ANNUAL REPORT 2013

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)	**2013**	2012	2011**	2010	2009	2008
Revenue	33,232	43,144	59,558	58,702	40,260	44,238
EBITDA*	-728	-9,818	-428	2,584	-1,716	1,266
EBIT	-1,416	-12,380	-1,059	1,971	-4,072	631
Consolidated profit/loss for the year	-848	-18,652	-379	1,068	-3,858	769
Operating Cash flow	3,331	4,575	3,448	5,935	4,169	7,111
Net income per share (€)	-0.15	-4.46	-0.09	0.26	-0.93	0.19
Liquidity	290	1,640	1,570	5,468	3,694	4,986
Equity	4,754	5,456	24,935	28,637	27,680	32,450
Equity ratio (%)	16%	17%	47%	55%	60%	61%
Net debt	9,524	8,725	8,687	4,325	4,481	3,963
Total assets	30,479	31,633	53,538	52,202	46,385	53,052
Bookvalue per share (€)	1.14	1.31	6.00	6.82	6.59	7.73
Shareprice per year end (€)	1.26	1.06	3.14	4.28	2.46	1.95
Market capitalization	5,292	4,452	13,188	17,976	10,332	8,190
Staff member (average)	123	132	146	132	132	139
Revenue per staff member	270	327	408	445	305	318

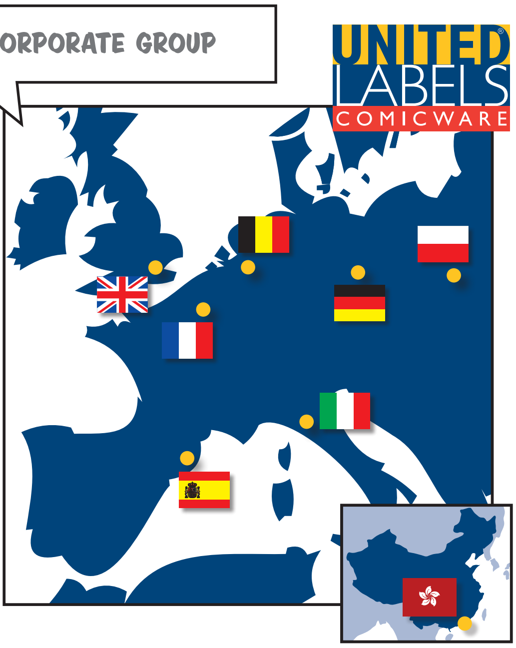
*incl. amortisation of usage rights / ** changed

THE COMPANY

UNITEDLABELS AG ...

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

THE CORPORATE GROUP



- Over 4,500 customers
- Over 52,000 sales outlets
- Over 60 million items sold annually
- Over 30 licences covering more than 150 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, 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

u.v.m.

SOME OF OUR LICENSED BRANDS

Extensive licence portfolio

UNITEDLABELS benefits from long-standing partnerships with major licensors such as Peanuts, 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. The portfolio spans not just current movie-based collections such as Snoopy und die 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.

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.

THE COMPANY

QUALITY ASSURANCE PARTNERS

Some of the standards we comply with:

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

Quality and legal regulations

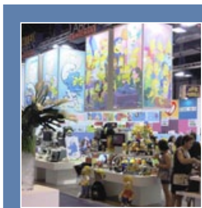
UNITEDLABELS conforms to all product requirements in accordance with EEC guidelines and standards.
In addition, the company applies its own stringent quality controls and carries out regular checks and inspections of factories in order to ensure maximum product safety, efficient order processing and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

SPIELWARENMESSE



INTERGIFT

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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."

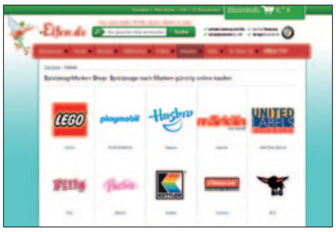
ELFEN

- Multi-client enabled platform
- Trusted Shops certification
- More than 500,000 articles and 300 brands
- Responsibility for cooperation shop EHAPA
- Top three placing in ranking of online toy shops (DISQ)
- In-house customer service

Elfen Service

As planned, B2C market positioning through Elfen Service began at the end of 2012. Alongside the **UNITED**LABELS range, the multi-client-enabled shop at www.elfen.de now offers all relevant brands and products, with some 500,000 articles making up the product database.

The first client shop with the address www.funonline was realised at the end of 2013 for cooperation partner EHAPA under the Elfen Service platform.



elfen.de – Brands

www.funonline

Selection of our quality seals:

TRUSTED SHOPS

DEUTSCHES INSTITUT FÜR SERVICE-QUALITÄT

SHOPWERTIG

OUR AIRPORT SHOPS

UNITEDLABELS currently operates 6 airport shops all over Europe at well-frequented international airports:

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

Barcelona Airport (31.97 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

UNITEDLABELS

3 Düsseldorf Madrid

FC BARCELONA

3 Barcelona

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

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

ALBERT HIRSCH
MEMBER OF THE
MANAGEMENT BOARD

Dear Shareholder,

After the significant adjustments and restructuring activities of which we informed you in detail last year, our focus for the **UNITED**LABELS Group in 2013 was on pursuing and executing the company's business reengineering programme with the necessary determination and vigour.
Together with our team of employees, we were resolute in restructuring our organisation and business model for the purpose of improving the company's competitiveness, in addition to streamlining and optimising our product range.

Against this backdrop, our sales and earnings performance in the financial year under review illustrates that the route taken by our company was the right one: Group sales revenue totalled €33.2 million (prev. year: €43.1 million). The Group's latest sales performance is the result of our committed focus on core areas of business associated with higher contribution margins and a consistent policy of forgoing low-margin contracts and customer segments.
In the context of our business reengineering programme we managed to implement the cost streamlining measures we had targeted and adjust our customer and product portfolio, thereby establishing a solid foundation for sustained growth in earnings.
In total, the consolidated loss amounted to €0.8 million, a marked improvement on the loss of €18.7 million posted a year ago. Taking deferred taxes into account, the separate financial statements of **UNITED**LABELS AG saw earnings move back into positive territory, with a profit of €1.0 million. This performance illustrates the desired impact of the Group's ongoing streamlining programme and measures to optimise all areas of business.

The activities of **UNITED**LABELS AG continue to be 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. In pursuing this strategy, we managed to lift our gross profit margin to 23% in total (prev. year: 14%).

As regards our subsidiaries, we brought together the sales activities in France and Belgium, while the UK market is being managed through our German distribution structures. UL Iberica, Spain, is responsible for its home market and, as in the past, also for Italy and our airport shops.

Last year's highlights with regard to licensed merchandise were „Hello Kitty", „Filly" and „Peppa Pig". We continued to develop new textile and giftware collections for these and many other licences within our portfolio over the course of the year.

The structural foundations on which our future growth concept for the coming years has been built are defined by the „NextGen" – Next Generation programme. Among other aspects, we are committed to incorporating direct business-to-consumer (B2C) activities within our business mix. In this context, our strategic focus is to expand our e-commerce business through our Elfen Service GmbH subsidiary, which commenced operations at the end of 2012. These B2C activities will be complemented by the six airport shops already operated by the company, which generated sales of €5.3 million in the financial year under review.
The e-commerce platform we created for licensed products and games achieved revenue of €1.5 million (prev. year: €0.6 million) last year.
In total, our B2C business already accounted for 20% of total sales revenue in the period under review. We are anticipating further significant growth in sales revenue in the current and subsequent financial years. Benefiting from our own product ranges and B2C sales, we are also confident that we will strengthen the process of value creation.

Our performance in 2013 points to our success in improving our business model effectively by pursuing a programme of change and adjustment. At the same time, we have laid a solid foundation with regard to the successful positioning of **UNITED**LABELS AG for the future. Looking ahead to the current financial year, we saw our order backlog increase by 9% year on year to €7.4 million (prev. year: €6.8 million), which provides a solid foundation for 2014.

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 during the last two years.

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, 24 April 2013

Peter Boder
Chairman of the Management Board

Albert Hirsch
Member of the Management Board

Supervisory Board Report

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, the articles of association and the regulations of the German Corporate Governance Code, provided regular reports on the business and strategic developments affecting the Company and advised the Management Board and senior executives. The Supervisory Board thus acquired sufficient knowledge concerning strategy, business policy, planning and the risk situation as well as the financial position, financial performance and cash flows of both **UNITED**LABELS AG and the **UNITED**LABELS Group.

This was achieved through personal dialogue between the Supervisory Board Chairman or a member of the Supervisory Board and members of the Management Board, through regular written and verbal reports from the Management Board to the Supervisory Board concerning the course of business and through five Supervisory Board meetings and two telephone conferences attended by all members of the Company's Supervisory and Management Boards.

At these various meetings, the Supervisory Board analysed ongoing business developments together with the Management Board and advised on strategic direction. 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. It advised on the economic situation of **UNITED**LABELS AG and its individual subsidiaries.

As part of elections in respect of all members of the Supervisory Board, the Annual General Meeting held on 23 May 2013 appointed Gert-Maria Freimuth, Frank Rohmann and Otto E. Umbach with a large majority until the conclusion of the Annual General Meeting approving the actions of the Supervisory Board for the second financial year following the commencement of their term of office in 2014. The Supervisory Board subsequently elected Gert-Maria Freimuth as the Chairman of the Supervisory Board. Mr. Freimuth is an independent financial expert under the terms of Section 100 (5) of the Stock Corporation Act.

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 few exceptions are listed and explained in the statement 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 (www.unitedlabels.com).

The Supervisory Board has a total of three members; in the view of the Supervisory Board, this number is appropriate to the size of the Company. Since it would serve no purpose, the Supervisory Board did not form committees during financial year 2013.

The Supervisory Board duly awarded the contract to audit the annual and consolidated financial statements for the financial year 2013 to RBS RoeverBroennerSusat GmbH & Co. KG of Cologne, 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 bodies on the other.

The annual financial statements of **UNITED**LABELS AG as at 31 December 2013 and the management report for **UNITED**LABELS AG and the **UNITED**LABELS Group were compiled in line with the principles of the German Commercial Code and the consolidated financial statements as at 31 December 2013 were drawn up in accordance with International Financial Reporting Standards (IFRS); they were audited by RBS RoeverBroennerSusat GmbH & Co. KG of Cologne, the firm chosen by the Ordinary General Meeting and appointed by the Supervisory Board Chairman, which issued an unqualified audit opinion on 23 April 2014.

The report by the Management Board of **UNITED**LABELS AG concerning relations with affiliated enterprises in line with Section 312 of the Stock Corporation Act (related-party disclosure report) was also audited by RBS RoeverBroennerSusat GmbH & Co. KG of Cologne, with the following unqualified audit opinion issued on 23 April 2014:

"At the conclusion of the audit, no objections to the report were raised. In accordance with Section 313 (3) of the Stock Corporation Act, we hereby issue the following auditor's opinion:
Having conducted a proper audit and appraisal, we hereby confirm that

1. the factual statements in the report are correct
2. regarding the legal transactions listed in the report, the consideration of the Company was not unreasonably high or disadvantages have been compensated
3. there are no grounds for a significantly different assessment of the measures outlined in the report than that of the Management Board."

The Supervisory Board agrees with the Management Board's assessment of the Company's situation as outlined in the management report. In the light of the changes introduced in 2013, the strategic development already achieved, forthcoming measures and in particular the motivated workforce, the Supervisory Board shares the view of the Management Board that the Company has the right plans in place to cope with the tasks ahead and perform profitably. Financial year 2013 was characterised by the realignment of business activities, and specifically a shift of focus to orders with higher margins, streamlining of Group structures, the extension of supplier terms of payment, improvements to purchasing and license agreement conditions and extensive measures aimed at streamlining personnel, rental and service costs as well as external warehousing and logistical costs. Over the past financial year, the realignment and the associated measures brought about a distinct upturn in the annual results, although in line with expectations earnings before interest and taxes were profitable only to a degree. During 2014, the main factor in the sustained future development of **UNITED**LABELS will be sales growth in remaining core business fields coupled with the attainment of positive cash flow to support profitability.

The Supervisory Board has inspected the annual financial statements compiled by the Management Board, the management reports for **UNITED**LABELS AG and the **UNITED**LABELS Group, the proposal on the distribution of profit, the consolidated financial statements and the related-party disclosure report in accordance with Section 312 of the Stock Corporation Act and discussed these in person with the auditor at the meeting held on 31 March 2014. All questions posed by the Supervisory Board were answered in full by the auditor. The Supervisory Board received the auditor's report prior to the financial statements meeting. Having completed its examination, the Supervisory Board raised no objections to the annual financial statements, the management report, the related-party disclosure report or the consolidated financial statements. The annual and consolidated financial statements were duly approved by the Supervisory Board on 23 April 2014. The annual financial statements of **UNITED**LABELS AG have thus been adopted. The Supervisory Board also indicated its consent to the Management Board's proposal on the appropriation of net retained earnings.

The Supervisory Board would like to thank the Management Board and all employees of the **UNITED**LABELS Group for their outstanding commitment and the clear improvements on 2012 achieved over the last financial year. The foundations for a sustained improvement in earnings during 2014 are now in place.

Münster, 24 April 2014
On behalf of the Supervisory Board

Gert-Maria Freimuth

Corporate Governance Statement

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.

The Management Board and Supervisory Board discussed the German Corporate Governance Code at its meeting in December. The Declaration of Conformity 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 eight 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 in the annual financial statements, 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 two members. 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.
The Supervisory Board appoints the members of the Management Board and represents the Company in its dealings with the Management Board. It supervises and advises the Management Board with regard to the governance of the Company and resolves on all significant transactions of the Company for which prior approval is required. 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 decides whether to adopt and approve its findings.
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 sees no need for the establishment of an audit committee. Its duties are discharged by the Supervisory Board as a whole. One member of the Supervisory Board is an independent financial expert who, due to his professional practice, has special knowledge and experience in the application of accounting principles and internal control procedures.
The Supervisory Board sees no need for 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.
Details regarding the principal activities and advisory duties of the Supervisory Board during the 2013 financial year are provided in the Report of the Supervisory Board, which forms part of the 2013 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 one transaction for the 2013 financial year. On 24 May 2013, Mr. Frank Rohmann acquired 10,000 shares in the Company.

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

Corporate Governance on the Internet

The latest Declaration of Conformity with the German Corporate Governance Code and those of previous years appear on the Company's website at 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. (United Kingdom), **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.

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. The auditor reports directly to the Supervisory Board as part of the preliminary examination of the year-end accounts audit and as part of the year-end accounts audit itself.

Declaration of Conformity by the Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft, dated March 2014, pursuant to Section 161 AktG of the Stock Corporation Act (Aktiengesetz – AktG) with regard to the German Corporate Governance Code.

This Declaration follows the Declaration of March 2013. Up until 12 May 2013 it is governed by the German Corporate Governance Code in the version of 15 May 2012; subsequent to this it is governed by the German Corporate Governance Code in the version of 12 May 2013.

The Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft hereby declare that since the last Declaration of Conformity of February 2013 the Company complied with and continues to comply with the recommendations of the Government Commission of the German Corporate Governance Code in the version of 15 May 2012 and 12 May 2013, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, with the exception of the following points. 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 to the extent outlined by the Company.

The following recommendations have not been and are not being applied:

1. Section 5.1.2:

The Management Board only consists of two members. Therefore, it is in no position to apply the aspect of diversity. When discussing the possible expansion of the Management Board, the Supervisory Board will address the issue of diversity when resolving on the composition of the board.

2. Section 5.3.1:

The Supervisory Board comprises only three members. Therefore, no committees have been formed. The Supervisory Board sees no need for 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.

3. Section 5.3.2:

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 sees no need for the establishment of an audit committee. Its duties are discharged by the Supervisory Board as a whole.

4. Section 5.3.3:

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

5. Section 5.4.1:

The Company does not comply with the recommendations relating to age limits and diversity; neither are concrete objectives specified regarding the composition of the Supervisory Board. The composition of the Supervisory Board has to be suitably aligned with the interests of the company, the objective being to ensure that the Supervisory Board is in a position to monitor and advise the Management Board. Therefore, in selecting the candidates to be put forward for election by the General Meeting of Shareholders, the Supervisory Board restricts its decision-making to the professional and personal expertise of the candidates in question. For reasons of ensuring equal opportunities, other factors such as gender, nationality or age have been and continue to be of no significance to these proposals. Beyond these selection criteria, the Company is of the opinion that the aspects detailed in the Code are generally worth taking into account, and the Supervisory Board will indeed take them into consideration when deciding on the respective proposals for the election of candidates, while closely observing the company-specific situation at the time of making this decision. However, for the reasons outlined above, which also includes the comparatively small number of Supervisory Board roles to be filled, the Company is not in a position to commit itself to these recommendations.

6. Section 7.1.2:

Section 7.1.2 sentence 4 of the German Corporate Governance Code recommends that the consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year; interim reports shall be publicly accessible within 45 days of the end of the reporting period. As the Company is of the opinion that the quality of its financial reports should take precedence over the observance of said deadlines, it may not be in a position to apply the publication schedules recommended by the German Corporate Governance Code. Instead, the consolidated financial statements and the interim reports are published in accordance with statutory requirements and the deadlines prescribed by Deutsche Börse for the Prime Standard.

Münster, March 2014

The Management Board | The Supervisory Board

COMPANY AND GROUP MANAGEMENT REPORT

UNITEDLABELS Aktiengesellschaft, Münster

Group Management Report for FY 2013

Contents:

1. Fundamental Information about the Group

The business model

UNITEDLABELS AG is a leading European producer and supplier of cartoon-related merchandise sold under licence. The company's headquarters are in Münster in the German state of North Rhine-Westphalia; it has subsidiaries in Spain, Belgium, France, Hong Kong and elsewhere. The company performs a pivotal role between licensors and the trade sector: with a comprehensive product range (comprising more than 4,500 different articles) and an attractive licence portfolio of more than 30 high-profile license themes, it provides a useful point of contact to both sides in the comicware field.

On the one hand, **UNITED**LABELS AG offers retailers strong and successful licensed comicware merchandise covering all product areas – clothing, gift items, soft toys, stationery, bags, bathroom and household goods – from a single source; on the other, the company has positioned itself as a preferred partner to licensors, drawing on its extensive experience of the licensing sector and a high distribution density; these licensors benefit directly from the successful sale of licensed goods and textiles.

UNITEDLABELS AG reaches consumers through a variety of distribution channels. These include direct sales through several airport shops, the Internet platform provided by the subsidiary Elfen Service GmbH and specialist retailers and wholesalers across Europe. Key clients of **UNITED**LABELS AG include reputable purchasing associations and major European retail businesses.

UNITEDLABELS AG has been listed in the Prime Standard of Deutsche Börse since May 2000. The company is run by the Management Board, which is made up of Mr. Peter Boder and Mr. Albert Hirsch; the Management Board is overseen by the Supervisory Board.

Objectives and strategies

The objective of **UNITED**LABELS AG and its subsidiaries is to remain as a leading producer and marketer of comicware in Europe. With this objective in mind, the company has taken a multi-channel approach for a number of years, focusing on distribution through specialist retailers and wholesalers as well as direct sales to consumers through shops and various Internet outlets. In this way, **UNITED**LABELS is able to reach much of Europe and thereby market its various products;

the company's stated aim is to consolidate its strategy and market position while also generating forward momentum. To achieve this, **UNITED**LABELS AG will utilise its expansive network within the licensing and trade sector.

Internal control system

Aside from consolidated sales, the main indicators of the success of **UNITED**LABELS AG are margin, operating profit and earnings after taxes. In addition, liquidity plans are drawn up and taken into account in decision-making. The profit contribution of all orders received by the Group is calculated, with orders only accepted where the company's requirements are met.

Research and development

In line with its business model, **UNITED**LABELS AG does not undertake research and development, as is normal for the sector.

2. Report on Economic Position

Macroeconomic and sector-specific environment

UNITEDLABELS AG performed as outlined below in the current general economic climate.
The German economy was stable in 2013, with gross domestic product (GDP) rising by a marginal 0.4% according to figures issued by the Federal Statistical Office.
Although this level of growth may appear modest at first glance, it should be regarded as a positive development; following on from the weak winter of 2012/2013 in economic terms, the German economy returned to a pattern of growth in the year under review.
While German consumers and companies placed their faith in a widespread upturn, the global economic picture also showed signs of recovery. Foreign trade once again provided tangible momentum for the German economy.
As for employment, the working population of 41.8 million in 2013 was a record level for the seventh year in succession. Given the prospect of an economic revival, the outlook for the labour market remains positive.
Private consumer spending rose by 0.9 percent in 2013 after adjustment for price. The Federal Ministry for Economic Affairs and Energy has stated that private consumption will continue to be a mainstay of the economy as the recovery takes place. According to figures from the Federal Statistical Office (Destatis), retail sales increased by 1.6 to 1.8% in 2013.
The gradually strengthening stimulus of the global economy is also boosting German goods exports, according to the Federal Ministry for Economic Affairs and Energy. The prospects for the German exports sector are therefore good; the rising level of orders from abroad received by German industrial firms and the high export expectations of the manufacturing sector point to the same conclusion.
During 2013, foreign trade in Germany – normally so robust – slowed by yearly comparison on account of the challenging foreign trade environment. Although Germany exported 0.6 per cent more goods and services than in the previous year after price adjustment, imports also rose by 1.3 per cent. The difference between imports and exports (the external balance) thus put the brakes on GDP growth with a negative contribution of minus 0.3 percentage points.

The German market is particularly important to **UNITED**LABELS AG. According to studies carried out by Gesellschaft für Konsumforschung (GfK), the climate for consumption in Germany is improving again. Although shoppers are still delaying larger purchases in the face of falling incomes and higher taxes, people are more optimistic about the future and are regaining trust.

During 2013, the business performance of our German companies was characterised by realignment with a focus on contribution margins; sales growth was therefore forfeited.
According to the Federal Foreign Office, the Spanish economy is gradually moving out of recession. While the government confirmed a 1.27 per cent fall in gross domestic product (GDP) compared to the previous year, the economy is expected to expand by 0.7 per cent in 2014. GDP amounted to €1,355.660 billion in 2013.
The downturn is having a serious impact on employment: the unemployment rate, which had fallen from 24.2 per cent in 1994 to 8.2 per cent in 2007, climbed back to 26.02 per cent by the end of 2012 (5.97 million unemployed). The

government expects unemployment to decline to 25.9 per cent in 2014.
Despite the poor economic conditions in Spain, United Labels Ibérica bucked the trend and developed well in the period under review. The economic upturn anticipated for Spain during 2014 is likely to have a generally positive effect on business performance in the country.

In overall terms, growth in the EU amounted to 0% compared to the previous year's value and -0.3% for the eurozone.
The quality standards that **UNITED**LABELS AG has set itself – and the standards that customers apply to products – are key factors influencing the company's purchasing, alongside the exchange rate of the euro against the dollar.

Since the company purchases much of its goods in Asian countries, it applies suitable measures to hedge against the considerable exchange rate risk against the dollar. The euro/dollar exchange rate was relatively stable over the year at $1.328 to the euro.

Textiles remained the strongest product line for **UNITED**LABELS in terms of revenue; new collections were developed and marketed aggressively through key account customers and discounters. Online marketing was also promoted heavily through Elfen Service GmbH and its clientcapable platform.

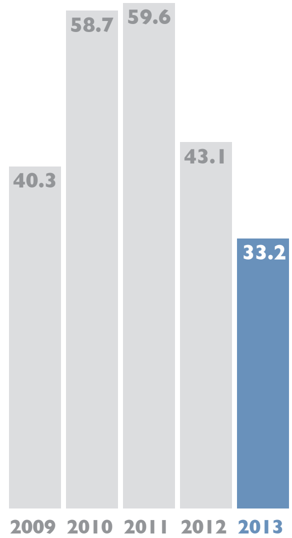
The company remained a leading light within the European licence market in 2013 as highprofile and strong-selling licensed brands were extended. More new and exclusive licences were added, including Mia and Me, Teenage Mutant Ninja Turtles, Peppa Pig and the Minions.

Course of business and position

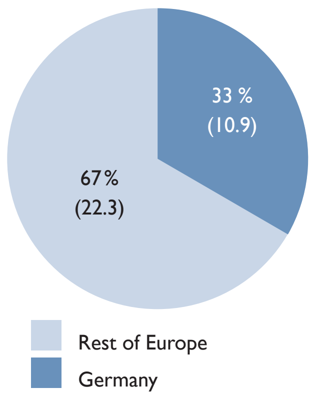
Towards the end of 2012 the company introduced an optimisation programme, which it used for the purpose of guiding its business activities over the course of 2013. The product range was restructured with a view to focusing to a larger extent on higher-margin products. Furthermore, a strict policy of cost savings was pursued in the area of human resources and other expenses.
In the financial year under review, sales revenue amounted to €33.2 million (prev. year: €43.1 million). This is the result of the company's decision to focus on orders that generate higher profit margins. By contrast, the company no longer pursued orders with low contribution margins.
Sales revenue generated in the Special Retail segment totalled €12.6 million (prev. year: €14.5 million), while the Key Account segment contributed €20.6 million (prev. year: €28.6 million) to Group sales.
The German parent company achieved sales revenue of €16.5 million in the financial year under review, compared to a total of €22.8 million recorded in the previous year.
Looking at the regional performance of the individual companies, consolidated sales fell by 6% to €13.7 million in Spain, by 48% to €1.6 million in Belgium and by 64% to €0.5 million in France. In line with the business reengineering concept adopted by the company, the decision was taken to accept a decline in revenue in return for improved earnings within the business-to-business (B2B) category. By contrast, sales revenue generated by the subsidiary Elfen Service GmbH (B2C) surged by 150% to €1.5 million due to the fact that this company was now in operation for a full annual period for the first time. Benefiting to some extent from very favourable media coverage, the subsidiary managed to drive sales forward significantly in the year under review, particularly during the important Christmas season.

The German parent company **UNITED**LABELS AG contributed external sales revenue (adjusted for intra-Group sales) of €14.9 million (prev. year: €19.4 million) to consolidated sales.

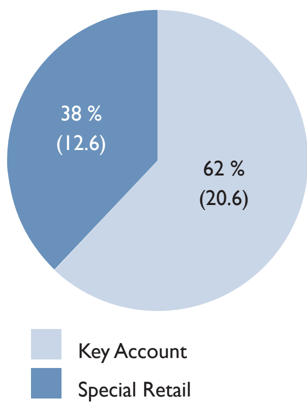
Past sales performance (in €m)



Breakdown of sales in Europe for 2013 in % (€m)



Breakdown of sales in 2013 for Key Account and Special Retail in % (€m)



The Spanish subsidiary saw its external sales revenue fall by €0.8 million compared to the previous year.The proportion of Group sales attributable to **UNITED**LABELS Ibérica rose to 41%, up from a share of 37 % recorded in the previous year.

The **cost of sales within the Group** comprises material expenses as well as amortisation of usage rights for licences. In the financial year under review, the cost of sales stood at €25.5 million (prev. year: €37.1 million). In relation to Group sales revenue, the cost-of-sales ratio was 76.8% (prev. year: 86.0%).The higher cost-of-sales ratio recorded in the previous year was attributable primarily to the sale of inventories with low margins and in some cases at prices below the cost of purchase.

Other operating income amounting to €2.1 million (prev. year: €0.7 million) was the result, among other things, of income from the reversal of provisions (€1.2 million), income from the reduction of valuation allowances (€0.3 million) and allocations of administrative expenses to Open Mark United Labels GmbH (€0.4 million).

As planned, **staff costs** fell from €6.1 million to €4.8 million. Calculated on an annual average, the Group headcount was down by ten. While staffing levels in Spain, particularly in the airport shops, were down by seven, five new employees were recruited by Elfen Service GmbH. In view of the Group's earnings performance, no special payments (additional annual compensation, bonuses) were made to staff in the period under review. Percapita revenue (annual average) amounted to €270 thousand in 2013.

Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment amounted to €0.7 million (prev. year: €0.8 million). Amortisation of usage rights (licence fees) amounting to €2.3 million (prev. year: €4.3 million) was accounted for separately as material expense. The licence ratio fell by three percentage points to 7%, as the company is focused to a larger extent on expansion within the area of products already licensed.

Other operating expenses amounted to €5.7 million (prev. year: €10.5 million). This figure includes expenses for rental payments (€1.5 million) and selling expenses (€2.2 million). The marked reduction in this item is attributable to non-recurring factors seen in 2012 (no longer applicable in 2013) as well as the company's commitment to a strict, Group-wide programme of cost streamlining.

Net finance cost of €-1.0 million (prev. year: €-4.7 million) encompasses finance income and cost as well as the result attributable to Open Mark United Labels GmbH, which was consolidated at equity. Looking at net interest income in isolation, the use of factoring over the entire year as well as the use of credit lines exerted downward pressure on income within this area.

Taxes on income included tax income of €1.5 million (prev. year: €-1.6 million). This was influenced by the recognition of deferred taxes on loss carryforwards for United Labels AG, United Labels Belgium and House of Trends, as their performance is considered to be more favourable than was the case a year ago.

On this basis, the **consolidated loss** for the financial year was €-0.8 million, compared to a consolidated loss of €-18.7 million reported for the previous financial year. This corresponds to earnings per share of €-0.15 (prev. year: €-4.46).
At €0.6 million (prev. year: €-4.7 million), the Key Account segment result was well within positive territory again. This is a tribute to the revised strategy pursued by the company.
The Special Retail segment also developed well, posting a result of €-0.1 million (prev. year: €-0.3 million), mainly driven by the business performance of the southern European sales regions. Unallocated administrative costs fell substantially year on year to €1.9 million (prev. year: €7.4 million). This was attributable on the one hand to the exceptional charges accounted for in the financial year 2012 and on the other to the strict cost savings implemented in 2013 as well as substantial other income.

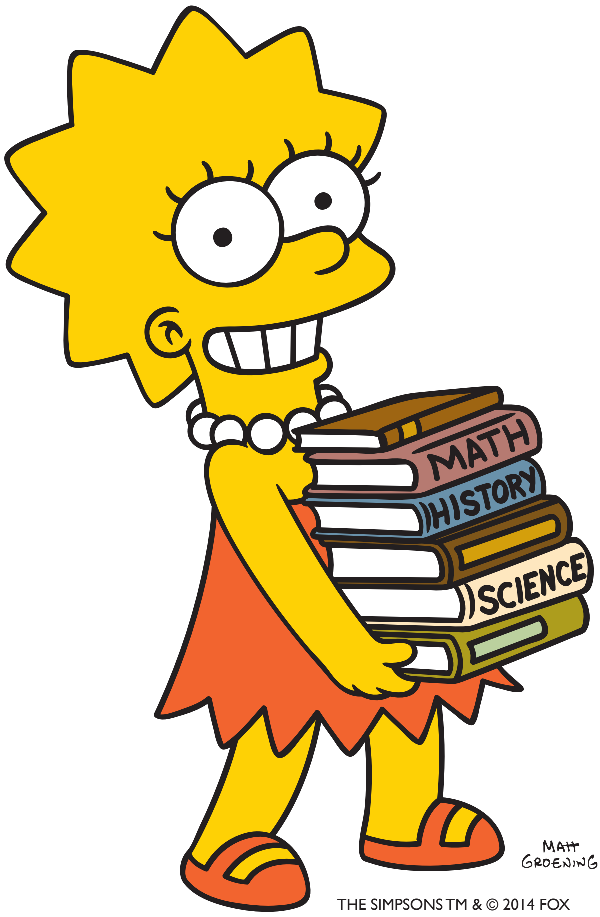
Sales performance as well as the gross profit margin (sales revenue less material costs and amortisation of usage rights) and the EBIT margin (result from operating activities) are key financial performance indicators within the Group. Sales revenue fell by 23% (prev. year: 28%) in the financial year 2013. The gross profit margin rose significantly to 23.2% in 2013 (prev. year: 14.0%) in relation to sales, while the EBIT margin was -4.26% (prev. year: -28.7%) 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
Inventories (in €'000)
Cash and cash equivalents (in €'000)
Payables to banks (in €'000)



UNITEDLABELS Ibérica S.A., Spain		UNITEDLABELS France S.A.S., France		Colombine b.v.b.a., Belgium		Elfen Service GmbH, Germany		UNITEDLABELS Italia Srl., Italy		House of Trends europe GmbH, Germany	
(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)	(in €'000)
2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
14,264	15,807	537	1,411	1,270	1,932	1,498	611	42	1,007	711	1,961
842	-1,742	-161	-763	14	48	-778	-482	12	-121	-37	-425
622	-2,115	-185	-803	12	47	-974	-543	12	-134	-38	-441
100	-1,815	-205	-825	79	74	-1,023	-559	0	-177	-66	-479
1,891	2,464	0	0	0	0	37	56	0	0	0	15
20	33	4	404	4	376	77	60	1	40	1	20
3,662	4,057	0	0	0	0	0	0	0	0	600	283

Alongside its holdings in the subsidiaries, the parent company currently holds a 45% interest in the French-based Montesquieu Group. However, this entity has been in liquidation since mid-2013. Additionally, the parent company holds a 50% interest in Open Mark United Labels GmbH, based in Münster. In the financial year just ended, this entity recorded revenue of €4,186 thousand and a post-tax profit of €2 thousand. The at-equity investment accounted for in the Group statement of financial position was €67 thousand, as a capital increase of €100 thousand took place in the period under review and the proportion attributable to the company was 50%.

Cash flows

The Group's cash flow statement shows net cash from operating activities of €3.3 million for the 2013 financial year. Investments totalled €3.2 million, with a particular emphasis on the extension of licensing rights. In the context of the Group's financing activities, a sum of €0.6 million was used for the purpose of servicing loans. Net cash used in financing activities was €-1.5 million (prev. year: €-0.8 million). On this basis, cash and cash equivalents fell by €1.3 million to €0.3 million for the period under review. The existing lines of credit were used almost in full calculated on basis of the total average of the financial year just ended. As at 31 December 2013, a total of €3.1 million (prev. year: €1.1 million) in receivables had been sold to a factoring firm with whom the company has been working since 2010.
In view of the realignment of the Group at the end of 2012, negotiations were held with the four banks funding the activities of the parent company, the focus being on maintaining lines of credit and extending repayment periods of existing loans. All banks are committed to maintaining their dealings with the company as part of a pooling agreement. Furthermore, the scope of financing from all banks 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 available receivables and inventories of the parent company and **UNITED**LABELS Ibérica will be used as collateral for the credit lines granted by the aforementioned banks. Additionally, they have been secured by land charges in respect of the office building and the logistics centre in Münster.

Financial position

Non-current assets rose from €18.3 million to €20.0 million. Intangible assets increased by €0.4 million due to investments in new licence rights, while property, plant and equipment fell by €0.3 million as a result of straightline depreciation. At-equity investments amounted to €0.1 million at the end of the financial year under review. This item relates to the investment in Open Mark United Labels GmbH, which raised its capital by €0.1 million in the period under review; the proportion of this capital increase attributable to the company was 50%. **Current assets** fell by €2.9 million, down from €13.3 million to €10.4 million.

Inventories (including goods in transit) decreased by €3.4 million (prev. year: €4.8 million) due to an optimised warehousing concept that is designed to increase stock turnover and minimise warehouse inventories.
At the end of the reporting period, **trade receivables** totalled €4.7 million (prev. year: €6.3 million). The year-on-year reduction is attributable to the lower volume of business and a higher factoring ratio.
Cash amounted to €0.3 million (prev. year: €1.6 million).
Other assets rose by €1.4 million, primarily as a result of the higher amount of the purchase price withheld by the factoring company (25%) (prev. year: €0.8 million)
Overall, **total assets** fell slightly by 3% to €30.5 million.
Meanwhile, **equity** fell by €1.5 million, which was mainly due to the consolidated loss (€0.8 million) and accumulated actuarial losses in connection with the measurement of pension provisions (€-0.7 million); under the amended rules of IAS 19, these actuarial losses have to be accounted for retrospectively in equity. The consolidated loss itself amounted to €0.8 million. Of this total, €0.2 million is attributable to non-controlling interest. In 2012, Mr. Albert Hirsch had acquired a 20% interest in Elfen Service GmbH. **Non-current liabilities** fell by €0.8 million to €8.0 million. This was attributable to the reversal of long-term provisions (€-1.0 million), as there is no longer evidence to suggest that they will be used.

Current liabilities increased by €0.3 million to €17.7 million in total. In this context, provisions fell by €0.2 million due to lower provisioning for the potential return of goods by customers and the reversal of provisions for which there is no longer evidence to suggest that they will be used. **Current financial liabilities** declined by €0.3 million to €7.5 million. The year-on-year reduction is attributable to the full payment of a guarantee of €0.5 million as well as a slight increase in the use of existing lines of credit (€0.2 million). Trade and other payables rose by €0.9 million to €10.1 million, which was primarily due to the fact that the company managed to negotiate longer periods of payment with its key suppliers.
At €20.0 million, non-current assets accounted for 66% (prev. year: 58%) of total assets. At €10.4 million, current assets accounted for 34% (prev. year: 42%) of total assets.

Totalling €8.0 million, non-current liabilities accounted for 26% of total equity and liabilities, which was slightly less than in the previous year. Current liabilities – totalling €17.7 million – accounted for 58% (prev. year: 55%) of total equity and liabilities.
In total, Group debt amounted to €25.7 million in the financial year under review, compared to €26.2 million in the previous year. Group debt in relation to total equity and liabilities stood at 84%, after 83% in the previous year.

Based on equity of €4.8 million reported by **UNITED**LABELS, the equity ratio stands at 16%, compared to 17% in the previous financial year.
Equity covers the Group's non-current assets by 24%. The proportion of goodwill in relation to equity is 118%.

Non-financial performance indicators
Staff

As at 31 December 2013, the Group employed 117 (prev. year: 128) members of staff. Staff downsizing is the result of the company's business reengineering concept initiated in 2012. At 123, the average headcount was down by 11 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 throughout 2009.

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.

UNITEDLABELS 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 principle, an agreement was reached in respect of payables to a licensor, which is to be signed in the near future. The implications and impact 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 2013 financial year.

4. Outlook and 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 raising 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. Risks are understood to be the potential occurrence of internal or external events that may adversely affect the attainment of short-term goals or the implementation of its long-term strategy; missed or poorly utilised opportunities also constitute risks. In general, opportunities can be defined as strategic and operational developments, both internal and external, that can have a positive impact on the Group's performance if used in the right way.

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 anal-yses 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 risks 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.

As a licence holder, **UNITED**LABELS essentially utilises the trademark rights of third parties. Although the company maintains long-standing and close relationships with its principal licensors, there remains a possibility of some significant 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.
Owing to the degree of market proximity required, **UNITED**LABELS is organised decentrally in a number of areas. This applies to sales and distribution, purchasing, design and parts of the licensing area. Even though processes are largely standardised and key areas have been cen-tralised, the possibility of a specific foreign subsidiary as well as the Group itself sustaining financial losses through the wilful misconduct of individuals cannot be excluded.

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 and so on; 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.

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 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 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 a production-to-order basis. The loss of certain clients – and especially those that individually account for a high proportion 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. 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 cofinanced 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 the Group's companies deviate negatively from their targets. 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). Overall, successful implementation of the restructuring and financing measures already initiated as well as the preservation of established credit lines is of great importance 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 ad-ministration to invoice processing, customer support and financial reporting – rely on process-oriented IT systems. A major breakdown of these systems or serious loss of data has the poten-tial 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 principle 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 also affects the performance of **UNITED**LABELS. With the German economy having expanded marginally, the Federal Ministry for Economic Affairs and Energy is also predicting moderate growth for 2014; the German economy is expected to remain in good shape and highly competitive overall. **UNITED**LABELS AG hopes to feel the benefit of this in all business areas. During the current financial year, textiles business in Germany will continue to account for the greater part of **UNITED**LABELS‘ revenue. The distribution of products through the online channels of Elfen Service GmbH and various cooperation partners will become progressively more important.

In line with forecasts, the economies of the eurozone will emerge only slowly from recession. There are structural difficulties to overcome in Europe especially, but also in a number of emerging nations. In view of this, the essential adaptation processes will continue to suppress economic development for the foreseeable future; the global economy will, for the time being, remain less dynamic than before the crisis according to the Ministry of Economic Affairs.

To enable **UNITED**LABELS to maintain its position and build its share of the European market in a persistently sluggish economic climate, the company will continue to focus on top-quality, safe, high-margin products for which demand exists. The company will also aim to expand and bolster its portfolio of international clients to minimise reliance on specific customers.

At the same time, **UNITED**LABELS is seeking to expand its customer-oriented (B2B) e-commerce business base to include toys and licensed products through the subsidiary Elfen Service GmbH, which was established in 2012. More than 400,000 articles are now available through the online shop; the range and the capability of the e-commerce platform will be continually expanded. As the full specialty retail range of the parent company is added, a broad product selection based on strong licences will be developed and offered to consumers with cooperation partners from a wide spectrum of areas. The Ehapa publishing house, for example, has opted for implementation of its www.funonline.de brand via the Elfen platform.

Regarding the airport shops there has been one closing in 2013 in Düsseldorf; the total number of shops is therefore six. Practical expansion is planned for 2014, while lease contract extensions on existing airport shops will be reviewed according to economic criteria.

The licence portfolio currently comprises more than 30 licence themes. As in previous years, a number of contracts no longer deemed economically viable by the company were discontinued. New additions included ‚Peppa Pig‘ and the ‚Minions‘. In the past year, ‚Turtles‘, ‚Mia and Me‘, ‚Hello Kitty‘ and ‚Peanuts‘ were among the most successful licence subjects. In 2014, the company will continue to evaluate the business viability of every new licence and reach decisions on that basis.

Report on expected developments

Buoyed by the current economic situation, the consumer climate throughout Europe seems to be showing signs of recovery.
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. Also taking into account current order backlog, total sales revenue is to grow by 10-20% in 2014. Group profit is expected to be in break-even territory in 2014. Liquidity forecasting for this earnings scenario points to significant net cash from operating activities of between €3 and 4 million in 2014, which means that the net change in cash and cash equivalents would be in equilibrium.

Key Account business, with a large proportion of textiles and clothing, is expected to be the key growth driver in 2014. 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. As regards the airport shops, **UNITED**LABELS will be targeting sales revenue of around €6.0 million (prev. year: €5.3 million) and profit of approx. €0.5 million (2013: €0.3 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.

Last year's forecast suggesting that the company would grow by between 3 and 10% in 2013 proved to be unfeasible due to our focus on high-margin orders and the fact that the associated downturn in orders was more pronounced than anticipated. Despite this, the company managed to maintain the level of earnings projected a year ago.

*This Group management report contains judgements and estimates as well as forward-looking statements that reflect the current views of the management of **UNITED**LABELS AG and its subsidiaries with respect to future events and expectations. Although these forward-looking statements, judgements and estimates are based on current plans, they may nevertheless be subject to risks and uncertainties that are often difficult to predict and are generally beyond the control of **UNITED**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 ob-jective 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 2013, 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 or 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 2013, 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 received variable compensation which is calculated on the basis of 0.25% of consolidated profit (before payment of the variable compensation component); the maximum amount is €10 thousand. 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 2013 financial year was €51 thousand.

Mr. Boder is the Chairman of the Management Board. In total, the Management Board's compensation amounted to €409 thousand in the financial year under review (prev. year: €465 thousand) (Mr. Boder: €217 thousand; Mr. Hirsch: €192 thousand). Management Board com-pensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2013 financial year amounted to €409 thousand; no variable component compensation was granted in 2013. In December 2009, a management contract was agreed for a further five years with the Chairman of the Management Board. The current management contract contains a basic salary along with both a shortterm 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, €197 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 €2,477 thou-sand (prev. year: €2,493 thousand). An amount of €-1,136 thousand was recognised in unap-propriated retained earnings brought forward and €214 thousand in other comprehensive income (OCI).

From the age of 65, the Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €17,511.80 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 regardless of its design and structure an internal control system cannot provide an absolute 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 Man-agement 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 afore-mentioned 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, 31 March 2014

UNITEDLABELS Aktiengesellschaft

The Management Board

Peter Boder

Albert Hirsch

FINANCIAL STATEMENTS

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2013

ASSETS

	Notes	31.12.13 €	31.12.2012 €	01.01.2012 €
Assets				
Non-current assets				
Property. plant and equipment	C.2.	5,255,733.53	5,560,402.24	6,030,425.02
Intangible assets	C.2.	9,199,027.93	8,821,348.18	9,513,897.96
At-equity investments	C.3.	66,946.09	15,846.95	981,206.14
Other assets	C.7.	1,214,102.96	1,100,598.25	916,102.87
Deferred taxes	C.4.	4,312,915.88	2,836,457.98	4,224,229.30
		20,048,726.39	**18,334,653.60**	**21,665,861.29**
Current assets				
Inventories	C.5.	3,449,512.87	4,759,531.57	14,330,866.45
Trade receivables	C.6. / C.9	4,694,614.99	6,279,629.67	13,001,099.15
Other assets	C.7.	1,995,602.46	619,271.03	3,062,353.62
Cash and cash equivalents	C.8.	290,408.78	1,640,002.04	1,569,540.67
		10,430,139.10	**13,298,434.31**	**31,963,859.89**
Total assets		**30,478,865.49**	**31,633,087.91**	**53,629,721.18**

EQUITY AND LIABILITIES

	Notes	31.12.2013 €	31.12.2012 €	01.01.2012 €
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	3,352,705.65	19,194,174.55
Retained earnings		2,256,260.16	2,110,180.16	2,687,542.63
Currency translation		-571,627.24	-571,415.53	-507,125.51
Consolidated unappropriated loss		-3,952,413.44	-3,309,449.74	-611,738.32
Treasury shares		-223,413.73	-223,413.73	-223,413.73
Shareholders‘ equity		**5,061,511.40**	**5,558,606.81**	**24,739,439.62**
Non-controlling interests		-307,320.03	-102,765.20	0.00
Total equity		**4,754,191.37**	**5,455,841.61**	**24,739,439.62**
Non-current liabilities				
Provisions for pensions	C.11.	2,476,713.00	2,493,135.00	1,516,020.00
Provisions	C.12	0.00	979,667.62	0.00
Financial liabilities	C.13.	2,279,999.79	2,543,190.32	2,765,518.20
Trade payables	C.13.	3,251,906.00	2,781,562.08	583,304.67
Deferred tax liabilities	C.4.	2,860.03	53.43	88,952.43
		8,011,478.82	**8,797,608.45**	**4,953,795.30**
Current liabilities				
Provisions	C.12.	0.00	247,110.61	1,545,862.33
Current tax payable	C.13.	15,507.48	79,744.53	175,806.01
Financial liabilities	C.13.	7,534,541.14	7,821,661.36	7,491,255.09
Trade and other payables	C.13.	10,163,146.68	9,231,121.35	14,723,562.83
		17,713,195.30	**17,379,637.85**	**23,936,486.26**
Total liabilities		**25,724,674.12**	**26,177,246.31**	**28,890,281.56**
Total equity and liabilities		**30,478,865.49**	**31,633,087.91**	**53,629,721.18**

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

for the period from 1 January to 31 December 2012

	Notes	2013	2012
		€	€
Revenue	**D.1.**	**33,231,579.26**	**43,144,312.34**
Cost of materials	D.2.	-23,186,255.22	-32,742,420.49
Amortisation/write-down of usage rights	D.3.	-2,329,115.33	-4,348,955.93
		-25,515,370.55	**-37,091,376.42**
		7,716,208.71	**6,052,935.92**
Other operating income	D.4.	2,123,063.05	721,071.83
Staff costs	D.5./C.10.	-4,819,104.70	-6,080,050.42
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation/write-down of usage rights)	D.6.	-688,270.67	-759,350.56
Write-downs of current assets to the extent that they exceed the write-downs that are usual for the entity	D.6.	0.00	-1,802,678.93
Other operating expenses	D.7.	-5,747,799.55	-10,511,673.49
Profit from operations		**-1,415,903.16**	**-12,379,745.65**
Finance income	D.8.	103,263.94	213,270.57
Result from associated entities	D.8.	1,099.14	-1,195,285.97
Finance costs	D.8.	-1,073,167.83	-3,684,949.96
Net finance cost		**-968,804.75**	**-4,666,965.36**
Profit before tax		**-2,384,707.91**	**-17,046,711.01**
Taxes on income	D.9.	1,537,189.38	-1,605,234.51
Consolidated loss for the period		**-847,518.53**	**-18,651,945.52**
Loss attributable to owners		-642,963.70	-18,540,120.57
Loss attributable to non-controlling interests	C.10.	-204,554.83	-111,824.95
Other comprehensive income („OCI“):			
Not to reclassify result:			
Actuarial gains and losses		214,602.00	-848,189.00
Deferred taxes on actuarial gains and losses		-68,522.00	270,826.53
To reclassify result:			
Exchange difference on translating foreign operations		-211.71	-64,290.02
Other comprehensive income. total		145,868.29	-641,652.49
Total comprehensive loss		**-701,650.24**	**-19,293,598.01**
Loss attributable to owners		-497,095.41	-19,181,773.06
Loss attributable to non-controlling interests	C.10.	-204,554.83	-111,824.95
Consolidated loss (based on income statement) per share			
basic	C.10.	-0.15 €	-4.46 €
diluted	C.10.	-0.15 €	-4.46 €
Weighted average shares outstanding			
basic	C.10.	4,153,801 pcs.	4,153,801 pcs.
diluted	C.10.	4,153,801 pcs.	4,153,801 pcs.

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Cash Flows

Notes to Group Statement of Cash Flows. cf. C. 17.	Notes	2013 T€	2012 T€
Consolidated loss for the period		-848	-18,652
Interest income from financing activities		970	863
Amortisation/write-down of usage rights	C.2.D.3/6	2,329	4,349
Amortisation of intangible assets	C.2.D.3/6	216	71
Depreciation of property, plant and equipment	C.2.D.3/6	472	688
Write-down of financial assets	C.2.D.3/6	0	2,155
Change in provisions	C.11.C.12	-1,028	649
Other non-cash expenses		-1,542	2,796
Result from disposal of non-current assets		19	18
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.5-7	1,405	15,963
Change in trade payables and other liabilities not attributable to investing or financing activities	C.13	1,402	-4,229
Payments for tax on profit		-64	-96
Cash flows from operating activities		**3,331**	**4,574**
Payments for investments in intangible assets and property. plant and equipment	C.2	-3,110	-3,964
Proceeds/Payments from investments in financial assets	C.2	-50	203
Cash flows from investing activities		**-3,160**	**-3,761**
Proceeds from the disposal of non-controlling interests in fully consolidated entities	C.10	0	10
Proceeds from bank loans		321	506
Repayment of financial loans		-872	-397
Interest received		103	213
Interest paid		-1,073	-1,076
Cash flows from financing activities		**-1,521**	**-744**
Net change in cash and cash equivalents		-1,350	70
Cash and cash equivalents at the beginning of the period		1,640	1,570
Cash and cash equivalents		**290**	**1,640**
Gross debt bank		9,815	10,365
Net debt bank		**9,525**	**8,725**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**290**	**1,640**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital €'000	Capital reserves €'000	Retained earnings €'000	Consolidated net loss €'000	Adjustment item for currency translationnung €'000	Treasury shares €'000	Equity €'000	Minority interest in capital €'000	Total (Group equity) €'000
Balance at 01.01.2012 (before correction)	**4,200**	**19,194**	**2,883**	**-612**	**-507**	**-223**	**24,935**	**0**	**24,935**
Correction IAS 19	0	0	-196	0	0	0	-196	0	-196
Balance at 01.01.2012 (after correction)	**4,200**	**19,194**	**2,687**	**-612**	**-507**	**-223**	**24,739**	**0**	**24,739**
Consolidated result 2012	0	0	0	-18,540	0	0	-18,540	-112	-18,652
Other gains and losses									
Currency translation	0	0	0	0	-64	0	-64	0	-64
Acturial gains and losses	0	0	-848	0	0	0	-848	0	-848
Deferred taxes	0	0	271	0	0	0	271	0	271
Total 2012 results	**0**	**0**	**-577**	**-18,540**	**-64**	**0**	**-19,181**	**-112**	**-19,293**
Compensation paid by dissolution / withdrawal from reserves	0	-15,841	0	-15,841	0	0	0	0	0
Transaction with owners									
Sale of minority shares	0	0	0	1	0	0	1	9	10
Balance at 31.12.2012	**4,200**	**3,353**	**2,110**	**-3,310**	**-571**	**-223**	**5,559**	**-103**	**5,456**
Net income in 2013	0	0	0	-643	0	0	-643	-204	-847
Other gains and losses									
Currency translation	0	0	0	0	-1	0	-1	0	-1
Acturial gains and losses	0	0	215	0	0	0	215	0	215
Deferred taxes	0	0	-69	0	0	0	-69	0	-69
Total earnings in 2013	**0**	**0**	**146**	**-643**	**-1**	**0**	**-498**	**-204**	**-702**
Balance at 31.12.2013	**4,200**	**3,353**	**2,256**	**-3,953**	**-572**	**-223**	**5,061**	**-307**	**4,754**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2013

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 2013 were approved, and thus adopted, and released for publication from Supervisory Board on 23 April 2014.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2013, have been prepared in accordance with internationally accepted accounting standards on the basis of the International Financial Reporting Standards (IFRS) adopted by the European Union as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelgesetzbuch – HGB). The Notes comply with the IFRS applicable at the reporting date. The comparative figures for the previous period have been prepared according to the same principles.

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes. The consolidated financial statements are prepared on the basis of historical cost, with the exception of specific financial instruments.

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

The financial year of all entities included in the consolidated financial statements corresponds to the annual period from 1 January to 31 December 2013. The preparation of the separate annual financial statements is performed using consistent accounting policies. The financial statements are presented in euros. With the exception of some amounts, which have been specified accordingly, the figures presented in these notes are expressed in thousands and have been rounded to the appropriate level.

In preparing the consolidated financial statements, the Management Board is required to make estimates and assumptions that affect the reported amounts of assets and liabilities/equity, the amounts disclosed in the statement of comprehensive income as well as the data presented in the notes. It is possible that these assumptions and estimates may not coincide with actual occurrences. Areas associated with greater complexity or allowing greater scope for interpretation as well as areas in which estimates and assumptions are of significant importance to the consolidated financial statements have been presented in the explanatory notes concerning goodwill, provisions and deferred taxes. Actual results may differ from forecasts if consumer behaviour or the actions of licensors or trading partners (customers, suppliers) change.

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 re-sources or outside funds. For this reason, the Company has started to monitor liquidity closely with a view to ensuring smooth order financing. In the financial year just ended, a total of €0.9 million in respect of Group overdraft facilities was repaid to banks. 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 subsidiary Elfen Service GmbH is cofinanced by the Group; a risk to liquidity could arise where business performance of this entity falls short of expectations or where the investment requirements of this entity change.

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, continued suc-cessful 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 has prepared its annual financial statements on a going concern basis. This is substantiated by extensive liquidity planning and a going concern projection based on IDW S6, which was prepared by the Company at the beginning of 2012 and reviewed by an external consulting firm that furnished an unqualified opinion in favour of the projection. The premises and statements of this going concern projection also form the basis and general conditions for the 2013 financial statements.

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 2013 and were applied by **UNITED**LABELS Aktiengesellschaft accordingly.
There were amendments to IAS 1 (Presentation of Financial Statements) with regard to the presentation of other comprehensive income. Other comprehensive income is to be divided into those items that may be reclassified subsequently to profit or loss („recyclable") and those that cannot be reclassified to profit or loss („non-recyclable"). Additionally, information on deferred taxes is to be provided separately for both categories.
Among the key amendments to IAS 19 (Employee Benefits) are the elimination of the corridor method for the purpose of recognising actuarial gains and losses. Actuarial gains and losses now have to be recognised fully and directly in other comprehensive income.

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:

- Amendments to IAS 12, Income Taxes: Recovery of Underlying Assets
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards: Fixed Dates of Transition and Severe Hyperinflation
- Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards: Government Loans
- Amendments to IFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities
- IFRS 13, Fair Value Measurement
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements Project 2009-2011: Improvements to Existing Standards

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

The following standards, amendments to standards and interpretations, which are unlikely to have a material effect on **UNITED**LABELS Aktiengesellschaft, have already been adopted but do not become applicable until the coming annual period, beginning on 1 January 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 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)
- Amendments to IAS 32, Financial Instruments: Offsetting Financial Assets and Financial Liabilities (EU endorsement on 13 December 2012)
- Amendments to IAS 36, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (EU endorsement on 19 December 2013)
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement: Novation of Derivates (EU endorsement on 19 December 2013)
- 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)
- IFRS 10, IFRS 12, IAS 27, Investment Entities (EU endorsement on 20 November 2013)

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 the 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 to 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 car-rying 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 ac-counting 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 ad-dition to **UNITED**LABELS Aktiengesellschaft as the parent company the following enterprises are included in the consolidated financial statements as at 31 December 2013, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

	Participation	Accounting period for group consolidation
UNITEDLABELS Ibérica S.A., Barcelona, Spain	100.000 %	01.01.-31.12.2013
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florenz, Italy	100.000 %	01.01.-31.12.2013
UNITEDLABELS Belgium N.V., Brügge, Belgium	99.999 %	01.01.-31.12.2013
as its wholly owned subsidiary		
Colombine b.v.b.a., Brügge, Belgium	100.000 %	01.01.-31.12.2013
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01.01.-31.12.2013
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01.01.-31.12.2013
UNITEDLABELS Comicware Ltd., Hongkong	100.000 %	01.01.-31.12.2013
UNITEDLABELS Polska Sp.o.o., Warschau, Poland	100.000 %	01.01.-31.12.2013
Elfen Service GmbH, Münster	80.000 %	01.01.-31.12.2013
House of Trends europe GmbH, Münster	100.000 %	01.01.-31.12.2013

All subsidiaries apply the same business model as that outlined in section A.1. Complementing this business model, Elfen Service GmbH also engages in B2C retailing of toys and licensed merchandise of **UNITED**LABELS AG.

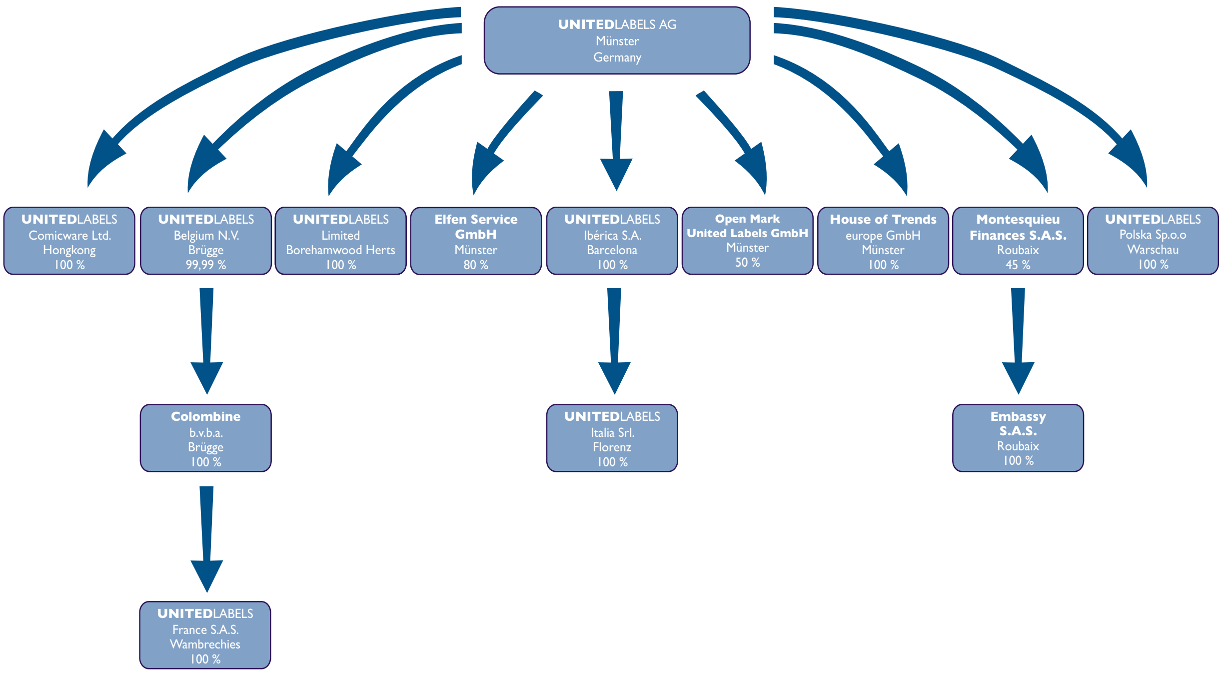
In addition, **UNITED**LABELS Ibérica S.A., Spain, has an 0.001% interest in **UNITED**LABELS Belgium N.V., Belgium, as a result of which a total interest of 100% in this entity is attributable to **UNITED**LABELS Aktiengesellschaft.

Since 2009, **UNITED**LABELS Aktiengesellschaft has held a 45% interest in the French-based Montesquieu Group. This investment is accounted for in the Group financial statements. However, as the entity is in liquidation, the investment is considered impaired. Since 2011, Open Mark United Labels GmbH, Münster, in which the Company holds an interest of 50% has been accounted for 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.

Mr. Albert Hirsch holds a 20% interest in Elfen Service GmbH.

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 2013



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 pro-duction, while the Special Retail segment offers smallerscale 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 system-atic 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 de-termined 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 re-viewed 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 pur-chase/conversion), plus the cost of preparing the asset for its intended use. These costs are amortised over the estimated economic life of the asset (3 to 5 years).
The licences for the commercial use of cartoon/animation characters have also been accounted for in this item and are recognised as assets on the basis of the purchase price payments made in connection with the licence agreements and recognised correspondingly in trade payables. The rights associated with such licences relate to a specific period (1 to 3 years), a defined ge-ographical 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 substan-tively enacted by the end of the reporting period.
A deferred tax asset is recognised for all deductible temporary differences only 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 re-verse 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. Equity

Equity comprises issued capital, measured on the basis of the par value of the shares, capital reserves, attributable mainly to premiums from the issuance of shares, revenue reserves, exchange differences, treasury shares and the consolidated net accumulated deficit. Upon pur-chasing treasury shares, the cost of purchase of these shares is deducted from equity in accordance with the cost method.

9. Provisions

Provisions for post-employment benefits were accounted for in accordance with IAS 19. Within this context, an interest rate of 3.7% (prev. year: 3.5%) 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. Provisions for post-employment benefits were measured by applying the projected unit credit method. In accordance with the amendments to IAS 19, actuarial gains and losses are recognised directly in equity.

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, provisions are recognised at their present value of the expenditures expected to be required. 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.12 as regards the measurement of provisions relating to the sales contracts with a right of rescission and return of goods.

10. 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 de-duction 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.

11. 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. At present, there are no finance lease agreements of this kind within the Group.

12. 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 there-from 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.

13. Interest

Interest is recognised as income or expense when it occurs and is not capitalised.

14. Currency translation

The financial statements of the foreign subsidiaries have been prepared in the respective local currency, or in euros. Assets and liabilities were translated into euros at the applicable closing rate, while equity was accounted for on the basis of the historical rate. Translation of income and expense items was performed on the basis of the average weighted annual exchange rates. All resulting exchange differences have been classified as equity.

The financial statements of the subsidiary in Hong Kong, as an integrated foreign unit, have been prepared in euros, while the financial statements of **UNITED**LABELS Ltd., United Kingdom, have been prepared in British pounds. The average exchange rate for the 2013 financial year was 1.17714 € / £ (prev. year: 1.23464 € / £), and the closing rate at 31/12/2013 was 1.19947 € / £ (prev. year: 1.23304 € / £). **UNITED**LABELS Polska is accounted in Polish złoty. The average exchange rate for the applicable accounting period was 4.20846 zł / € (prev. year: 4.17770 zł / €), and the closing rate was 4.15790 zł / € (prev. year: 4.08150 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.

15. 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, which however is no longer of value, as this entity is in liquidation. In accordance with its treasury guidelines, the Group does not deploy derivative financial instruments held for trading.
On initial recognition derivative financial instruments are measured at the fair value applicable at the date of the contractual agreement. Subsequent measurement is based on the fair value applicable at the respective balance sheet date. 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.

16. 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:

- 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.
- Judgements are also made when determining and recognising provisions for the billing of licence rights.

17. 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, a rate of 30% (prev. year: 35%) was applied, as a contractual cap is now in force with regard to the right of return.

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 cashgenerating 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 2014 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

IAS 19 (Employee Benefits)

The amended version of IAS 19 became applicable as from 1 January 2013. As part of the amendments to IAS 19, the former option for actuarial gains and losses from defined benefit plans was eliminated. Under this option, entities had been able to choose between recognising actuarial gains and losses directly in profit or loss, in other comprehensive income or in accordance with the so-called corridor method. Following the amendment to IAS 19, actuarial gains and losses can only be recognised directly in other comprehensive income. The amounts ac-cumulated in equity shall remain there and will not be transferred subsequently to profit or loss (reclassification or „recycling"). Therefore, the income statement will remain free from the effects of actuarial gains and losses. As **UNITED**LABELS AG had previously applied the corridor method, this approach constitutes a change to accounting policy.

In accordance with the provisions relating to transition, first-time adoption of IAS 19 (amended) by **UNITED**LABELSAG is retrospective. In the statement of financial position revenue reserves were adjusted by €1,136 thousand as at 31 December 2012 without affecting profit or loss in accordance with the actuarial gains and losses existing at the respective reporting date that had previously been accounted for off-balance sheet using the corridor method. At the same time, deferred tax assets were recognised at an amount of €363 thousand and accounted for in revenue reserves. Correspondingly, provisions were adjusted by €1,136 thousand as at 31 December 2012. Other comprehensive income changed accordingly in the statement of comprehensive income.

The balance as at 1 January 2012 was also adjusted. In this context, pension provisions were increased by €287 thousand and deferred taxes were adjusted by €92 thousand.

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 licence characters are presented as intangible assets. The Company's operating premises are subject to a land charge for loans amounting to €5,647 thousand (prev. year: €5,647 thousand).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2013

	Cost of purchase or conversion			
	Balance at 01.01.2013	Currency adjustment	Disposals	Balance at 31.12.2013
	€	€	€	€
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	6,010,009.25
2. Technical equipment and machinery	1,343,767.84	94,496.63	-229,095.29	1,209,169.18
3. Other plant, operating and office equipment, furniture and fixtures	2,724,994.80	90,794.65	-298,104.13	2,517,685.32
	10,078,771.89	**185,291.28**	**-527,199.42**	**9,736,863.75**
II. Intangible assets				
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	16,740,284.54	2,924,080.02	-6,736,352.38	12,928,012.18
2. Goodwill	7,202,803.40	0.00	0.00	7,202,803.40
	23,943,087.94	**2,924,080.02**	**-6,736,352.38**	**20,130,815.58**
III. Financial assets				
1. At-equity investments	15,846.95	51,099.14	0.00	66,946.09
2. Loans to equity method accounted investments	143,210.71	0.00	-143,210.71	0.00
3. Other loans	2,011,757.55	0.00	-2,011,757.55	0.00
	2,170,815.21	**51,099.14**	**-2,154,968.26**	**66,946.09**
	36,192,675.04	**3,160,470.44**	**-9,418,520.06**	**29,934,625.42**

Accumulated depreciation/amortisation				Net Amounts	
Balance at 01.01.2013	Additions	Disposals	Balance at 31.12.2013	Balance at 31.12.2013	Balance at 31.12.2012
€	€	€	€	€	€
1,820,089.56	178,971.36	0.00	1,999,060.92	4,010,948.33	4,189,919.69
690,417.69	101,960.08	-208,985.96	583,391.81	625,777.37	653,350.15
2,007,862.40	191,015.41	-300,200.32	1,898,677.49	619,007.83	717,132.40
4,518,369.65	**471,946.85**	**-509,186.28**	**4,481,130.22**	**5,255,733.53**	**5,560,402.24**
13,544,160.33	2,545,439.15*	-6,735,391.26	9,354,208.22	3,573,803.96	3,196,124.21
1,577,579.43	0.00	0.00	1,577,579.43	5,625,223.97	5,625,223.97
15,121,739.76	**2,545,439.15**	**-6,735,391.26**	**10,931,787.65**	**9,199,027.93**	**8,821,348.18**
0.00	0.00	0.00	0.00	66,946.09	15,846.95
143,210.71	0.00	-143,210.71	0.00	0.00	0.00
2,011,757.55	0.00	-2,011,757.55	0.00	0.00	0.00
2,154,968.26	**0.00**	**-2,154,968.26**	**0.00**	**66,946.09**	**15,846.95**
21,795,077.67	**3,017,386.00**	**-9,399,545.80**	**15,412,917.87**	**14,521,707.55**	**14,397,597.37**

*of this amount, € 2.329.115,33 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 216.323,82 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 (€ 471.946,85).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2012

	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	1,339,549.62	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	-332,615.58	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[1]	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**	**2,154,968.25**	**15,846.95**	**891,206.14**
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, € 4.348.955,93 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 71.360,93 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 (€ 687.989,63).

Goodwill was calculated as follows:	2013 € '000	2012 € '000
Balance at 01.01.	5,625	5,625
Depreciation/amortisation	0	0
Balance at 31.12.	**5,625**	**5,625**

This includes goodwill associated with the corporate acquisitions of Colombine bvba amounting to €3.0 million and **UNITED**LABELS Ibérica S.A. amounting to €2.6 million. In determining applicable impairments, the Company performed its tests on the basis of the value in use, which in turn was based on an interest rate of 6.12% (Colombine) and 6.40% (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. For this purpose, important parameters include order back-log data available at the end of the reporting period and cost budgeting based on the business model. 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 6.12% or 6.40% (prev. year between 5.37% and 5.81%) after taxes. The interest rate before taxes was 8.31% and 8.48%. 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.

3. At-equity investments

In fiscal 2008 an interest of 35% was acquired in S.A.S Montesquieu Finances, Roubaix, France. A further 10% interest was acquired in 2009. In 2013 liquidation proceedings were initiated in respect of the wholly-owned subsidiary of Montesquieu Finances , i.e. Embassy SAS, as well as Montesquieu itself. All carrying amounts relating to these two entities were corrected in 2012, and therefore the aforementioned liquidation had no impact on profit in 2013. The consolidated earnings of Montesquieu for 2013 are unknown.
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 €125 thousand, and in 2013 it generated a profit of €2 thousand. In 2013, this entity increased its capital by €100 thousand, of which **UNITED**LABELS AG took a 50% share. 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	**31.12.2013 € '000**	**31.12.2012 € '000**
Total assets	2,294	747
Total liabilities	2,157	715
	2013	**2012**
Sales revenues	4,186	1,507
Result	2	7

4. Deferred tax assets

The deferred tax assets in the amount of €4,313 thousand (prev. year: €2,836 thousand) comprise an amount of €3,333 thousand (prev. year: €1,595 thousand) for the carryforward of unused tax losses as well as an amount of €980 thousand (prev. year: €1,241 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 €3 (prev. year: €1 thousand). Current deferred tax assets amounted to €225 thousand (prev. year: €367 thousand).

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

	31.12.2013		31.12.2012*		01.01.2012*		2013	2013	2012	2012*
	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	Not affecting net income € '000	Expense (-) Income (+) € '000	Not affecting net income € '000
Loss carryforward	3,333	0	1,595	0	3,336	0	1,738	0	-1,741	0
Tax deduction amounts	0	0	0	0	115	0	0	0	-115	0
Intangible assets	440	0	455	0	477	0	-15	0	-22	0
At-equity investments	0	0	0	1	0	7	1	0	6	0
Receivables from affiliated companies	0	0	12	0	12	0	-12	0	0	0
Other assets	0	0	0	0	0	79	0	0	79	0
Provisions for post-employment benefits	525	0	670	0	254	0	-76	-69	146	270
Other provisions	0	0	23	0	19	0	-23	0	4	0
Bank borrowings	7	0	10	0	10	0	-3	0	0	0
Trade payables	6	0	70	0	0	3	-64	0	73	0
Payables to affiliated companies	1	3	0	0	0	0	-2	0	0	0
Other liabilities	1	0	1	0	1	0	0	0	0	0
	4,313	**3**	**2,836**	**1**	**4,224**	**89**	**1544**	**-69**	**-1,570**	**270**

*changed

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 five-year 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, House of Trends europe GmbH, UL Ibérica and UL Belgium. Despite the negative separate results of **UNITED**LABELS Aktiengesellschaft in the financial year under review, the Company anticipates that positive results will be posted in the coming financial years, which justifies the continued recognition of deferred tax assets. There is a history of losses in respect of House of Trends europe GmbH. However, due to reliable evidence in the form of particularly favourable orders, this was recognised in deferred tax assets. An amount of €4,153 thousand (prev. year: €4,744 thousand) was not recognised as deferred tax assets by **UNITED**LABELS Aktiengesellschaft in respect of the carryforward of corporation and trade tax losses amounting to €14,401 thousand and €11,637 thousand respectively. Additionally, no deferred taxes were recognised with regard to corporation tax loss carryforwards attributable to subsidiaries totalling €5,540 thousand (prev. year: €5,980 thousand). Of this amount, €3,746 thousand (prev. year: €4,513 thousand) is attributable to non-domestic activities.

There were no positive temporary differences in relation to subsidiaries in the financial year 2013 (prev. year: €0).

5. Inventories

Of the total inventories amounting to €3,450 thousand (prev. year: €4,760 thousand), 55% (€1,891 thousand; prev. year 52%, €2,464 thousand) was attributable to the storage location in Spain, while 45% (prev. year: 48%), i.e. €1,559 thousand was attributable to the storage location in Germany (prev. year: €2,296 thousand).
The inventories of the German parent company (€1,522 thousand) and the Spanish subsidiary (€1,891 thousand) have been assigned to the financing banks as security.

6. Trade receivables

Trade receivables fell by €1,585 thousand year on year, from €6,280 thousand to €4,695 thousand. This item includes prepayments for inventories amounting to €33 thousand (prev. year: €21 thousand). In addition, receivables from investees (Open Mark United Labels GmbH) amounted to €432 thousand in 2012. 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	**2013 € '000**	**2012 € '000**
Not due	4,415	5,695
Due		
due for 0 - 30 days	35	255
due for 31 - 60 days	22	29
due for 61 - 90 days	7	124
due for more than 90 days	216	177
Total	**4,695**	**6,280**

The maximum default risk, without taking into account existing credit insurance, stands at €4,695 thousand. In total, 93% of these receivables are covered by credit insurance.

There was an allowance for uncollectible accounts of €589 thousand (prev. year: €2,656 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 financial year 2013, receivables had to be written down by €12 thousand (prev. year: €2,327 thousand).

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, €3,102 thousand of receivables outstanding had been sold to the factor-ing company. The receivables attributable to these key accounts are sold in full and irrevocably. However, the factoring company is entitled to a retention of 25% 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 25% of the amount payable until the account receivable has been settled, a receivable payable by the factor is recog-nised under other assets. 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 2013. 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 €76 thousand (prev. year: €26 thousand), the associated liability stood at €79 thousand (prev. year: €27 thousand), interest income in respect of the previous year totalled €2 thousand (prev. year: €4 thousand) and accounting-related income amounted to €1 thousand

(prev. year: accounting-related expenses: €0.1 thousand).
The receivables of the German parent company (€1,294 thousand) and the Spanish subsidiary (€2,523 thousand) have been assigned to the financing banks as security.

7. Other assets

Other non-current assets include receivables from pledged reinsurance policies.
The current item mainly includes receivables from the factoring agency in Germany and Belgium (€0.8 million; prev. year €0.3 million).
The company has a call option in respect of the interests in Montesquieu, France, which had a fair value of €0 at the end of the period under review, as this entity is in liquidation.
In addition, prepaid expenses as non-financial assets, in the amount of €69 thousand (prev. year: €142 thousand), were recognised within this item.

Non-impaired assets were as follows:

Maturity of receivables	**2013 € '000**	**2012 € '000**
Not due	2,811	1,572
Due		
due for 0 - 30 days	0	0
due for 31 - 60 days	0	0
due for 61 - 90 days	0	0
due for more than 90 days	399	148
Total	**3,210**	**1,720**

The maximum default risk, without taking into account existing credit insurance, stands at €2,185 thousand (prev. year: €1.428 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 fell from €1,640 thousand to €290 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

9. Impairment losses attributable to financial assets
Impairment losses were as follows:

€ '000	**31.12.2013**			**31.12.2012**		
	Gross value €'000	**less impairment €'000**	**Net value €'000**	**Gross value €'000**	**less impairment €'000**	**Net value €'000**
Trade receivables	4,707	12	4,695	8,936	2,656	6,280

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 2013 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 2013, 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.
Revenue reserves declined by €627 thousand compared to the previous year. This is the result of changes to the accounting policies with regard to the measurement of pensions and the thus resulting deferred taxes, on the basis of which figures for 2012 had to be adjusted accordingly.
Capital reserves remained unchanged year on year at €3,353 thousand.

The Group's accumulated deficit developed as follows:

	2013 € '000	2012 € '000
Balance at 01.01.	-3,310	-612
Consolidated loss for the year	-848	-18,652
Loss attributable to shareholders	205	112
Transfers from capital reserves	0	15,842
Balance at 31.12.	**-3,953**	**-3,310**

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

Consolidated earnings per share	**2013**	**2012**
basic	-0,15 €	-4,46 €
diluted	-0,15 €	-4,46 €
Weighted average shares outstanding		
basic	4,153,801 pcs	4,153,801 pcs
diluted	4,153,801 pcs	4,153,801 pcs

Consolidated earnings per share amounted to €-0.15 (prev. year: €-4.46), calculated by dividing the annual consolidated loss of €-642,963.71 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 €-307 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 €2,477 thousand (prev. year: €2,493 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	**2013**	**2012**
Interest rate	3,70 %	3,50 %
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 accordingly to the regulation of IAS 19 and are recorded directly in equity.

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	**2013 (in €)**	**2012 (in €)**
DBO at 01.01.	2,493,135	1,516,020
Service cost	107,169	67,951
Curtailments	0	-35,767
Interest cost	91,011	82,366
Actuarial losses	-214,602	862,565
– of which from experience adjustments	-77,388	-52,213
– of which from changes in actuarial assumptions	-137,214	914,778
DBO at 31.12.	**2,476,713**	**2,493,135**

As in previous years, there were no plan assets in the 2013 financial year.

The following table presents changes in pension provisions:

Change in provision for pensions	**2013 (in €)**	**2012* (in €)**
Provisions for pensions at 01.01.	2,493,135	1,516,020
Net pension cost	198,180	128,926
New valuation	-214,602	848,189
Provisions for pensions at 31.12.	**2,476,713**	**2,493,135**

*changed

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	2013 (in €)	2012 (in €)
Service cost	107,169	67,951
Interest cost	91,011	82,366
Gains due to curtailments	0	-35,767
Amortisation of actuarial losses	0	14,376
Net pension cost	**198,180**	**128,926**

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

	31.12.2013 €	31.12.2012 €	31.12.2011 €	31.12.2010 €	31.12.2009 €
Present value of the obligation	2,476,713	2,493,135	1,516,020	1,469,811	1,197,885
Plan assets	0	0	0	0	0
Funded status	2,476,713	2,493,135	1,516,020	1,469,811	1,197,885
Experience adjustments	-77,388	-52,213	-74,488	42,569	-37,181

The sensitivity analysis required under IAS 19 is outlined in the table below:

Sensitivitätsanalyse		DBO at 31.12.2013
Valuation with interest rate	-0,50 %	2,836,814
Valuation with interest rate	+0,5 %	2,169,056
Valuation with pension trend	-0,50 %	2,321,249
Valuation with pension trend	+0,5 %	2,648,147
Valuation with rate of salary increase	-0,50 %	2,318,207
Valuation with rate of salary increase	+0,5 %	2,646,263
Valuation with underlying biomatric data	- 1 Jahr	2,424,182
Valuation with underlying biomatric data	+ 1 Jahr	2,527,397

The duration of the obligation is approx. 28 years.

12. Provisions

Provisions developed as follows in the period under review:

	Balance at 01.01.2013 €'000	Reversed €'000	Utilised €'000	Reclassified €'000	Allocated €'000	Balance at 31.12.2013 €'000
Non-current provisions:	980	-978	-2	0	0	0
Other provisions	980	-978	-2	0	0	0
Current provisions:	247	0	-247	0	0	0
Provision for contingent losses from goods returned	247	0	-247	0	0	0
Total provisions	**1,227**	**-978**	**-249**	**0**	**0**	**0**

The other non-current provisions related to considerations in connection with risks arising from licensor billing. In 2013, specific licensors conducted an audit of the Company, which gave rise to additional receivables of just €2 thousand. Correspondingly, provisions for these items were reversed, as they are not expected to be utilised any further. The provision for contingent losses from goods returned was 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 2013, the provision existing from 2012 was fully utilised. At the end of the reporting period there were no outstanding returns. Therefore, no new provisions were recognised.

13. Trade and other payables as well as financial liabilities

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

2013	Remaining term					
	Total amount	up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	9,815	7,535	830	1,450	9,815	land charges, receivables, stocks
2. Trade and other payables	13,415	10,163	2,299	953	0	
	23,230	**17,698**	**3,129**	**2,403**	**9,815**	

2012	Remaining term					
	Total amount	up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	10,365	7,822	1,017	1,526	2,427	land charges
2. Trade and other payables	12,013	9,231	2,782	0	0	
	22,378	**17,053**	**3,799**	**1,526**	**2,427**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 December 2013 and 31 December 2012:

	Carrying amount 31.12.2013	Cashflows 2014			Cashflows 2015			Cashflows 2016–2018			Cashflows 2019 et seq.		
in €'000		Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment
Loans payable to banks	2,759	95	0	479	79	0	356	189	0	474	258	0	1,450

	Carrying amount 31.12.2012	Cashflows 2013			Cashflows 2014			Cashflows 2015–2017			Cashflows 2018 et seq.		
in €'000		Interest	Interest floating	Principal payment	Interest	Interest floating	Principal payment	Interest	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

	Carrying amount 31.12.2013	Cashflows 2013			Cashflows 2014			Cashflows 2015–2017			Cashflows 2018 et seq.		
in €'000		Interest	Interest floating	Principal payment	Interest	Interest floating	Principal payment	Interest	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment
Non-current trade payables	4,918	0	0	730	0	0	882	0	155	1,417	0	48	953

	Carrying amount 31.12.2012	Cashflows 2013			Cashflows 2014			Cashflows 2015–2017			Cashflows 2018 et seq.		
in €'000		Interest	Interest floating	Principal payment	Interest	Interest floating	Principal payment	Interest	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	0	0	0

At the end of the reporting period, foreign exchange forward contracts amounted to (nominal) $815 thousand. There were no interest rate swaps. The effective interest rates for long-term borrowings are between 3.75% and 5.5% (prev. year: between 3.69% and 5.8%). The trade receivables are associated with standard reservations of title. Other liabilities include €72 thousand (prev. year: €62 thousand) in liabilities relating to social security and €141 thousand (prev. year: €131) to tax liabilities.

14. Finacial 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 31.12.2013	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31.12.2013
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	290	290	0	0	0	0	290
Trade receivables	4,695	4,695	0	0	0	0	4,695
Receivables from factoring company	3,210	3,210	0	0	0	0	3,210
	FVPL						
Value Buying option Montesquieu	0	0	0	0	0	0	0
Currency Swap	0	0	0	0	0	0	0
Liabilities	FLAC						FLAC
Trade payables	12,206	12,206	0	0	0	0	12,206
Payables to banks	9,815	9,815	0	0	0	0	9,815
of which aggregated by measurement category according to IAS 39:							
Financial Assets at Fair Value through profit or loss (FVPL)	-11	0	0	0	-11	0	0
Loans and Receivables (LaR)	8,195	8,195	0	0	0	0	8,195
Financial Liabilities Measured at Amortised Cost (FLAC)	22,021	22,021	0	0	0	0	22,021

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		
LaR						LaR
1,640	1,640	0	0	0	0	1,640
6,280	6,280	0	0	0	0	6,280
1,389	1,389	0	0	0	0	1,389
FVPL						
0	0	0	0	0	0	0
0	0	0	0	0	0	0
FLAC						FLAC
10,603	10,603	0	0	0	0	10,603
10,365	10,365	0	0	0	0	10,365
-64	0	0	0	-64	0	0
9,309	9,309	0	0	0	0	9,309
20,968	20,968	0	0	0	0	20,968

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 814,730.88 (prev. year: USD 2,280,000), 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 €11 thousand (prev. year: €64 thousand), which was accounted for in cost of materials.
In both 2012 and 2013, the call option on 20% of the interests in S.A.S. Montesquieu Finances had no market value (Level III), as the entity is in liquidation.

15. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2013 €'000	**Total 2012 €'000**
Orders to suppliers	1,677	2,908
Leasing agreements	186	195
Rental agreements	3,756	3,863
	5,619	**6,966**

Of these obligations, an amount of €2,546 thousand (prev. year: €3,679 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 €5,647 thousand in connection with the construction of a logistics centre. As regards the banking pool established in 2013, of which Volksbank is also a member, receivables of **UNITED**LABELS AG and **UNITED**LABELS Ibérica that had not been set aside for factoring purposes as well as inventories of the two aforementioned entities were provided as additional security. Furthermore, suppliers of Elfen Service GmbH were granted guarantees totalling €480 thousand, limited up until December 2014.

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 €4.4 million, which have been accounted for in the consolidated financial statements.

16. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €186 thousand (prev. year: €195 thousand).

Maturity within 1 year:	€ 78 thousand (prev. year: €101 thousand)
Maturity 1-5 years:	€108 thousand (prev. year: €94 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 €110 thousand (previous year: €92 thousand).

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €3,756 thousand (prev. year: €3,863 thousand) in total.

Maturity within 1 year:	€ 791 thousand (prev. year: €702 thousand)
Maturity 1-5 years:	€ 2,965 thousand (prev. year: €3,161 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 €64 thousand (prev. year: €96 thousand), while those attributable to interest payments were €1,073 thousand (prev. year: €1,076 thousand). Interest received amounted to €103 thousand (prev. year: €213 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:

2013

€‘000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	12,614	20,618		33,232
Segment expenses	-12,116	-17,741	-1,774	-31,631
Depreciation/amortisation	-626	-2,274	-117	-3,017
Segment result	**-128**	**603**	**-1,891**	**-1,416**
Finance income				-103
Finance cost				-1,073
Result from at-equity investment				1
Result from ordinary activities				**-2,385**
Taxes				1,537
Consolidated loss				**-848**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	8.2	11.8	10.5	30.5
Segment liabilities	3.6	7.8	14.3	25.7
Capital expenditure	0.7	2.4	0.1	3.2

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**
Finance income				213
Finance cost				-3,685
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	15.3	26.2
Capital expenditure	0.9	3.0	0.1	4.0

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 €5,949 thousand in 2013 (prev. year: €7,444 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	**2013 €'000**	**2012 €'000**
Germany	10,852	15,533
Iberian Peninsula	14,356	15,832
France	1,246	2,755
Rest of the World	6,778	9,024
Group	**33,232**	**43,144**

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

Total assets	**2013 €'000**	**2012 €'000**
Germany	29,343	20,003
Iberian Peninsula	7,760	7,370
France	101	572
Rest of the World	3,275	3,325
Group	**30,479**	**31,270**

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

Capital expenditure	**2013 €'000**	**2012 €'000**
Germany	1,998	3,239
Iberian Peninsula	1,162	723
France	0	0
Rest of the World	0	2
Group	**3,160**	**3,964**

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 (prev. year: €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 longterm exchange rate fluctuations will result in an increase in the cost of sales.
In the 2013 financial year, the average euro/US dollar exchange rate was €1 = US$1.3281 (prev. year: €1 = US$1.2855). **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 €15.5 million in absolute terms. If the average exchange rate had been €1 = US$1.25, the cost of goods sold would have been €0.8 million higher; if the average exchange rate had been €1 = US$1.40, the cost of goods sold would have been €0.6 million lower.
Owing to the timely specification of purchasing prices with suppliers, the risk outlined in the previous year with regard to changes in the price of cotton is no longer applicable.

Licences

As a licensee, **UNITED**LABELS exploits the proprietary rights of third parties. Although close, longterm 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.

UNITEDLABELS holds cartoon-related licence rights that are recognised in the statement of financial position at an amount of €2,806 thousand (prev. year: €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 current carrying amounts are impaired under normal circumstances. Having said that, the Company is exposed to the general risk that the carrying amounts of the assets may have to be adjusted following changes to future market expectations and/or the appeal of specific licences.

Liquidity

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 by a significant margin. 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, continued success in the implementation of the restructuring and financing measures already initiated as well as the preservation of established credit lines are critical in terms of the medium- and long-term financing concept.
UNITEDLABELS is committed to creating as much room for manoeuvre as possible with regard to its liquidity by performing liquidity forecasts, maintaining a high level of transparency towards its principal banks and optimising cash flows throughout the Group. As at 31 December 2013, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	Available	Utilised	2013	2012
Current account	387	4,063	4,450	5,100
Long-term loans	0	2,402	2,402	2,908
Short-term loans	0	454	454	4,949
Letters of credit/ Draft	1,671	3,329	5,000	3,300

Factoring-based funding provides further financial flexibility. The maximum possible drawing limit for **UNITED**LABELS AG and Colombine b.v.b.a., Belgium, is €3.0 million.
As agreed, **UNITED**LABELS AG extinguished the guarantee of €0.5 million granted by Deutsche Bank, Paris, in respect of the French entity S.A.S. Montesquieu Finances in 2013.

Interest

UNITEDLABELS secures long-term loans by means of fixed interest rate arrangements. Depending on the loan, the effective interest rate lies between 2.85 and 3.75% (prev. year: 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 2013, the largest customer accounted for 18% 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.

	2013		2012	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	32,665	98	42,509	99
Services	567	2	635	1
	33,232	**100**	**43,144**	**100**

2. Cost of materials

The materials-expense ratio fell by 6.1 percentage points from 75.9% to 69.8%. This is attributable primarily to the significant inventory sell-offs at low margins in 2012. In absolute terms, costs fell from €32,742 thousand to €23,186 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 declined from €4,349 thousand to €2,329 thousand. As a percentage of revenue, this corresponds to a decrease in the ratio from 10.1% to 7.0%, as the Company has increasingly been purchasing products already under licence. In 2013, depreciation/amortisation and write-downs included impairment losses of €375 thousand (prev. year: €258 thousand) for usufructuary/usage rights.

4. Other operating income

This item mainly includes income from the reversal of allowances for accounts receivable of €264 thousand (prev. year: €227 thousand), an apportionment of administrative expenses totalling €418 thousand (prev. year: €131 thousand) in respect of Open Mark United Labels GmbH and income of €1,179 thousand (prev. year: €24 thousand) from the reversal of provisions.

5. Staff costs

Staff costs fell from €6,080 thousand to €4,819 thousand. For further details regarding post-employment benefits, please refer to Chapter 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 €688 thousand in 2013 and were related to systematic depreciation/amortisation. In the previous year, a total of €1,803 thousand was recognised in write-downs of current assets to the extent that they exceed write-downs that are usual for the entity. This item was attributable to the write-down of receivables from Groupe Montesquieu, France.

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 €2,221 thousand (prev. year: €3,422 thousand) and rental expense amounting to €1,492 thousand (prev. year: €1,943 thousand). The remaining expenses consist of general administrative and operating expenses.

8. Net finance cost

Finance income only encompasses interest income, which amounted to €103 thousand in the period under review (prev. year: €213 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 (€1 thousand) and in the previous year Montesquieu Finances SAS (prev. year: €-1,199 thousand). Finance cost includes interest expenses of €1,073 thousand (prev. year: €1,076 thousand) relating to long-term loans, the use of over-draft facilities, notes payable and factoring. Additionally, in the previous year this item included 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:	**2013** **€'000**	**2012** **€'000**
Current tax expense	5	36
Deferred tax expense/income	-1,542	1,570
Total income tax expense/income	**-1,537**	**1,606**

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

	2013 €'000	2012 €'000
Consolidated result before income taxes	-2,386	-17,047
Applicable tax rate in %	31.93	31.93
Expected tax income	-762	-5,443
Difference to foreign tax on income	5	34
Tax effect of non-deductible expenses	71	1,946
Tax effect of non-taxable income	-22	-38
Impairment losses for deferred tax assets	0	2,524
Reversal of impairment losses for deferred tax assets	-1,322	0
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	0	-5
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	505	2,588
Taxes for other accounting periods	-12	0
Current tax expense/income	**-1,537**	**1,606**

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, Chairman of the Supervisory Board 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

Mr. Gert-Maria Freimuth is the Chairman of the Supervisory Board and Mr. Frank D. Rohmann is his Deputy.
Up 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 p.a., and the two other Supervisory Board members receive €10 thousand p.a. In addition, the members of the Supervisory Board received variable compensation which is calculated on the basis of 0.25% of consolidated net profit (before payment of the variable compensation component); the maximum amount is €10 thousand. 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 2013 financial year was €51 thousand.
Mr. Gert-Maria Freimuth and Mr. Frank D. Rohmann hold with companies that are 100 % owened by themselves 10,000 no-parvalue shares each. Mr. Otto E. Umbach holds no 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:

- MBB Industries AG, Berlin; Chairman of the Supervisory Board
- Delignit AG, Blomberg; Deputy Chairman of the Supervisory Board
- DTS IT AG, Herford; 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. Boder is the CEO/Chairman of the Management Board. In total, the Management Board's compensation amounted to €409 thousand in the 2013 financial year (Mr. Boder: €217 thousand; Mr. Hirsch: €192 thousand); at the time of preparing the annual financial statements no payments and no provisioning were made in respect of performance-based compensation or compensation with a long-term incentive effect. As a rule, Management Board compensation is composed of a basic salary component and a variable component. The fixed component of compensation for the 2013 financial year was €409 thousand. There was no variable component of compensation in the period under review. In December 2009, a management contract was agreed for five years with the Chairman of the Management Board. This contract was drawn up in accordance the provisions set out in the Act on the Appropriateness of Management Board Compensation (VorstAG) and is thus compliant with current statutory requirements. 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 that concludes at the end of 2014. 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.
In the year under review, in accordance with IAS 19, an amount of €198 thousand was allocated to pension provisions for pension benefit obligations towards a member of the Management Board, and the prior-year amount was corrected

by €1,136 thousand by adjusting the revenue reserves accordingly. The total amount of pension provisions recognised in connection with benefits accruing to a Management Board is €2,477 thousand.
From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of €17,511.80 and an invalidity pension of the same amount (as of 1 July, 2006, this increases 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 equivalent to 2% of the previous year's pension.

2. Number of employees

The headcount at the end of the financial year was as follows:	2013	2012
Salaried staff	106	113
Hourly-paid employees	6	7
School-leaver trainees	5	8
	117	128

On average, 123 people were employed during the financial year under review (prev. year: 132).

3. Corporate Governance.

In accordance with Section 161 AktG, the Company issued a Declaration of Conformity as 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 2013, 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 €83 thousand (prev. year: €252 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 2013, the amount received was €39 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. As regards capitalised but as yet unamortised licence fees of around €425 thousand relating to a licensor, Mr. Boder has issued a guarantee in favour of **UNITED**LABELS Aktiengesellschaft to offset any losses if the licence agreements were not to be extended beyond 31 December 2013. Similar to the situation in previous years, the Company anticipates that the agreements will be extended as planned. Therefore, this step is to be seen as a purely precautionary measure.

Effective from 25 June 2013, the French entity Embassy S.A.S, Roubaix, a subsidiary of S.A.S. Montesquieu Finances, in which the Company holds a 45% interest, went into liquidation. This was due to a significant decline in sales revenue

following the cancellation of the entity's most important merchandising licence. To a large extent, the carrying amounts within the **UNITED**LABELS Group were corrected as early as 2012. During the 2013 financial year, Embassy SAS was charged €179 thousand for services provided by **UNITED**LABELS AG. Of this amount, however, a total of €60 thousand had to be adjusted in value, as an existing contract could not be cancelled, but the due amount was not paid. An amount of €119 thousand was paid.
Additionally, business relations exist with Open Mark United Labels GmbH, in which the Company holds a 50% interest and has recognised receivables of €860 thousand. Open Mark United Labels GmbH is supplied with goods and services from **UNITED**LABELS AG (in 2013: €3,221 thousand) and in turn supplied goods and services totalling €3,045 thousand (prev. year: €0) to **UNITED**LABELS AG.

The **UNITED**LABELS Group uses available liquidity for the purpose of minimising interest payments throughout the Group. In addition, internal supply relations exist between the individual entities. At the reporting date, loans to subsidiaries amounted to €4,184 thousand in total (prev. year: €5,336 thousand), while current receivables stood at €3,292 thousand (prev. year: €4,064 thousand). These amounts were eliminated as part of the consolidation of debts.

7. Events after the reporting period

In principle, an agreement was reached in respect of payables to a licensor that is to be signed in the near future. The impact 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 2013 financial year.

Münster, 31 March 2014

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, 31 March 2014

UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder | Albert Hirsch

F. Auditor's Report

Having concluded our audit, we hereby issue the following unqualified audit opinion in respect of the consolidated financial statements as well as the Group management report of **UNITED**LABELS Aktiengesellschaft, Münster, as at 31 December 2013:

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 2013. The legal representatives of the Com-pany are 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. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. 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 legal representatives, 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 and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without affecting the unqualified audit opinion provided as part of this report, we draw at-tention to the risks that may jeopardise the future existence of the enterprise as a going concern, as outlined in the Group management report. Paragraph 4 of the Outlook and Report on Opportunities and Risks states that the continuation of the Group as a going concern 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.

Cologne, 23 April 2014

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph	Semrau
German Public Auditor	German Public Auditor

SEPERATE FINANCIAL STATEMENTS OF UNITEDLABELS AG

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period from 1 January to 31 December 2013

	2013	2012
	€	€
1. Sales revenues	16,488,065.41	22,803,225.73
2. Cost of purchased goods	-13,322,171.08	-19,092,866.50
3. Amortisation of usufructuary rights	-1,703,867.67	-3,157,412.74
	1,462,026.66	**552,946.49**
4. Other operating income	2,575,255.90	1,671,101.20
5. Staff costs		
a) Wages and salaries	-2,120,669.55	-2,722,276.20
b) Social security, post-employment and other employee benefit costs	-398,687.95	-423,859.29
6. Amortization of intangible assets and tangible assets	-269,221.80	-295,951.00
7. Depreciation of current assets to the extent that they exceed the standard in the corporation depreciation	0.00	-1,759,352.79
8. Other operating expenses	-2,006,340.70	-9,397,289.56
	-757,637.44	**-12,374,681.15**
9. Other interest and similar income	135,599.88	332,738.56
10. Write-down of long-term financial assets	0.00	-2,929,293.42
11. Interest and other expenses	-563,107.46	-554,827.33
12. Result from ordinary activities	**-1,185,145.02**	**-15,526,063.34**
13. extraordinary expenses	0.00	-516,655.49
14. Taxes on income	2,233,780.02	0.00
15. Other taxes	-10,984.07	-12,238.37
16. Net profit / loss	**1,037,650.93**	**-16,054,957.20**
17. Profit brought forward from previous year	0.00	213,488.30
18. Transfer from capital reserve	0.00	15,841,468.90
19 . Net profit	**1,037,650.93**	**0.00**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2013

ASSETS	31.12.2013 €	31.12.2012 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,790,358.37	1,868,509.84
	1,790,358.37	**1,868,509.84**
II. Property. plant and equipment		
1. Land. land rights and buildings, including buildings on third-party land	4,010,948.33	4,189,919.69
2. Technical equipment and machinery	11,778.43	19,081.22
3. Other equipment, operating and office equipment	302,906.63	372,101.97
	4,325,633.39	**4,581,102.88**
III. Long-term financial assets		
1. Investments in affiliated companies	7,816,502.57	7,616,502.57
2. Loans to affiliated companies	4,184,243.79	3,352,612.17
3. Other long-term equity investments	62,500.00	12,500.00
	12,063,246.36	**10,981,614.74**
	18,179,238.12	**17,431,227.46**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	1,522,307.68	2,224,675.57
2. Prepayments	32,832.21	9,992.90
	1,555,139.89	**2,234,668.47**
II. Receivables and other assets		
1. Trade receivables	1,294,185.09	1,353,023.91
2. Receivables from affiliated companies	586,496.39	2,444,043.31
3. Receivables from et-equity investments	0.00	431,623.93
4. Other current assets	3,025,126.06	1,601,831.24
	4,905,807.54	**5,830,522.39**
III. Cash, bank deposits, cheques	**154,547.67**	**346,097.61**
	6,615,495.10	**8,411,288.47**
C. Prepaid expenses	**139,446.35**	**165,250.45**
D. Deferred Taxes	**2,233,780.02**	**0.00**
Assets, total	**27,167,959.59**	**26,007,766.38**

EQUITY AND LIABILITIES	31.12.2013 €	31.12.2012 €
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**	**3,399,693.31**
III. Revenue reserves		
Other retained earnings	250,000.00	250,000.00
IV. Unappropriated surplus	**1,037,650.93**	**0.00**
	8,841,145.24	**7,803,494.31**
B. Provisions		
1. Provisions for pensions and similar obligations	1,819,809.00	1,645,298.00
3. Other provisions	1,180,005.64	2,653,842.64
	2,999,814.64	**4,299,140.64**
C. Liabilities		
1. Payables to banks	5,611,847.25	6,021,330.80
2. Trade payables	6,573,555.00	5,230,569.05
3. Trade payables to affiliated companys	2,204,258.90	1,537,759.01
4. Liabilities from et-equity investments	859,927.07	0.00
5. Other liabilities	77,411.49	1,115,472.57
	15,326,999.71	**13,905,131.43**
Total equity and liabilities	**27,167,959.59**	**26,007,766.38**

Supervisory Board

Gert-Maria Freimuth, Chairman of the Supervisory Board
Chairman of the Supervisory Board of MBB Industries AG

Gert-Maria Freimuth, born 1965, chairs the Supervisory Board of MBB Industries AG. Mr. Freimuth served as the Deputy Chairman of the Management Board of MBB Industries AG until June 2013. As head of the Mergers & Acquisitions area, he was responsible for acquiring new holding companies. He also oversaw the Legal Affairs and Corporate Identity areas. Gert-Maria Freimuth, who studied Economics and Christian Social Ethics at the University of Münster, is also a founding partner of MBB Industries AG. Until 1994 he held a position in the Corporate Finance division of the auditing and consulting firm Price Waterhouse, and from 1994 to 1996 he served on the Executive Board of BDO Structured Finance GmbH. Gert-Maria Freimuth is Deputy Chairman of the Supervisory Board of Delignit AG, Supervisory Board Chairman of DTS IT AG and Supervisory Board Chairman of **UNITED**LABELS AG.

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, Member of the Management Board and 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, he 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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The English version of this report is a translation of the original German report. Only the German version of this report is legally binding.

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

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1987
· Founding of Duke GmbH

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

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

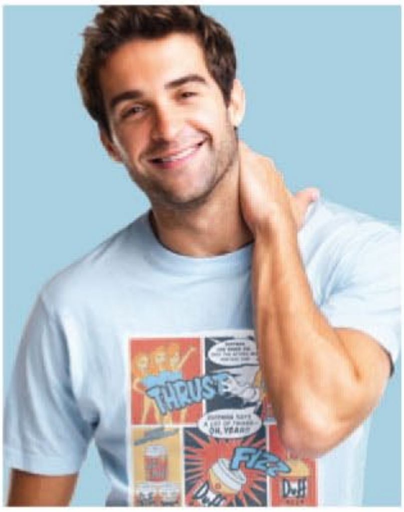
2006
· Opening of first airportshop in Barcelona

2007
· Launch of House of Trends europe GmbH

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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