, in each case severance pay shall not exceed total compensation attributable to two financial years. Furthermore, Mr. Hirsch is entitled to 50% of his last average monthly compensation for the period of the post-contractual covenant not to compete. The current management contract contains a basic salary along with both a short-term and a long-term variable compensation component. In response to the Company's business performance, the fixed compensation component of the Chairman of the Management Board was halved as of 18 August 2012 for an effective period of two years. As regards the second member of the Management Board, the short-term variable component was cancelled. 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 €128 thousand attributable to pension provisions was allocated to provisions as an expense item in connection with post-employment benefit obligations towards a member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to a Management Board is €1,357 thousand. From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of €17,081.52 and an invalidity pension of the same amount (since 1 July 2006, this has increased by 2.5% 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 monthly retirement pension is calculated on the basis of the average basic salary of the last five years. 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:

	2012	2011
Salaried staff	113	124
Hourly-paid employees	7	7
School-leaver trainees	8	6
	128	**137**

On average, 132 people (excluding 8 school-leaver trainees) were employed during the financial year under review (prev. year: 146).

3. Corporate Governance

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

4. Employee share option plan

As at 31 December 2012, 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 €252 thousand (prev. year: €95 thousand). This figure only includes costs attributable to auditing; no consulting services were received in the period under review.

6. Related-party disclosure

In accordance with IAS 24, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to his 62.69% interest in **UNITED**LABELS Aktiengesellschaft, Mr. Peter Boder has a 100% shareholding in Facility Management Münster GmbH. **UNITED**LABELS Aktiengesellschaft occupies office premises in Gildenstraße 2j, which are leased to it by Facility Management GmbH. In 2012, the amount received was €79 thousand (prev. year: €79 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 €5 thousand.

Effective from 24 July, the French entity Embassy S.A.S, Roubaix, a subsidiary of S.A.S. Montesquieu Finances, in which the Company holds a 45% interest, applied for a „procédure de sauvegarde" under French law. This was due to a significant decline in sales revenue following the cancellation of the entity's most important merchandising licence. As a result, the **UNITED**LABELS Group performed a full reduction of all carrying amounts relating to Groupe Montesquieu. Specifically, the equity investment carrying amount of €969 thousand, loans of €2,385 thousand and receivables of €1,803 thousand were written down. The carrying amount of an asset item of €454 thousand recognised in the previous financial year for a 20% call option relating to Montesquieu was also reduced to zero. Revenue from goods supplied and services provided to Embassy SAS amounted to €1,048 thousand (prev. year: €3,119 thousand).

The entity remains in operation, with all invoices being settled with immediate effect. Additionally, a new President was appointed to Embassy.

Additionally, business relations exist with Open Mark United Labels GmbH, in which the Company holds a 50% interest and has recognised receivables of €432 thousand. Open Mark United Labels GmbH receives goods and services from **UNITED**LABELS AG (in 2012: €1,070 thousand).
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 €5,336 thousand in total (prev. year: €4,168 thousand), while current receivables stood at €4,064 thousand (prev. year: €4,237 thousand). These amounts are eliminated as part of the consolidation process.

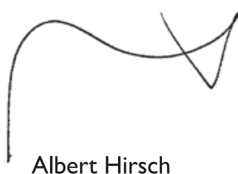
7. Events after the reporting period

In view of the consolidated loss for the year and the financial situation resulting therefrom, a banking pool is to be established in Germany that is to continue to provide the parent company with the existing financial lines.

A fundamental agreement was reached in respect of payables to a licensor, which is to be signed in the near future. The implications and effects of this agreement have been accounted for in the consolidated financial statements.

There are no other significant events to report subsequent to the end of the 2012 financial year.

Münster, 16. April 2013
UNITEDLABELS Aktiengesellschaft
Management Board



Peter Boder Albert Hirsch

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, 16. April 2013
UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder Albert Hirsch

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.

In accordance with our obligations, we hereby make reference to the fact that the continuance of the Group is jeopardised by the exposure to risks that are discussed in section 4 „Report on Opportunities and Risks" of the Group management report. According to the information presented in the aforementioned section, the medium- and long-term continuation of the Group is dependent on the successful implementation of restructuring and financing measures already initiated as well as on the preservation of existing lines of credit provided by the financing banks.

Düsseldorf, 16. April 2013
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 2012	2012 €	2011 €
1. Sales revenues	22,803,225.73	34,672,224.16
2. Cost of purchased goods	-19,092,866.50	-24,636,965.70
3. Amortisation of usufructuary rights	-3,157,412.74	-3,031,074.23
	552,946.49	**7,004,184.23**
4. Other operating income	1,671,101.20	1,561,993.19
5. Staff costs		
a) Wages and salaries	-2,722,276.20	-3,206,091.24
b) Social security. post-employment and other employee benefit costs	-423,859.29	-604,062.11
6. Depreciation and Amortization		
a) amortization of intangible assets and tangible assets	-295,951.00	-309,165.24
b) Depreciation of current assets to the extent that they exceed the standard in the corporation depreciation	-1,759,352.79	0.00
7. Other operating expenses	-9,397,289.56	-3,967,455.24
	-12,374,681.15	**479,403.59**
8. Income from investments	0.00	247,844.67
9. Other interest and similar income	332,738.56	200,196.93
10. Write-down of long-term financial assets and securities classified as current assets	-2,929,293.42	-100,000.00
11. Interest and other expenses	-554,827.33	-622,585.29
12. Result from ordinary activities	**-15,526,063.34**	**204,859.90**
13. extraordinary expenses	-516,655.49	-39,742.73
14. Taxes on income (previous year: income)	0.00	0.00
15. Other taxes	-12,238.37	-11,990.25
16. Net loss / profit	**-16,054,957.20**	**153,126.92**
17. Profit brought forward from previous year	213,488.30	60,361.38
18. Transfer from capital reserve	15,841,468.90	0.00
19. Transfer from retained earnings and other reserves	0.00	0.00
20. Net loss / profit	**0.00**	**213,488.30**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2012

ASSETS	31.12.2012 €	31.12.2011 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,868,509.84	3,187,545.56
2. Goodwill	0.00	0.00
	1,868,509.84	3,187,545.56
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	4,189,919.69	4,368,891.10
2. Technical equipment and machinery	19,081.22	24,597.80
3. Other equipment, operating and office equipment	372,101.97	422,414.98
4. Prepayments and assets under construction	0.00	30,654.00
	4,581,102.88	**4,846,557.88**
III. Long-term financial assets		
1. Investments in affiliated companies	7,616,502.57	7,704,502.57
2. Loans to affiliated companies	3,352,612.17	1,971,613.82
3. Other long-term equity investments	12,500.00	562,500.00
	10,981,614.74	10,238,616.39
	17,431,227.46	**18,272,719.83**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	2,224,675.57	9,360,790.84
2. Prepayments	9,992.90	2,112.35
	2,234,668.47	**9,362,903.19**
II. Receivables and other assets		
1. Trade receivables	1,353,023.91	3,938,421.53
2. Receivables from affiliated companies	2,444,043.31	2,432,891.17
3. Receivables from et-equity investments	431,623.93	373,288.50
4. Other current assets	1,601,831.24	3,193,221.77
	5,830,522.39	**9,937,822.97**
III. Securities treasury shares	**0.00**	**0.00**
IV. Cash, bank deposits, cheques	**346,097.61**	**719,888.18**
	8,411,288.47	**20,020,614.34**
C. Prepaid expenses	**165,250.45**	**163,314.40**
Assets, total	**26,007,766.38**	**38,456,648.57**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2012

EQUITY AND LIABILITIES	31.12.2011 €	31.12.2011 €
A. Equity		
I. Issued capital	**4,200,000.00**	**4,200,000.00**
Nominal value of treasury shares	-46,199.00	-46,199.00
Issued capital	4,153,801.00	4,153,801.00
II. Capital reserves	**3,399,693.31**	**19,241,162.21**
III. Revenue reserves		
1. Reserve for own shares	0.00	0.00
2. Other retained earnings	250,000.00	250,000.00
IV. Unappropriated surplus	**0.00**	**213,488.30**
	7,803,494.31	**23,858,451.51**
B. Provisions		
1. Provisions for pensions and similar obligations	1,645,298.00	1,023,703.46
2. Provisions for taxes	0.00	0.00
3. Other provisions	2,653,842.64	3,230,193.94
	4,299,140.64	**4,253,897.40**
C. Liabilities		
1. Payables to banks	6,021,330.80	4,490,251.38
2. Trade payables	5,230,569.05	4,055,474.47
3. Trade payables to affiliated companys	1,537,759.01	1,654,512.86
4. Other liabilities	1,115,472.57	144,060.95
	13,905,131.43	**10,344,299.66**
Total equity and liabilities	**26,007,766.38**	**38,456,648.57**

Supervisory Board

Gert-Maria Freimuth, Chairman of the supervisory board
MBB Industries AG (Berlin)

Gert-Maria Freimuth, born 1965, married, with three children, and currently residing in Muenster, 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 Muenster. 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.

Frank D. Rohmann, Member of the Supervisory Board
Frank Rohmann Unternehmensentwicklung GmbH und Co. KG (Muenster), Managing Partner
Frank Rohmann Beteiligungsgesellschaft mbH (Muenster), Managing Partner

Frank D. Rohmann (born 1968) is the Managing Partner of Frank Rohmann Beteiligungs GmbH as well as Frank Rohmann Unternehmensentwicklungen GmbH & Co. KG, both based in Muenster/Germany. In his role as Managing Director, he currently oversees the company‘s investments in Gates GmbH and Beeline Asset Management GmbH. Following his studies in law, Frank D. Rohmann held the position of Managing Partner of Prime Footwear Holding GmbH (today: Prime Shoes GmbH). Subsequently, he became a founding member of InnoSense AG, where he was also an executive on the Management Board. He then held the position of Managing Partner at Eucon Informationssysteme GmbH & Co. KG (today: Eucon GmbH).

Otto E. Umbach, Member of the supervisory board
Freelance consultant within the toy industry

Otto E. Umbach (born 1950) is a qualified retail manager. On completion of his vocational training he worked in the retail industry for several years, before later studying business administration and economics. In 1977, he and 33 specialist retailers formed a purchasing and marketing organisation by the name of idee+spiel Fördergemeinschaft Spielwaren Facheinzelhandels-GmbH & Co. KG (Hildesheim). Over the course of 35 years in senior management, he established the company as the largest purchasing and marketing group in the toy, model kit and video games industry, with more than 1,000 affiliates in five European countries. Since 2012, Otto E. Umbach has been working as a freelance consultant within the toy industry.

Management Board

Peter Boder, CEO **UNITED**LABELS AG

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

Albert Hirsch, General Manager of Elfen Service GmbH

Following his Abitur, Albert Hirsch (born 1962) took up his studies in Business Administration, majoring in Marketing and Statistics, at the University of Muenster. He completed the programme in 1988 and was awarded the degree of Diplom-Kaufmann. After managerial roles with Ashton-Tate, Gerolsteiner Brunnen, Bad Pyrmonter and Hussel Süßwarenfachgeschäfte GmbH, Albert Hirsch was appointed spokesperson of the Management Board of buch.de internetstores AG in Muenster, where he was responsible for Marketing, Purchasing, Sales, Human Resources, Customer Service, Investor Relations and PR. In January 2012, the 49-year-old became co-owner and general manager of Elfen-Service GmbH, a subsidiary of **UNITED**LABELS AG.

Management

Pilar Arroyo
Head of Sales
Southern Europe

Stephan Vitz
Head of Sales
Northern Europe

Carla Brandenburg
Head of Order and Purchase
Management

Marc Harenkamp
Head of Logistics

Holger Pentz
Head of
Finance and HR

Tobias Greger
Creative Director

IMPRINT

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

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1987
· Founding of **Duke** GmbH

1991
· Founding of **UNITED**LABELS GmbH
First licence: Peanuts

1993
· Disney licence added to portfolio

1998
· Expansion of export business to France, the Netherlands and Spain Founding of **UNITED** LABELS France S.A.R.L.

1999
· Founding of **UNITED**LABELS Ibérica, S.A.

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

2005
· Founding of **UNITED**LABELS Italia

2006
· Opening of first **airport-store** in **Barcelona**

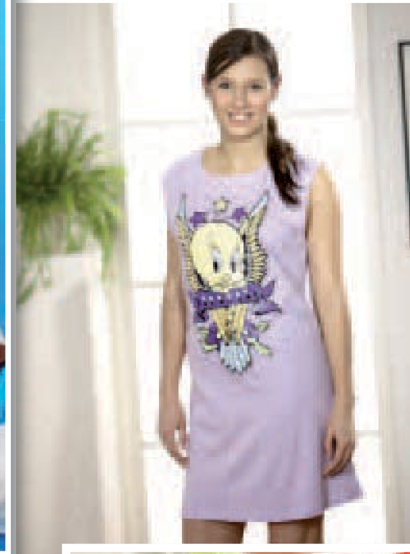
2007
· Launch of **House of Trends europe** GmbH

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

2012
· Albert Hirsch: chairman of the management board
· Elfen.de online



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