

ANNUAL REPORT 2014

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)	**2014**	2013	2012	2011**	2010	2009
Revenue	31,978	33,232	43,144	59,558	58,702	40,260
EBITDA*	1,157	-728	-9,818	-428	2,584	-1,716
EBIT	450	-1,416	-12,380	-1,059	1,971	-4,072
Consolidated profit/loss for the year	-1,058	-848	-18,652	-379	1,068	-3,858
Operating Cash flow	-310	3,331	4,575	3,448	5,935	4,169
Net income per share (€)	-0.21	-0.15	-4.46	-0.09	0.26	-0.93
Liquidity	722	290	1,640	1,570	5,468	3,694
Equity	6,692	4,754	5,456	24,935	28,637	27,680
Equity ratio (%)	22%	16%	17%	47%	55%	60%
Net debt	8,381	9,524	8,725	8,687	4,325	4,481
Total assets	29,894	30,479	31,633	53,538	52,202	46,385
Bookvalue per share (€)	1.06	1.14	1.31	6.00	6.82	6.59
Shareprice per year end (€)	1.48	1.26	1.06	3.14	4.28	2.46
Market capitalization	9,324	5,292	4,452	13,188	17,976	10,332
Staff member (average)	110	123	132	146	132	132
Revenue per staff member	291	270	327	408	445	305

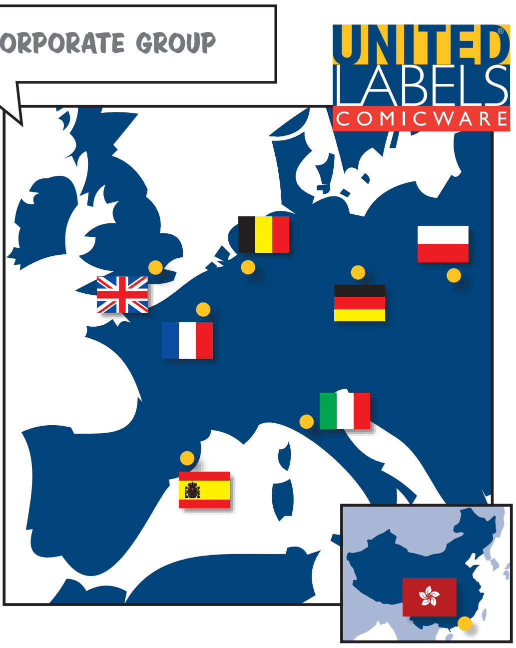
* incl. amortisation of usage rights / ** changed

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 40 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 and the Simpsons; it caters to all age groups, from baby to adult. For this reason, **UNITED**LABELS can promise its trading partners precisely tailored cross-product and cross-licence campaigns that ensure strong sales.

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, sweat-shirts, 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

TÜV

SGS

HOHENSTEIN INSTITUTE

BUREAU VERITAS 1828

LGA

Intertek

AsiaInspection "Your Eyes in the Factory!"

Some of the standards we comply with:

TEXTILES VERTRAUEN Schadstoffgeprüfte Textilien

SA 8000

UV STANDARD 801

BSCI Business Social Compliance Initiative

CE

RoHS 2002/95/EC

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

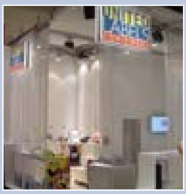
Quality and legal regulations

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.

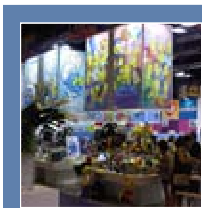
TRADE FAIR APPEARANCES

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

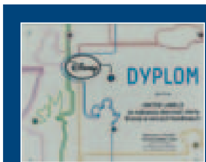


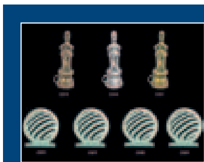
INTERGIFT

etc.

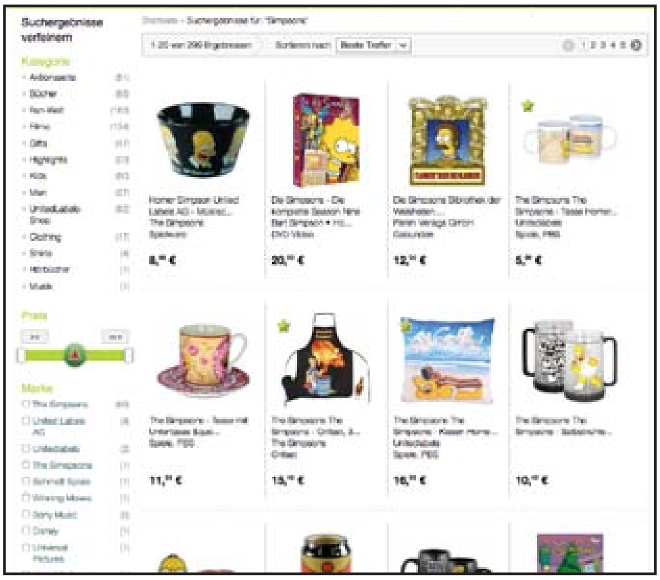
OUR AWARDS

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





ELFEN.DE



Elfen Service

Having originally centred the **Elfen.de** portfolio around a selection of branded toys over a course of two years, the Company implemented significant strategic changes in the fourth quarter of 2014.

Many branded products within the classic area of toys are now exposed to intense price competition, which has also led to lower profit margins. With this in mind, the company took the active decision to retreat from this segment of the market and gradually reduce its product range in this area. Instead, **UNITED**LABELS, together with its subsidiary Elfen Service GmbH, is further expanding its B2C e-commerce platform with a range of its own products and licensed merchandise.

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 (until May)

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

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,

Overall, 2014 proved to be a successful financial year for **UNITED**LABELS AG. We greatly improved the company's profitability at an operating level, in addition to completing our business reengineering programme and thus laying the foundation for growth in sales and earnings.

Group sales totalled €32.0 million in 2014, a slight dip compared to the previous year's figure of €33.2 million. The direction taken by sales revenue, however, is attributable directly to our targeted focus on orders with higher contribution margins and our active decision to move out of low-margin product ranges. At the same time, business within the areas of specialty retail and B2C was slightly weaker in the run-up to Christmas.

Earnings, by contrast, improved dramatically in the year under review. Our gross profit margin rose from 23.2% to 28.4%, an increase of 5.2 percentage points. Group EBITDA was propelled to €1.2 million, up significantly on the prior-year figure of €-0.7 million. The company has returned to profit at an operating level, an important milestone for all of us and the first step towards the medium-term target we have set ourselves with regard to profitability.

Having accounted for depreciation and amortisation, we still managed to remain well within positive territory, with Group EBIT of €0.4 million (prev. year: €-1.4 million). The ongoing cost reduction programme and efforts to optimise all areas in which the business operates are delivering the desired effect, and this provides a solid basis for future growth when it comes to profitability.

Our sights for the coming years are firmly fixed on growth. In this context, the primary focus of **UNITED**LABELS AG will continue to be on the Key Account segment with an emphasis on higher-quality textile products, as well as expansion within our NOS giftware business and growth in the area of e-commerce. At the same time, we remain committed to our policy of strict cost management in all areas.

UNITEDLABELS AG operates on a pan-European basis. Our market potential is defined by the level of demand for licensed products within the member states of the European Union – and our prospects for growth are excellent.

Sales activities relating to France, Belgium and the United Kingdom have been fully integrated within our highly efficient German sales structure. Our Spanish subsidiary continues to stand its ground in a challenging market environment and has been continuously delivering solid results by cultivating the entire southern belt of Europe and maintaining the momentum of its airport shops. In our efforts to generate growth at an international level, we stepped up our sales activities in France, Poland and the United Kingdom over the course of 2014.

The structural foundations on which our future growth concept for the coming years has been built continue to be defined by the „NextGen" – Next Generation programme. Essentially, this involves incorporating direct business-to-consumer (B2C) activities within our business mix. Alongside the five airport shops in operation at the end of the year, generating sales €4.7 million in 2014, this B2C concept also includes the gradual expansion of our e-commerce activities via our subsidiary Elfen Service GmbH, which – following a strategic focus on textiles and our company's own product ranges – achieved sales revenue of €0.9 million in the period under review. Overall, our B2C business accounted for 18% of total sales revenue. Marketing our range to end consumers is an effective way to extend our value chain and unlock additional growth potential.

Last year's highlights with regard to licensed merchandise were „Hello Kitty", „Mia & Me" and „The Simpsons". We continued to develop new textile and giftware collections for these and many other licences within our portfolio over the course of the year, which are also being marketed to an increasing extent within the B2C segment. We have already secured highly lucrative licence rights for the current financial year 2015. These include, among others, „Minions", „Drachenfänger" and „Ice Age", all of which offer excellent marketing opportunities.

The capital increase by means of a new share issue approved by the Annual General Meeting was successfully concluded in December 2014. All 2,100,000 new, no-par-value bearer shares with a subscription price of €1.55 per share were subscribed by shareholders or placed with institutional investors. Thus, the total amount of shares issued rose to 6,300,000. The Group's equity ratio rose to 22% (prev. year: 16%), while that of the parent increased to as much as 44% (prev. year: 33%). The proceeds from our capital increase will provide a solid platform when it comes to funding our growth plans for Europe and the expansion of B2C business.

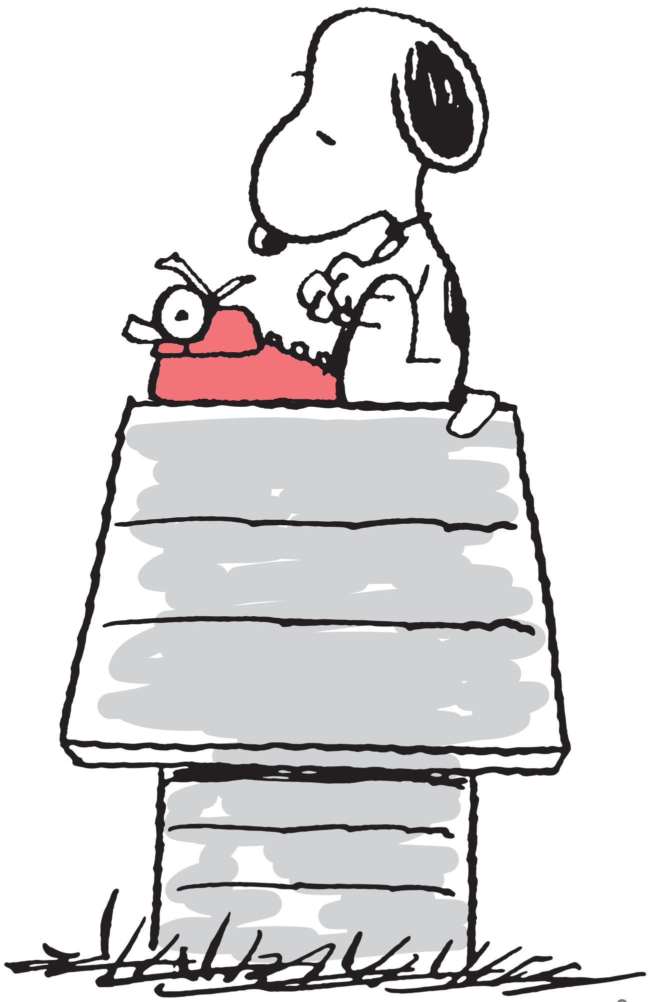
Our performance in 2014 shows that we are well on track with our efforts to position **UNITED**LABELS AG successfully for the future. Looking at the current financial year, we anticipate revenue growth of 15%-25% and growth in EBITDA to between €0.7 million and €1.6 million.

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, the members of the Supervisory Board and, above all, to you, our valued shareholders, for your support and the trust you have placed in us.

Peter Boder

Albert Hirsch



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 managers. The Supervisory Board thus acquired sufficient knowledge concerning strategy, business policy, planning and the risk situation as well as the financial position, 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 other members 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 four 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. In particular, the Supervisory Board advised on the capital increase, continued customer orientation through business reengineering of the B2C area via the subsidiary Elfen Service GmbH, expansion of the airport shops and general planning and monitoring of the Group in financial year 2014. In addition, a Supervisory Board member visited UL Ibérica S.A. of Spain to gain a personal impression of the company's development. The Supervisory Board examined individual transactions requiring its consent in line with the Articles of Association or legal provisions and subsequently reached decisions on approval.

The Supervisory Board also dealt with the issues of corporate governance and the German Corporate Governance Code. The few exceptions are listed and justified 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 opinion 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 the financial year 2014.

The Supervisory Board duly awarded the contract to audit the annual and consolidated financial statements for the financial year 2014 to RBS RoeverBroennerSusat GmbH & Co. KG of Cologne (the auditing company nominated by the Annual General Meeting) and its senior auditors Rainer Rudolph and Marc Semrau. The auditor submitted a declaration of independence to the Supervisory Board in accordance with Section 7.2.1 of the German Corporate Governance Code. The declaration confirms that no professional, financial or other relationships which could call its independence into question exist between the auditor, its executive bodies and head auditors on the one hand and between the company and its senior executives on the other.

The annual financial statements of **UNITED**LABELS AG as at 31 December 2014 and the management reports 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 2014 were drawn up in accordance with the International Financial Reporting Standards (IFRS); they were audited by RBS RoeverBroennerSusat GmbH & Co. KG of Cologne, the company chosen by the Annual General Meeting and appointed by the Supervisory Board Chairman, which issued an unqualified audit opinion on 20 March 2015.

"Our audit gave rise to no objections. In our opinion, based on the findings of our audit, the annual financial statements comply with the legal regulations and give a true and fair view of the company's financial position, performance and cash flows in compliance with the principles of proper accounting. The management report is consistent with the annual financial statements, accurately represents the current position of the company in general terms and properly portrays the opportunities and threats associated with future development.

Without qualifying this opinion, we would refer to comments by the Management Board in the management report regarding risks that may potentially threaten the company's survival. Section 4 of the report (outlook and report on opportunities and risks) states that in view of the restructuring and financing measures implemented, the survival of the company depends on the preservation of established credit lines and the achievement of projected sales and earnings targets as far as possible."

The report by the Management Board of **UNITED**LABELS AG concerning relations with associated 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 20 March 2015:

"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 report: 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, and
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 has carefully examined the management report and consents to the Management Board's assessment of the situation and the auditor's evaluation of the management report and forecast. As regards the corporate goals underpinning the development of **UNITED**LABELS over the long term, the Supervisory Board will continue to focus in 2015 on the core factors of sales growth in remaining core business fields through attractive licences and in-house products, successful business reengineering in respect of Elfen activities, the expansion of B2C activities (such as airport shops), the enhancement of enterprise management tools and increasing the gross margin. The fundamental decisions were taken in 2013, with supplementary measures introduced in 2014.

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 20 March 2015. All questions posed by the Supervisory Board were answered 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 20 March 2015. 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.

Münster, 20 March 2015
The Supervisory Board

Gert-Maria Freimuth
Chairman

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 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 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 a 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. 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 2014 financial year are provided in the Report of the Supervisory Board, which forms part of the 2014 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 was notified of the following transactions for the 2014 financial year:

Date	Disclosing Party	Role	Transaction	Quantity	Price €	Volume €	Trading Venue
30.04.14	Peter Boder	Management Board	Sale of shares	3.000	2,5500	7.650	Xetra
29.04.14	Peter Boder	Management Board	Sale of shares	3.000	2,5500	7.650	Xetra
29.04.14	Peter Boder	Management Board	Sale of shares	586	2,6500	1.553	Xetra
19.05.14	Peter Boder	Management Board	Sale of shares	250.000	2,4000	600.000	Xetra
19.05.14	Peter Boder	Management Board	Sale of shares	7.700	2,4000	18.480	OTC
19.05.14	Frank Rohmann	Supervisory Board	Purchase of shares	7.700	2,4000	18.480	OTC
24.05.14	Frank Rohmann	Supervisory Board	Purchase of shares	8.135	1,1344	9.228	Xetra. FFM
29.05.14	Frank Rohmann	Supervisory Board	Purchase of shares	1.865	1,1500	2.145	Xetra
04.08.14	Peter Boder	Management Board	Sale of shares	5.506	2,7523	15.154	Xetra
05.08.14	Peter Boder	Management Board	Sale of shares	2.122	2,5081	5.322	Xetra
07.08.14	Peter Boder	Management Board	Sale of shares	11.878	2,5000	29.695	Xetra
08.08.14	Peter Boder	Management Board	Sale of shares	12.646	2,5001	31.616	Xetra
08.08.14	Peter Boder	Management Board	Sale of shares	13.637	2,5000	34.093	Xetra
19.08.14	Peter Boder	Management Board	Sale of shares	4.790	2,5000	11.975	Xetra
18.09.14	Peter Boder	Management Board	Sale of shares	3.608	2,5000	9.020	Xetra
23.09.14	Peter Boder	Management Board	Sale of shares	150	2,5000	375	Xetra
16.12.14	Peter Boder	Management Board	Purchase of shares	440.000	1,5500	682.000	OTC
16.12.14	Albert Hirsch	Management Board	Purchase of shares	2.050	1,5500	3.178	OTC
16.12.14	Frank Rohmann	Supervisory Board	Purchase of shares	158.850	1,5500	246.218	OTC
16.12.14	Gert-Maria Freimuth	Supervisory Board	Purchase of shares	40.000	1,5500	62.000	OTC

Transparency

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

Information is also furnished by means of press releases as well as via ad hoc announcements where required by law. All notifications and releases can be accessed on the Internet at www.unitedlabels.com/investor-relations. The scheduled dates with regard to the most important recurrent events and publications – such as the Annual General Meeting, the annual report and interim financial reports – have been compiled in a financial calendar, which is published well in advance and can be accessed from the company‘s website at http://www.unitedlabels.com/investor-relations/finanzkalender. **UNITED**LABELS AG has established the requisite insider register. All persons concerned have been informed of their legal obligations and possible sanctions.

Corporate Governance on the Internet

The latest Declaration of Conformity with the German Corporate Governance Code and those of previous years appear on the Company‘s website at www.unitedlabels.com under the heading Investor Relations/Corporate Governance.

Code of Conduct for manufacturers

The **UNITED**LABELS Group has drawn up a Code of Conduct for manufacturers for the purpose of promoting compliance with ethical standards in an environment dominated by global production. The **UNITED**LABELS Group comprises the headquarters **UNITED**LABELS AG (Germany), **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 2015, pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz – AktG) with regard to the German Corporate Governance Code.

This Declaration follows the Declaration of March 2014. It is subject to the provisions of the German Corporate Governance Code in the version of 13 May 2013. Subsequently, it is subject to the provisions of the German Corporate Governance Code in the version of 24 June 2014.

The Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft hereby declare that since the last Declaration of Conformity of March 2014 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 13 May 2013 and 24 June 2014, 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 5.2, paragraph 2:

According to the recommendation listed in Section 5.2 paragraph 2 of the German Corporate Governance Code, the Chairman of the Supervisory Board shall not be the Chairman of the Audit Committee.

The Supervisory Board has not formed any committees, in particular no Audit Committee and Nomination Committee

(Sections 5.3.1, 5.3.2 and 5.3.3 of the Code).

3. 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.

4. 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.

5. 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.

6. 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. Consequently, the Company also does not comply with the recommendation specified in Section 5.4.1 paragraph 3 sentence 1 (Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account) and Section 5.4.1 paragraph 3 sentence 2 (The concrete objectives of the Supervisory Board and the status of implementation shall be published in the Corporate Governance Report).

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.

7. Section 5.4.6 paragraph 1:

Section 5.4.6 paragraph 1: The German Corporate Governance Code recommends that compensation payable to the Supervisory Board shall, among other factors, take into account the chair and membership in committees.

The level of compensation payable to members of the Supervisory Board is specified in Section 10 of the Articles of Association. As no committees exist, the chair and membership in committees are not taken into consideration as regards the compensation of the Supervisory Board.

8. 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.

9. Section 7.1.3:

The Corporate Governance Report shall contain information on stock option programmes and similar securities-based incentive systems of the company, unless this information is already provided in the annual financial statements, the consolidated financial statements or the compensation report.

The Company has no stock option programmes or similar securities-based incentive systems in place.

Münster, March 2015

The Management Board

The Supervisory Board

COMPANY AND GROUP MANAGEMENT REPORT

UNITEDLABELS **Aktiengesellschaft, Münster**

Group Management Report for FY 2014

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; the company has branch offices in Germany and Spain with a total of 13 subsidiaries in total. 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, as well as two staff members with joint power of attorney; 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 indicator of the success of **UNITED**LABELS AG is earnings before interest and taxes (EBIT). 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

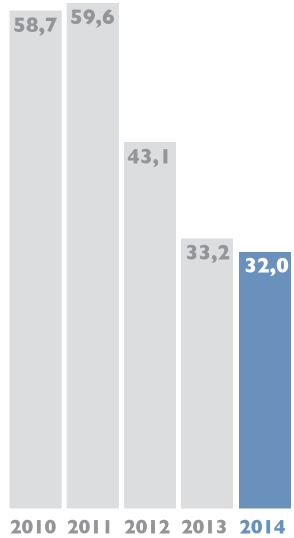
Macroeconomic and sector-specific environment

On average, the German economy proved stable throughout 2014. Germany's price-adjusted gross domestic product (GDP) was up 1.5% on the previous year's figure, which was also higher than the most recent ten-year average of 1.2%, as confirmed by data computed by the Statistisches Bundesamt (Destatis). GDP had grown at a much more modest rate in the two preceding years (by 0.1% in 2013 and by 0.4% in 2012). „The German economy was clearly able to stand its ground in a global economic environment plagued by challenges and managed to benefit in particular from strong domestic demand," said Roderich Egeler, President of the Statistisches Bundesamt, at a press conference held in Berlin for the purpose of presenting GDP data for 2014. He explained that conditions had stabilised again towards the end of 2014 after a dynamic start to the year and a subsequent period of weakness during the summer months. Overall, Germany's economic prospects have become brighter. Having languished in the doldrums during the summer of 2014, the manufacturing sector regained its footing during the final quarter in terms of production output. Germany's sustained recovery would appear to be underpinned by increasingly expansive order intake, particularly from other countries within the eurozone, and more optimistic data from the ifo business climate survey.
Consumption proved to be the key growth driver for the German economy, with consumer spending among private households rising (price-adjusted) by 1.1% and public spending growing by 1.0%. Investments also expanded in the period under review. At a domestic level, companies and the state invested a total of 3.7% more in equipment than a year ago – with an emphasis on machinery, appliances and vehicles. On an annual average, foreign trade gained some momentum in Germany during 2014, despite the fact that conditions in key export markets remained difficult. German exports of goods and services rose by 3.7%, on a price-adjusted basis, compared to 2013. Imports, however, increased by almost the same amount (+3.3%). The difference between imports and exports (the external balance) thus contributed a relatively small amount of +0.4 percentage points to GDP growth in 2014.
On the production side of the gross domestic product, the German economy was boosted by the majority of the country's economic sectors. In total, price-adjusted gross value added of all economic sectors was up 1.4% on the previous year.
As for employment, the working population of 42.7 million in 2014 was a record level for the eighth year in succession. This corresponded to an increase of 371,000 people or 0.9% compared with 2013. Labour productivity (price-adjusted gross domestic product per hour worked by persons in employment) remained largely unchanged year on year (+0.1%). It was up 0.6% on 2013 when calculated per person in employment.
According to the Federal Foreign Office, the Spanish economy is continuing to move out of recession. On the back of a decline in GDP by 1.27% year on year in 2013 as a whole, the Spanish economy recorded growth of 1.4% in 2014 as a result of more expansive exports and a return to stability in domestic demand from private households.
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.
The company purchases a large proportion of its goods in Asia, where transactions are concluded in euros or US dollars. The annual average exchange rate of the euro to the US dollar was $1,328 per euro in 2014. The closing price at the end of the year, however, was just €1.21 per euro. The company addresses the issue of exchange rate volatility by entering into forward currency contracts.
Textiles remained the strongest product line for **UNITED**LABELS in terms of revenue. The company designed new collections and marketed them within the key account/discount segment as well as via its business-to-consumer channel.
The company remained a leading light within the European licence market in 2014 as high-profile and strong-selling licensed brands were extended. Additional licences were added, including Mia & Me, Teenage Mutant Ninja Turtles and the Minions.

Course of business and position

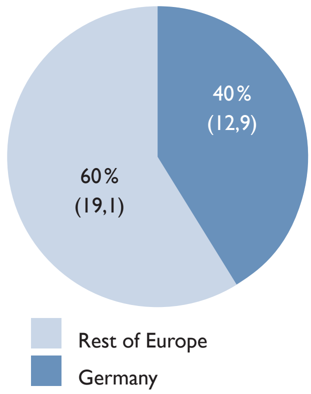
In the financial year under review, sales revenue amounted to €32.0 million (prev. year: €33.2 million). This is the result of the company's decision to focus on orders that generate higher profit margins. Following the acquisition of a majority interest in Open Mark United Labels GmbH, this entity – with strong revenues and margins – was consolidated within the Group effective from the end of May. As a result, Group revenue increased by €0.5 million in the year under review. Effective from 28 May, **UNITED**LABELS AG acquired a further 40% of the interests from Decolan S.A., Switzerland, as a result of which it held 90% of the interests from this point onwards.
Sales revenue generated in the Special Retail segment totalled €12.0 million (prev. year: €12.6 million), while the Key Account segment contributed €20.0 million (prev. year: €20.6 million) to Group sales.
The German parent company saw sales revenue expand to €17.1 million in the financial year under review, up from €16.5 million in the previous year. The German parent company **UNITED**LABELS AG contributed external sales revenue (adjusted for intra-Group sales) of €13.9 million (prev. year: €14.9 million) to consolidated sales. The downturn in revenue within the Key Account segment was attributable to the fact that the company did not proceed with planned orders where contribution margins were insufficient.
Looking at the performance of the individual companies, consolidated sales remained stable in Spain at €13.7 million and rose by 13% to €1.8 million in Belgium. Consolidated sales generated by Elfen Service GmbH amounted to €0.9 million (prev. year: €1.5 million) following the strategic realignment of business in mid-2014, which involved forgoing low-margin toy brands.

Sales performance (in €m)



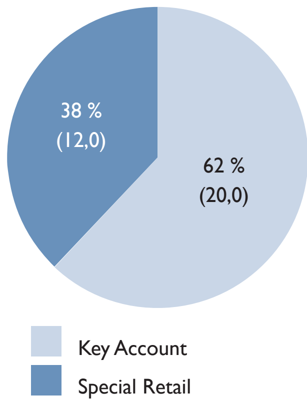
The proportion of Group sales attributable to **UNITED**LABELS Ibérica rose to 43%, up from a share of 41% recorded in the previous year.
The **cost of sales within the Group** comprises material expenses as well as amortisation of usage rights for licences. In the financial year under review, the cost of sales stood at €22.9 million (prev. year: €25.5 million). In relation to Group sales revenue, the cost-of-sales ratio was 71.6% (prev. year: 76.8%). With a strategic focus on orders with higher contribution margins, the gross profit margin thus rose to 28.4% (prev. year: 23.2%) in relation to sales – the second year in succession that the company has seen an increase in its gross profit margin – and the EBIT margin amounted to 1.3% (prev. year: -4.2%) in relation to sales. As a result of this, and factoring in the consolidation of Open Mark United Labels (additional external sales of €0.5 million and profit of €0.3 million for the year) as well as the reversal of pension provisions (€1.3 million), the Group returned to profit at an operating level.

Breakdown of sales in Europe for 2014 in % (€m)



Other operating income amounting to €1.9 million (prev. year: €2.1 million) was the result, among other factors, of income from gains made by the company (€0.2 million) and the reversal of pension provisions (€1.3 million). The latter was made possible as the salary reduction for the pension beneficiary became permanent when a new contract was signed.

Breakdown of sales in 2014 for Key Account and Special Retail in % (€m)



As budgeted, **staff costs** continued to fall in the year under review, down from €4.8 million to €4.5 million. Calculated on an annual average, the Group headcount was down by thirteen. The Group's Spanish operations, particularly the airport shops, saw employment levels fall by five. By contrast, two new IT staff members were recruited by Elfen Service GmbH; they have also taken on full responsibility for IT at **UNITED**LABELS AG as a whole. As a result of this and other factors, as well as additional optimisation measures, the parent company was able to cut the average headcount by seven in the period under review. As was the case a year ago, no special payments (additional annual compensation, bonuses) were made in respect of the 2014 financial year. Per-capita revenue (annual average) rose to €291 thousand in 2014 (prev. year: €270 thousand).

Other operating expenses fell to €5.3 million (prev. year: €5.7 million). This figure includes expenses for rental payments (€1.3 million; prev. year: €1.5 million) and selling expenses (€2.0 million; prev. year: €2.2 million). The sustained reduction in expenses was due to the stringent cost-cutting programme implemented throughout the Group.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved to €1.2 million (prev. year: €-0.7 million), thus moving well into positive territory again.

Amortisation/deprecation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment remained unchanged year on year at €0.7 million. Amortisation of usage rights (licence fees) amounting to €2.3 million (prev. year: €2.3 million) was accounted for separately as material expense. The licence ratio remained unchanged at 7%.

Earnings before interest and taxes (EBIT) rose to €0.4 million (prev. year: €-1.4 million), thus also moving beyond the break-even point.

Net **finance cost** of €-1.1 million (prev. year: €-1.0 million) encompasses finance income and cost as well as the result attributable to Open Mark United Labels GmbH (€-67 thousand), which was consolidated using the equity method until May, in addition to income from the remeasurement of previously held interests at the time of initial full consolidation (€205 thousand). 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, as did the increase in debt-related interest rates by banks financing loans. The company manages the flow of cash within the Group by opting for the lowest external debt interest or achieving the highest credit interest, depending on the financing situation.

Taxes on income included tax expense of €0.4 million (prev. year: income of €1.5 million). This figure was influenced by the reduction in deferred taxes attributable to pension provisions for **UNITED**LABELS AG and the reversal of deferred taxes, recognised during the year, following the first-time inclusion of Open Mark United Labels GmbH within the consolidated group.

On this basis, the **consolidated loss** for the financial year was €-1.1 million. This compares to a consolidated loss of €-0.8 million reported for the previous financial year, although earnings for that period had been boosted by deferred tax assets of €1.5 million.
For 2014, this corresponds to earnings per share of €-0.21 (prev. year: €-0.15).

The Key Account **segment result** rose to €1.3 million (prev. year: €0.6 million). This is due to the realigned strategy adopted by the company as well as the inclusion of Open Mark United Labels GmbH in the Group.
The Special Retail segment recorded a loss of €-0.2 million (prev. year: €-0.1 million). In this context, the start-up of Internet activities (€-0.9 million) had a dampening effect on earnings.
Unallocated administrative costs fell substantially year on year to €0.7 million (prev. year: €1.9 million). This was attributable to the reversal of pension provisions (see Compensation Report).
An in-depth analysis of the Group‘s control instruments showed that they essentially consist of revenue performance and the EBIT margin (earnings before interest and taxes). The latter includes gross profit, which had been listed separately as a control instrument in 2013. Revenue and EBIT (earnings before interest and taxes) are considered to be the key financial performance indicators within the Group. Sales revenue fell by 4% (prev. year: 23%) in the financial year 2014. Earnings before interest and taxes (EBIT) improved significantly to €0.4 million (prev. year: €-1.4 million).

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		**UNITED**LABELS France S.A.S., France		Colombine b.v.b.a., Belgium		Elfen Service GmbH, Germany		Open Mark United Labels GmbH Germany		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)
2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
13,786	14,264	13	537	1,770	1,270	916	1,498	4,794	4,186	1,042	711
947	842	-29	-161	79	14	-692	-778	99	32	83	-37
707	622	-29	-185	-605	12	-911	-974	99	32	83	-38
103	100	-29	-205	-526	79	-911	-1,023	12	2	34	-66
1,657	1,891	0	0	0	0	111	37	7	552	0	0
103	20	0	4	3	4	40	77	27	3	25	1
3,167	3,662	1	0	0	0	0	0	0	0	599	600

Alongside its holdings in the subsidiaries, the parent company currently holds a 45% interest in the French-based Montesquieu Group. This entity is currently undergoing liquidation; impairment losses were recognised in 2012 with regard to the carrying amounts of all assets. Additionally, the parent company holds a 90% interest in Open Mark United Labels GmbH, based in Münster.

Cash flows

The Group's cash flow statement shows **net cash used in operating activities** of €-0.3 million for the 2014 financial year (prev. year: net cash from operating activities of €3.3 million). This was attributable primarily to lower trade payables (€-2.4 million; prev. year: €1.4 million), which included the scheduled payment of trade liabilities. A sum of €0.2 million was paid for the acquisition of 40% of the ownership interests in Open Mark United Labels GmbH. Investments totalled €1.6 million (prev. year: €3.2 million), with a particular emphasis on the purchase and extension of licensing rights as well as the start-up of Internet activities. Net cash from financing activities was €2.3 million (prev. year: €-1.5 million). In the context of the Group's financing activities, a sum of €1.9 million was used for the purpose of servicing loans. By contrast, the company received €3.1 million from the increase in capital completed in December 2014. The sale of treasury shares resulted in proceeds of €0.1 million, while short-term loans taken on by the company provided €1.0 million.

On this basis, **cash and cash equivalents** rose by €0.4 million to €0.7 million for the period under review. As at 31 December 2014, a total of €3.7 million (prev. year: €3.1 million) in receivables had been sold to a factoring firm with whom the company has been working since 2010.

The three banks that have agreed to provide the parent company with the lines of credit and credit facilities are committed to maintaining their dealings with the company as part of a pooling agreement. 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 amount to €19.5 million (prev. year: €20.1 million). Intangible assets fell by €0.3 million due to amortisation of usage rights, while property, plant and equipment also decreased by €0.3 million as a result of straight-line depreciation. The item covering „investments accounted for at equity" was eliminated following the full consolidation of Open Mark United Labels GmbH; in the previous year, it had amounted to €0.1 million. **Current assets** remained unchanged at €10.4 million.

Inventories (including goods in transit) fell to €3.3 million (prev. year: €3.4 million).

At the end of the reporting period, trade receivables totalled €4.5 million (prev. year: €4.7 million) due to lower sales towards the end of the reporting period.

Cash at banks amounted to €0.7 million (prev. year: €0.3 million).

Other assets fell slightly by €0.2 million.

Total assets fell to €29.9 million (prev. year: €30.5 million).

Meanwhile, **equity** expanded by €1.9 million, primarily as a result of the capital increase. The rights issue approved by the Annual General Meeting was successfully concluded in December 2014. All 2,100,000 new, no-par-value bearer shares with a subscription price of €1.55 per share were subscribed by shareholders or placed with institutional investors. Thus, the total amount of shares issued rose to 6,300,000.

The consolidated loss amounted to €1.1 million. Of this total, €0.2 million is attributable to non-controlling interests. Non-current liabilities fell by €1.2 million to €6.8 million. This was due to the scheduled repayment of long-term bank borrowings and the reduction of pension provisions (see Compensation Report).

Current liabilities fell by €1.3 million in total to €16.4 million. Provisions rose by €0.1 million due to provisioning for the expected return of goods by customers. Current financial liabilities fell by €0.5 million to €7.1 million. This year-on-year reduction was due to lower borrowings relating to United Labels Ibérica. Non-current **trade and other payables** fell by €0.9 million to €9.2 million due to factors relating to the end of the reporting period.

At €19.5 million, non-current assets accounted for 65% (prev. year: 66%) of total assets. At €10.4 million, current assets accounted for 35% (prev. year: 34%) of total assets.

Totalling €6.8 million, non-current liabilities accounted for 23% of total equity and liabilities, which was slightly less than in the previous year. At the same time, current liabilities declined by €16.4 million. The latter accounted for 55% (prev. year: 58%) of total equity and liabilities.
In total, Group debt amounted to €23.2 million in the financial year under review, compared to €25.7 million in the previous year. Group debt in relation to total equity and liabilities stood at 78%, after 84% in the previous year.
Based on equity of €6.7 million reported by **UNITED**LABELS, the equity ratio stood at 22%, compared to 16% in the previous financial year.

Equity covers the Group's non-current assets by 34%. The proportion of goodwill in relation to equity is 85%.
As regards an overall assessment of business in the period under review, the Group managed to improve some of its key performance indicators year on year (positive operating profit, higher equity ratio, reduction of balance sheet total) against the backdrop of favourable economic conditions. In this context, it should be noted that licence expenses not attributable to the accounting period (€231 thousand) and one-off fees in connection with legal advice (€50 thousand) had a non-recurring dilutive effect on earnings in 2014. At the same time, however, earnings were boosted by the one-off effects of a reduction in pension provisions (€1,337 thousand). Future improvements will be planned and implemented on the basis of these fundamental results of the optimisation processes already initiated.

Non-financial performance indicators

Staff

As at 31 December 2014, the Group employed 102 (prev. year: 117) members of staff. The reduction in the Group's personnel base is the result of the recent business reengineering concept as well as other optimisation and restructuring measures. At 110, the average headcount was down by 13 compared to the previous year.
The Group is not attached to, or bound by, any collective wage scale. Remuneration is based on an employee's position within the company and his/her performance.
It is a particular aim within the company to continuously develop employees' potential and improve its service towards customers. The company therefore organised several internal and external training sessions throughout the period under review.
In addition, the company has established an employee development programme in Germany to encourage and motivate each employee individually. For example, this includes regular staff information events for all employees, where current issues are brought up and employees have the opportunity to engage in a dialogue with the company's management. At least twice a year, each employee meets with his/her supervisor for a feedback and career development meeting. Due to the small size of the teams within the Group (up to eight people), each employee can be given individual support.
Diversity within the workforce is a priority for the Group and constitutes a core component of our HR strategy. **UNITED**LABELS AG has set itself a target of becoming more international with regard to employment. At the same time, the potential appointment of women to senior management positions is a key issue.
At present, the proportion of women in management roles stands at 20% throughout the Group. The company remains fully committed to promoting the appointment of women to positions of responsibility.
The share of foreign managerial staff also stands at 20%. The Group organises cross-cultural workshops for the purpose of improving mutual understanding among staff members when it comes to international communication and teamwork at a global level. Furthermore, HR Development has been tasked with also involving more international staff members in the Group's qualification programmes and supporting them with an even broader range of corporate training and development offerings over the coming years.

3. Events after the Reporting Period

There are no significant events to report subsequent to the end of the 2014 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 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 analyses of competitors. Such information (which is often provided by local entities of the company) is fed into the risk management system at the quarterly request of the Controlling department, which evaluates risks according to the likelihood of occurrence and the seriousness of potential damage. The management then decides which of the risks to accept or circumvent, and which openings to pursue. In many cases, specific risks – and the responsibility for utilising opportunities – are transferred to third parties (for example by means of insurance policies, outsourcing, distribution agreements or purchasing arrangements). The company is aware of significant risk in the following areas in particular:
A significant proportion of merchandise purchases are transacted in US dollars. The company therefore benefits from a strong euro and is disadvantaged by a weak euro. **UNITED**LABELS invariably allows for a certain degree of leeway in the exchange rate when calculating orders, and systematically takes appropriate exchange hedging measures. Despite this, and bearing in mind that price increases cannot be passed on to the customer directly, we cannot rule out rate changes that will increase the cost of sales and thus cut margins in the short to medium term.

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. As regards an existing licensor, at the time of preparing the annual report the Group had in its possession draft agreements for the extension of licence usage. This provided the basis for recognising items with a carrying amount of €364 thousand, which would have to be written off as impairments if the agreements were not to be extended. 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 centralised, 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, 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 factors may have an adverse effect on the Group's revenue and earnings performance as well as its financial situation.

In the interests of responsible business activity on a social level, **UNITED**LABELS plays its part in ensuring human dignity is guaranteed in production facilities around the world. To this end, all producers and suppliers are subject to a strict code of conduct designed to ensure companies involved in manufacturing and distribution exercise fairness,

honesty and responsibility in all of their business dealings. Amongst other things, the code of conduct stipulates that no child labour or forced labour may be used in the manufacture of **UNITED**LABELS products.
Regular inspections of producers and suppliers carried out by company staff, various reputable testing institutes (such as Bureau Veritas, TÜV Rheinland and the Hohenstein Institute), licensor audit teams and associations like the Business Social Compliance Initiative (BSCI audits) aim to ensure 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 ten months can elapse between the placing of orders with suppliers (and thus the utilisation of documentary credit facilities) and final payment by the customer; this period must be bridged with own resources or outside funds. 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 subsidiary Elfen Service GmbH is co-financed by the Group; a risk to liquidity could arise where business performance of this entity falls short of expectations.
In general, it is impossible to rule out that the level of liquidity required will be higher than originally planned if the entities within the Group were to fail to meet their targets. This situation may occur in periods 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. In this event, **UNITED**LABELS Aktiengesellschaft would have to utilise existing lines of credits – to the extent that these are available. Against the backdrop of the restructuring and financing measures already implemented, the continuation of the company without jeopardising it as a going concern presupposes that current lines of credit remain in place and that revenue and earnings targets stipulated within the company‘s budget can be met to the largest extent possible.
The company continues to monitor environmental policy and conditions. At present, the Group is not aware of any environmental risks that could have a major impact on its financial position, performance and cash flows.

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

The Group‘s intangible assets include significant 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 affects the performance of **UNITED**LABELS. With the German economy having expanded in 2014, the Federal Ministry for Economic Affairs and Energy is predicting growth of 1.5% in 2015. 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 to end consumers through the online platforms of Elfen Service GmbH and various cooperation partners will become progressively more important.

According to the recent outlook, with a growth forecast of 1.1%, the economy within the eurozone as a whole will develop at a slightly more subdued rate when compared to that of Germany. There are structural difficulties to overcome in Europe especially, but also in a number of emerging nations. Spain‘s economy, however, is expected to grow by as much as 2.3% in 2015. The economic upturn anticipated for Spain is likely to have a generally positive effect on business performance in that country.

To enable **UNITED**LABELS to maintain its position and build its share of the European market, 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.

Additionally, **UNITED**LABELS together with its subsidiary Elfen Service GmbH is further expanding its B2C e-commerce platform with a range of its own products and licensed merchandise. Following the unfavourable performance of many branded toys in the wake of supply-side pressure, dominated by intense price-related competition and low margins for all market players, the active decision taken in mid-2013 to discontinue business activities in these areas led to a fundamental change in the company‘s strategy. Targeting B2C sales, the overall portfolio is now being complemented by the full range of products within the specialty retail area covered by the parent company and in particular by textiles from the existing collection. After extensive testing, the company was encouraged by the fact that the high rate of returned goods anticipated within the area of online textiles business does not apply to its sales platform, where returned goods only account for 3%. In parallel, the company is looking to strengthen the shopping experience by offering a broad line of products in cooperation with business partners – covering various licence categories.

Turning to the company‘s airport shops, a decision was made not to renew the rental contract for a store at Düsseldorf Airport, which expired in May 2014. The Group operates five shops in total. Targeted expansion is being planned for 2015 and 2016 where suitable and appropriate. Extensions of rental agreements for existing airport shops will be assessed on the basis of commercial 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, ‚The Simpsons‘, ‚Mia and Me‘, ‚Hello Kitty‘ and ‚Peanuts‘ were among the most successful licence subjects. In 2015, 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. In this context, another focus will be on re-entering the French markets and expanding business activities in Poland and the United Kingdom. Overall, the Group expects to see slight growth in the current financial year, accompanied by stringent cost management in all areas of the Group, as outlined above. Also taking into account current order backlog, total sales revenue is to grow by 15-25% in 2015. EBIT is to be raised further in 2015, increasing to between €0.7 million and €1.6 million.

Key Account business, with a large proportion of textiles and clothing, is expected to be the key growth driver in 2015. In this context, the company anticipates that the exchange rate in relation to the US dollar will be slightly above par. The company counteracts potentially unfavourable exchange rate movements relating to the US dollar by entering into hedging agreements.
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.

The forecast published a year ago, pointing to growth by 10-20% in 2014 at Group level, was not met. This was due to the Group's sales performance in the final two months of 2014, which generally tend to generate strong revenue flows from end consumers and specialty retailers. As regards the annual period as a whole, the Group was unable to maintain the momentum of revenue growth generated up to the third quarter. At the same time, the Group incurred a loss of €-1.1 million. Overall, therefore, the Group failed to meet its cash flow forecast for 2014. Despite this, operating profit (EBIT and EBITDA) was in positive territory.

This Group management report contains judgements and estimates as well as forward-looking statements that reflect the current views of the management of UNITEDLABELSAG 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 UNITEDLABELSAG. If these or other risks or uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, the actual results pertaining to UNITEDLABELS may differ materially from those expressed or implied by such statements, expectations or judgements. UNITEDLABELSAG 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, UNITEDLABELS AG disclaims any liability for such statements, expectations or judgements and forecasts.

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

5. Risk Report on the Use of Financial Instruments

The deployment of financial instruments exposes the company to the usual risks, which include default risks, market price risks and liquidity risks. The company makes use of forward exchange dealings on a case-by-case basis for the purpose of hedging existing orders, with exchange gains or losses occurring in relation to the respective spot price. The company's objective is to minimise all risks without impairing operational opportunities. The nature of the risks and the precautionary measures implemented by the company are described in point 4 of this management report and in points B.16 and C.5, 6 and 19 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 2014, the Group's share capital amounted to €6.3 million and comprised 6.3 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 19 December 2014 that he holds 2,831,377 shares (a 44.94% stake) in the company. The company is not aware of any other interests in share capital that exceed 10% of the voting rights.

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

On 24 May 2011, the General Meeting of Shareholders of the Company granted to the Management Board a mandate to increase the Company's share capital, subject to the consent of the Supervisory Board, in one of more stages in the period up to 23 May 2016, by up to a total of €2,100,000.00, through the issue of up to 2,100,000 new shares against contribution in cash or in kind (Authorised Capital 2011). This authorisation was exercised in December 2014, when 2,100,000 new shares (maintaining the subscription rights of shareholders) were sold to existing and new shareholders at a subscription price of €1.55 per share.

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 and replaced by a new authorisation. In accordance with Section 71 et seq. AktG, the company's Management Board was authorised to acquire shares with a proportional amount of the company's share capital of up to 10% of the current share capital before 18 May 2015. This resolution was cancelled by the 2014 Annual General Meeting and replaced by a new resolution: The company is authorised to purchase own shares (treasury shares) in the company. This authorisation is restricted to the purchase of treasury shares with a notional interest of up to 10% in the company's share capital. In this case, the shares acquired due to this authorisation together with other treasury shares already in the possession of the company or shares assigned to it pursuant to Section 71a et seq. AktG (German Stock Corporation Act) may not exceed 10% of the share capital at any time. The authorisation may be exercised in full or in partial amounts, either once or on several occasions, by the company or, for its account, by third parties. The authorisation is valid until 18 August 2019. It may also be exercised by Group entities or by third parties acting for the account of the company or one of its Group entities. Neither the authorisation of the first resolution nor that of the new resolution were exercised in the financial year under review. As at 31 December 2014, the company held no treasury shares. The existing 46,199 shares held by the company were disposed of via the stock exchange in May and June 2014 at an average price of €2.40 per share.

The Management Board has been authorised to issue, with the consent of the Supervisory Board, bearer warrant bonds and/or convertible bonds with a total par value of up to €10,000,000 and with a term of up to 20 years. Furthermore, the Management Board has been authorised to grant option rights to holders of warrant bonds or conversion rights to holders of convertible bonds in respect of up to 2,100,000 new bearer shares of the company with a proportionate amount of share capital of up to €2,100,000 under the conditions of the bond agreement. Different terms, i.e. durations, may be agreed in respect of the bonds as well as the associated conversion and option rights.

In addition, the Annual General Meeting resolved the following:

The share capital is conditionally increased by up to €2,100,000 through the issuance of up to 2,100,000 new bearer shares (Contingent Capital 2014/I). The Contingent Capital increase shall only be executed insofar as the holders of warrant bonds and/or convertible bonds, as issued up to 18 August 2019 on the basis of the authorisation granted by the Annual General Meeting of 19 August 2014, exercise their conversion or option rights or insofar as conversion obligations arising from such bonds are met and to the extent that no other forms of settlement are used for the purpose of servicing these rights. The new shares shall carry dividend rights from the beginning of the financial year in which they are created pursuant to the exercise of conversion or option rights or fulfilment of conversion obligations. The Management Board is authorised, with the consent of the Supervisory Board, to define the further details of the Contingent Capital increase. The Supervisory Board shall be authorised to adapt the wording of the Articles of Association to reflect the scope of execution of a Contingent Capital increase.

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

The details of Supervisory Board compensation were defined by the Annual General Meeting in 2012. The fixed component of compensation amounts to €40 thousand per annum. The Chairman of the Supervisory Board receives €20 thousand p.a., and the two other Supervisory Board members receive €10 thousand p.a. In addition, the members of the Supervisory Board receive variable compensation which is calculated on the basis of 0.25% of consolidated profit (before payment of the variable compensation component); the maximum amount is €10 thousand. Furthermore, the members of the Supervisory Board and its committees to which they are assigned receive remuneration of €1 thousand for meetings attended. The Chairman of the Supervisory Board as well as the Chairman of the Audit Committee receive double this amount for meetings attended. Total Supervisory Board compensation for the 2014 financial year was €62 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: €409 thousand) (Mr. Boder: €217 thousand; Mr. Hirsch: €192 thousand). Management Board compensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2014 financial year amounted to €409 thousand; no variable-component compensation was granted in 2014. In December 2014, a management contract was agreed for five years with the Chairman of the Management Board based on terms and conditions largely comparable to those applicable to the year 2014. This contract corresponds to the provisions set out in the Act on the Appropriateness of Management Board Compensation (VorstAG). The current management contract contains a basic salary along with both a short-term and a long-term variable compensation component. While basic compensation continues to include a salary of €189 thousand per annum, the short-term management bonus agreement has been set at 4% of the Group profit for the year before taxes and bonuses. It is paid if the Group records a profit for the year and is also dependent on whether the annual targets have been met. The performance of the company's shares on the stock exchange is also taken into consideration. The long-term management bonus agreement stipulates that Mr. Boder shall receive a payout in respect of a positive variance in the share price between the bonus year and the fourth financial year ending prior to the bonus year on the basis of 50,000 virtual shares. The management bonus shall lapse if the share price variance is negative or if fulfilment were to result in the parent company's annual profit or the Group's annual profit becoming negative.

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 the consolidated financial statements for 2014, a total of €-1.3 million was reversed under IAS 19 in respect of pension provisions recognised for obligations towards a Management Board, as the reduction in salary is permanent following the conclusion of a new Management Board contract. Additionally, €0.1 million was recognised as staff costs and €0.1 million as interest expense, while €0.3 million was accounted for as other comprehensive income. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is €1,708 thousand (prev. year: €2,477 thousand).

From the age of 65, the Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €16,001.00 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.

The changes in remuneration for the two Management Board members is outlined in the following table of compensation:

Granted benefits	Peter Boder chairman of the management board since 10.05.2000				Albert Hirsch member of the management board since 01.05.2012			
	n - 1	n	n (min)	n (max)	n - 1	n	n (min)	n (max)
Fixed salary	203,154.00	203,154.00	203,154.00	203,154.00	180,000.00	180,000.00	180,000.00	180,000.00
Fringe benefits	13,766.26	13,985.26	13,985.26	13,985.26	12,191.04	12,191.04	12,191.04	12,191.04
Total	216,920.26	217,139.26	217,139.26	217,139.26	192,191.04	192,191.04	192,191.04	192,191.04
Short term variable salary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term variable salary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service costs	107,169.00	102,063.00	102,063.00	102,063.00	0.00	0.00	0.00	0.00
Curtailments	0.00	-1,337,095.00	-1,337,095.00	-1,337,095.00	0.00	0.00	0.00	0.00
Total salary	324,089.26	-1,017,892.74	-1,017,892.74	-1,017,892.74	192,191.04	192,191.04	192,191.04	192,191.04

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 44.94% interest in **UNITED**LABELS AG, Mr. Peter Boder, member of the Management Board of **UNITED**LABELS AG, also has a 100% shareholding in Facility Management Münster GmbH. Facility Management Münster GmbH (FMM GmbH) has a business relationship with **UNITED**LABELS AG. There is no control or profit transfer agreement between the aforementioned entities. The second member of the Management Board, Mr. Albert Hirsch, has no business relationship with the company under the provisions of Section 312 AktG.
In accordance with Section 312 AktG, the Management Board reports on the company's relationship to affiliated companies. The following is the closing statement of this report:

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

Münster, 20 March 2015

UNITEDLABELS Aktiengesellschaft

The Management Board

Peter Boder Albert Hirsch

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2014

ASSETS

	Notes	31.12.2014 €	31.12.2013 €
Assets			
Non-current assets			
Property. plant and equipment	C.1.	4,971,496.00	5,255,733.53
Intangible assets	C.1.	8,934,588.81	9,199,027.93
At-equity investments	C.2.	0.00	66,946.09
Other assets	C.6.	1,394,279.68	1,214,102.96
Deferred taxes	C.3.	4,218,756.06	4,312,915.88
		19,519,120.55	**20,048,726.39**
Current assets			
Inventories	C.4.	3,349,761.17	3,449,512.87
Trade receivables	C.5. / C.8	4,468,433.01	4,694,614.99
Other assets	C.6.	1,834,510.27	1,995,602.46
Cash and cash equivalents	C.7.	721,697.66	290,408.78
		10,374,402.11	**10,430,139.10**
Total assets		**29,893,522.66**	**30,478,865.49**

EQUITY AND LIABILITIES

	Notes	31.12.2014 €	31.12.2013 €
Equity			
Capital and reserves attributable to the owners of the parent company			
Issued capital	C.9.	6,300,000.00	4,200,000.00
Capital reserves		4,240,733.00	3,352,705.65
Retained earnings		2,003,475.41	2,256,260.16
Currency translation		-571,261.32	-571,627.24
Consolidated unappropriated loss		-4,848,144.60	-3,952,413.44
Treasury shares		0.00	-223,413.73
Shareholders' equity		**7,124,802.49**	**5,061,511.40**
Non-controlling interests		-432,519.89	-307,320.03
Total equity		**6,692,282.60**	**4,754,191.37**
Non-current liabilities			
Provisions for pensions	C.10.	1,708,455.00	2,476,713.00
Financial liabilities	C.12.	2,044,446.75	2,279,999.79
Trade payables	C.12.	2,760,765.72	3,251,906.00
Deferred tax liabilities	C.3.	264,492.44	2,860.03
		6,778,159.91	**8,011,478.82**
Current liabilities			
Provisions	C.11.	128,692.78	0.00
Current tax payable	C.12.	12,863.42	15,507.48
Financial liabilities	C.12.	7,058,562.39	7,534,541.14
Trade and other payables	C.12.	9,222,961.55	10,163,146.68
		16,423,080.14	**17,713,195.30**
Total liabilities		**23,201,240.05**	**25,724,674.12**
Total equity and liabilities		**29,893,522.66**	**30,478,865.49**

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

for the period from 1 January to 31 December 2014

	Notes	2014 €	2013 €
Revenue	**D.1.**	**31,978,022.16**	**33,231,579.26**
Cost of materials	D.2.	-20,788,896.48	-23,186,255.22
Amortisation/write-down of usage rights	D.3.	-2,116,501.40	-2,329,115.33
		-22,905,397.87	**-25,515,370.55**
		9,072,624.29	**7,716,208.71**
Other operating income	D.4.	1,926,574.70	2,123,063.05
Staff costs	D.5./C.10.	-4,535,663.84	-4,819,104.70
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation/write-down of usage rights)	D.6.	-707,077.22	-688,270.67
Other operating expenses	D.7.	-5,306,702.13	-5,747,799.55
Profit from operations		**449,755.79**	**-1,415,903.17**
Finance income	D.8.	56,023.79	103,263.94
Result from associated entities	D.8.	138,053.92	1,099.14
Finance costs	D.8.	-1,292,866.27	-1,073,167.83
Net finance cost		**-1,098,788.56**	**-968,804.75**
Profit before tax		**-649,032.77**	**-2,384,707.92**
Taxes on income	D.9.	-409,334.63	1,537,189.38
Consolidated loss for the period		**-1,058,367.40**	**-847,518.54**
Loss attributable to owners		-895,731.16	-642,963.71
Loss attributable to non-controlling interests	C.9.	-162,636.24	-204,554.83
Other comprehensive income („OCI“):			
Not to reclassify result:			
Actuarial gains and losses		-252,784.75	146,080.00
To reclassify result:			
Exchange difference on translating foreign operations		365.92	-211.71
Total other comprehensive income		-252,418.83	145,868.29
Total comprehensive group loss		**-1,310,786.23**	**-701,650.25**
Loss attributable to owners		-1,148,150.00	-497,095.41
Loss attributable to non-controlling interests	C.9.	-162,636.24	-204,554.83
Consolidated loss (based on income statement) per share			
basic	C.9.	-0.21 €	-0.15 €
diluted	C.9.	-0.21 €	-0.15 €
Weighted average shares outstanding			
basic	C.9.	4,267,255 pcs.	4,153,801 pcs.
diluted	C.9.	4,267,255 pcs.	4,153,801 pcs.

UNITEDLABELS Aktiengesellschaft, Münster - Group Statement of Cash Flows

Notes to Group Statement of Cash Flows. cf. C.16.	Notes	2014 T€	2013 T€
Consolidated loss for the period		-1,058	-848
Interest income from financing activities		1.237	970
Amortisation/write-down of usage rights	C.1.D. 3/6	2.116	2.329
Amortisation of intangible assets	C.1.D. 3/6	226	216
Depreciation of property, plant and equipment	C.1.D. 3/6	481	472
Write-down of financial assets	C.1.D. 3/6	67	0
Change in provisions	C.10,C.11	-640	-1,028
Other non-cash expenses		-622	-1,542
Result from disposal of non-current assets		10	19
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.4-6	307	1,405
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	-2,431	1,402
Payments for tax on profit		-3	-64
Cash flows from operating activities		**-310**	**3,331**
Payments for investments in intangible assets and property. plant and equipment	C.1	-1,453	-3,110
Proceeds/Payments from investments in financial assets	C.1	0	-50
Payments for acquisition of consolidated companies	A.4	-163	0
Cash flows from investing activities		**-1,617**	**-3,160**
Proceeds from capital increase	C.9	3,102	0
Proceeds from sale of own shares	C.9	110	0
Proceeds from bank loans		0	321
Proceeds from short-term loans		1.000	0
Repayment of financial loans		-712	-872
Interest received		56	103
Interest paid		-1,197	-1,073
Cash flows from financing activities		**2,359**	**-1,521**
Net change in cash and cash equivalents		432	-1.350
Cash and cash equivalents at the beginning of the period		290	1,640
Cash and cash equivalents	**C.7.**	**722**	**290**
Gross debt bank		9,103	9,815
Net debt bank		**8,381**	**9,525**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**722**	**290**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital €'000	Capital reserves €'000	Reta-ined earnings €'000	Conso-lidated net loss €'000	Balancing item for currency translation €'000	Tre-asury shares €'000	Equity €'000	Mino-rity in-terest in capital €'000	Total (Group equity) €'000
Balance at 31.12.2012	**4,200**	**3,353**	**2,110**	**-3,310**	**-571**	**-223**	**5,559**	**-103**	**5,456**
Consolidated result 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 2013 results	**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**
Net income in 2014	0	0	0	-895	0	0	-895	-163	-1,058
Other gains and losses									
Currency translation	0	0	0	0	1	0	1	0	1
Acturial gains and losses	0	0	-371	0	0	0	-371	0	-371
Deferred taxes	0	0	118	0	0	0	118	0	118
Total earnings in 2014	**0**	**0**	**-253**	**-895**	**1**	**0**	**-1,147**	**-163**	**-1,310**
Capital increase	2,100	1,001	0	0	0	0	3,101	0	3,101
Sale of own shares	0	-113	0	0	0	223	110	0	110
Business acquisation	0	0	0	0	0	0	0	37	37
	2,100	**888**	**0**	**0**	**0**	**223**	**3,211**	**37**	**3,248**
Balance at 31.12.2014	**6,300**	**4,241**	**2,003**	**-4,848**	**-571**	**0**	**7,125**	**-433**	**6,692**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2014

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 2014 were approved, and thus adopted, and released for publication by the Supervisory Board on 20 March 2015.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2014, 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 2014. 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 resources or outside funds. For this reason, the Company has started to monitor liquidity closely with a view to ensuring smooth order financing. The Company makes use of factoring at the parent company in Germany and at Colombine in Belgium. Liquidity risks cannot be ruled out where customers settle large payments very late or suppliers require payment unusually early. The 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, **UNITED**LABELS cannot rule out the possibility that liquidity requirements will be higher than planned if

the entities within the Group were to fail to meet their targets. This situation could occur in periods in which a nearterm deterioration in the economic climate coincides with periods in which **UNITED**LABELS Aktiengesellschaft regularly has a substantial requirement for liquidity. In this event, **UNITED**LABELS Aktiengesellschaft would have to utilise existing lines of credits – to the extent that these are available. Against the backdrop of the restructuring and financing measures already implemented, the continuation of the company without jeopardising it as a going concern presupposes that current lines of credit remain in place and that revenue and earnings targets stipulated within the Company's budget can be met to the largest extent possible. The Company has prepared its annual financial statements on a going concern basis. This is founded on extensive liquidity planning, on the basis of which the provision of sufficient financial resources has been safeguarded for the entire annual period.

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 2014 and were applied by **UNITED**LABELS Aktiengesellschaft accordingly.
The focus of IFRS 10 (Consolidated Financial Statements) is on the introduction of a single consolidation model that applies to all entities, the emphasis being on the „control" held over the subsidiary by the parent company. It shall be applied to parentsubsidiary relationships based on voting rights as well as on parentsubsidiary relationships established by means of other contractual agreements. Under IFRS 10, the concept of „control" encompasses three elements, all of which must be applicable: (1) power over the investee, (2) exposure, or rights, to variable returns from its involvement with the investee and (3) the ability to use its power over the investee to affect the amount of the investor's returns.
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:

- IAS 27, Separate Financial Statements
- IAS 28, Investments in Associates and Joint Ventures
- Amendments to IAS 32, Financial Instruments: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Impairment of Assets
- Amendments to IAS 39, Financial Instruments: Recognition and measurement
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 10, IFRS 12, IAS 27, Investment Entities

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 subsequent annual periods (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 2015

- Annual Improvements Project 2011-2013: Improvements to Existing Standards (EU endorsement on 19 December 2014)

- IFRIC 21, Levies (EU endorsement on 13 June 2014)

Mandatory application for reporting period as from 01 January 2016

- Annual Improvements Project 2010-2012: Improvements to Existing Standards (EU endorsement on 17 December 2014)

- Amendments to IAS 19, Employee Benefits (EU endorsement on 17 December 2014)

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 carrying amount is increased or decreased to recognise **UNITED**LABELS' share of the profit or loss of the investee after the date of acquisition. The investment, recognised at amortised cost, is presented as an item within financial assets; the profit or loss is accounted for within consolidated profit on a proportionate basis in income from associates.

Intragroup transactions and balances, as well as unrealised profits and losses resulting from intragroup transactions are eliminated in full. The accounting policies applied by the subsidiaries were changed, to the extent that this was possible, in order to ensure consistent financial accounting throughout the Group. Profits and losses resulting from transactions between Group companies and associated companies are eliminated according to the interest of the Group in the associated entity. There were no differences attributable to offsetting.

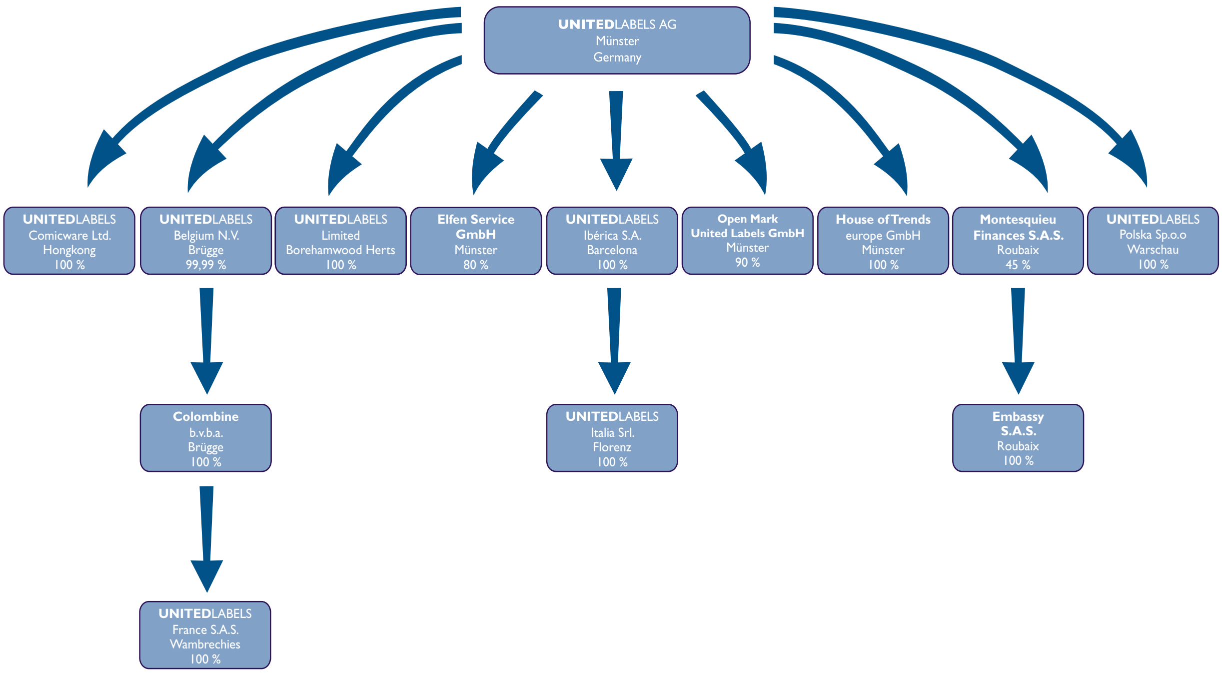
In accordance with regulations governing the scope of consolidated financial statements, in addition to **UNITED**LABELSAktiengesellschaft as the parent company the following enterprises are included in the consolidated financial statements as at 31 December 2014, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

	Ownership interest	Period that the entity has been included in the consolidated financial statements
UNITEDLABELS Ibérica S.A., Barcelona, Spain	100.000 %	01.01.-31.12.2014
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florenz, Italy	100.000 %	01.01.-31.12.2014
UNITEDLABELS Belgium N.V., Brügge, Belgium	99.999 %	01.01.-31.12.2014
as its wholly owned subsidiary		
Colombine b.v.b.a., Brügge, Belgium	100.000 %	01.01.-31.12.2014
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01.01.-31.12.2014
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01.01.-31.12.2014
UNITEDLABELS Comicware Ltd., Hongkong	100.000 %	01.01.-31.12.2014
UNITEDLABELS Polska Sp.o.o., Warschau, Poland	100.000 %	01.01.-31.12.2014
Open Mark United Labels GmbH, Münster	90.000 %	29.05.-31.12.2014
Elfen Service GmbH, Münster	80.000 %	01.01.-31.12.2014
House of Trends europe GmbH, Münster	100.000 %	01.01.-31.12.2014

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. On 28 May 2014, **UNITED**LABELS AG acquired an additional 40% of the ownership interests in Open Mark United Labels GmbH, as a result of which this entity was fully consolidated for the first time for the period from 29 May 2014 to 31 December 2014. Until 28 May 2014 said entity was accounted for using the equity method, as control over economic activity was exercised on equal terms and was thus not held by a single investor.
Mr. Albert Hirsch holds a 20% interest in Elfen Service GmbH. Open Mark Srl., Italy, holds 10% of the interests in Open Mark United Labels 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 2014



4. Acquisition of ownership interests in and first-time full consolidation of Open Mark United Labels GmbH

Effective from 28 May 2014, the Company acquired an additional 40% interest in Open Mark United Labels GmbH for a purchase consideration of €164 thousand, which was settled in full by means of a cash payment. Thus, the Company currently holds a total of 90% of the ownership interests in said entity. As from the date of acquisition, Open Mark United Labels GmbH has been fully consolidated within the Group. In the period from 29 May to 31 December 2014 the entity generated revenue of €514 thousand and a profit of €196 thousand, which were accounted for in the consolidated financial statements. If the date of acquisition had been 1 January 2014, revenue would have amounted to €813 thousand and the loss would have totalled €-108 thousand.

Open Mark United Labels GmbH had signed an agreement covering the use of a significant licence which the other entities within the Group do not have. Therefore, this entity is considered to be the perfect complement to the Group's existing business model. First-time consolidation of the entity as at 29 May gave rise to goodwill of €32 thousand. This is attributable to the synergies expected to materialise from joint business activities. The fair values of assets and liabilities taken over by the Group as at 29 May are as follows:

Open Mark United Labels GmbH	**29.05.2014**
	(in '000)
Intangible Assets	800
Inventuries	1,258
Trade receivables	302
Receivables against affiliates	617
Other Assets	115
Cash	1
Deferred tax	185
Total Assets	**3,278**
Provision for income taxes	4
Provision for deferred tax	298
Other Provisions	303
Trade liabilities	1,545
Other Liabilities	752
Total liabilities	**2,902**

The carrying amount to be recognised for the remaining non-controlling interests (10%) as at 29 May is €37 thousand, computed as 10% of the total of revalued equity at the time of acquisition. The fair value of the 50% ownership interest previously held by the Company is €205 thousand. As at 29 May 2014, Open Mark United Labels GmbH had a positive bank balance of €1 thousand and no bank borrowings.

5. Composition of non-controlling interests

There are two entities within the **UNITED**LABELS Group in which **UNITED**LABELS does not hold an ownership interest of 100%. Open Mark Srl., Italy, holds 10% of the interests in Open Mark United Labels GmbH and Mr. Albert Hirsch owns 20% of the interests in Elfen Service GmbH. The financial data to be disclosed in respect of these two entities are as follows:

	Open Mark United Labels GmbH		**Elfen Service GmbH**	
	29.05.2014 - 31.12.2014	01.01.2014 - 31.12.2014	2014	2013
	(in €'000)	(in €'000)	(in €'000)	(in €'000)
Turnover	3,625	4,794	916	1,498
Net income	592	12	-911	-1,023
Result to non controlling interest	59		-182	-205
Consolidation	-396		0	0
Total	196		-911	-1,023
Result to non controlling interest	20		-182	-205
Short term assets	644		218	289
Long term assets	0		617	737
Short term liabilities	501		642	490
Long term liabilities	0		0	2.072
Equity	143		192	-1,537
Equity to non controlling interest	14		38	-307
Consolidation	43		-528	0
Equity to non controlling interest after consolidation	57		-490	-307

6. Operating segments

Segment reporting at **UNITED**LABELS is performed on the basis of customer groups, with sales revenue representing the primary instrument of control. The two segments covered are Key Accounts and Special Retail. The Key Account segment focuses on customised contract production, while the Special Retail segment offers smaller-scale retailers a varying range of goods supplied from stock. There were no intersegment revenues or expenses in the period under review.

B. B. Significant accounting policies

1. Property, plant and equipment

Property, plant and equipment were measured at cost of purchase or conversion, less systematic depreciation over the asset's useful life. Land is not subject to depreciation. Borrowing costs are not included in the cost of purchase, as the prerequisites for qualifying assets do not regularly apply. All other items of property, plant and equipment are subject to straight-line depreciation, with the cost of purchase being charged over the estimated useful life of the asset or item until the residual value has been reached:

Buildings	10 – 33 years
Technical equipment and machinery	3 – 13 years
Office equipment	3 – 14 years

Gains and losses arising from the disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are included in profit or loss. The residual value and the useful life of an asset are reviewed at each financial year-end and adjusted where necessary. If the carrying amount of an item of property, plant and equipment exceeds the estimated recoverable amount, the carrying amount is reduced to this recoverable amount.

2. Identifiable intangible assets

(a) Goodwill

Goodwill is the excess of the cost of the business combination over the Group's interest in the fair value of the net assets of the acquired entity at the acquisition date. Goodwill arising from a business combination is recognised as an intangible asset.

Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that it might be impaired (triggering events); it is carried at cost less accumulated impairment losses. Gains and losses arising from the disposal of an entity include the carrying amount of goodwill attributable to the entity to be disposed of.

The impairment test is performed on the basis of the cash-generating unit. In this case, the cash-generating units within the Group are identified in accordance with the internal reporting by management. On this basis, the **UNITED**LABELS Group has identified the individual entities in their respective countries as cash-generating units.

(b) Concessions, industrial property rights

Trademarks and licences are recognised at their historical cost of purchase/conversion. Trademarks and licences (not cartoon/animation licences) have finite useful lives and are carried at their cost of purchase/conversion, less accumulated amortisation. Amortisation is performed on a straight-line basis over an estimated economic life of 3 to 10 years. Domains with a carrying amount of €31 thousand have been recognised at cost as intangible assets and are not subject to systematic amortisation, as their useful lives are indefinite.

Computer software licences acquired by the Company are capitalised at cost (cost of purchase/conversion), plus the cost of preparing the asset for its intended use. These costs are amortised over the estimated economic life of the asset

(3 to 5 years).
The licences for the commercial use of cartoon/animation characters have also been accounted for in this item and are recognised as assets on the basis of the purchase price payments made in connection with the licence agreements and recognised correspondingly in trade payables. The rights associated with such licences relate to a specific period (1 to 3 years), a defined geographical sales territory and a specific product, as well as giving rise to a fee for the use of the licence. The licences for cartoon/animation characters are amortised on the basis of their economic use. The latter is determined by a contractually agreed percentage figure of the revenue generated by the specific licensed products.

Development costs are capitalised if the requirements of IAS 38 have been met. If this is not the case, the costs are expensed as incurred.

3. Impairment and reversal of impairment

Assets with indefinite useful lives are not subject to systematic depreciation/amortisation. Instead, they are tested for impairment on an annual basis. Assets that are depreciated/amortised on a systematic basis are tested for impairment if there is any indication or change in circumstances to suggest that the carrying amount of an asset is no longer recoverable. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount; this reduction is an impairment loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of impairment testing, assets are aggregated on the basis of the smallest group for which separate cash flows can be identified (cash-generating units). These cash-generating units correspond to the individual legally separate Group companies. In the event of an impairment, an impairment loss is recognised for the goodwill allocated to the specific cash-generating unit; any residual amount is allocated to the remaining assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset. An impairment is reversed – with the exception of goodwill – in proportion to the carrying amounts of the assets. The carrying amount of the individual asset shall not exceed its recoverable amount.

4. Deferred taxes

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

5. Inventories

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

6. Receivables and other assets

Receivables and other assets are always measured at amortised cost. An impairment of trade receivables is recognised only if there is objective evidence that the amounts due are not collectible in full. The amount of the impairment loss

is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows associated with the receivable. The amount of the impairment loss is recognised in profit or loss. Due to the short maturities of the receivables, the effective interest method was not applied. To the extent that other assets include derivative financial instruments, these are recognised at their fair value through profit and loss.
Prepayments are carried on the basis of the prepaid amount.

7. Categories of financial instruments according to IAS 39

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

8. 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 (previous year) and the consolidated net accumulated deficit. Upon purchasing 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 2.6% (prev. year: 3.7%) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5% (prev. year: 2.5%), and an interest rate of 1.75% (prev. year: 2.0%) was applied as regards future increases in pensions.

Within the Group a post-employment obligation exists towards Peter Boder, CEO/Chairman of the Management Board. The associated obligation is determined on the basis of an actuarial report. Provisions for post-employment benefits were measured by applying the projected unit credit method. In accordance with 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 deduction of transaction costs) and the maturity amount is distributed over the life of the loan using the effective interest method and is accounted for in the statement of comprehensive income. Loans payable are classified as current liabilities, to the extent that the Group does not have the unconditional right to postpone the extinguishment of the liabilities to a date at least 12 months subsequent to the reporting date. Additionally, long-term borrowings are measured by means of the effective interest method.

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 delivers products to a customer, the passage of risk stipulated under the agreement has occurred and the collectibility of the receivable arising therefrom is probable. A right of return exists for some of the products sold. If there are no specific indications relating to the scale of the returns ratio, experience gained in the past is used as a basis for estimating the rate of return and presenting such details in the consolidated financial statements. Sales revenues are reduced by an amount equivalent to the anticipated volume of goods returned; a provision corresponding to this amount is recognised accordingly. The cost of materials is also reduced, and an addition to other assets is made.

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 2014 financial year was €1.24073 € / £ (prev. year: €1.17714 € / £), and the closing rate at 31 December 2014 was €1.2894 € / £ (prev. year: €1.19947 € / £). **UNITED**LABELS Polska is accounted in Polish złoty. The average exchange rate for the applicable accounting period was 4.18563 zł / € (prev. year: 4.20846 zł / €), and the closing rate was 4.2986 zł / € (prev. year: 4.15790 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.

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: 30%) was applied, as a cap has been contractually agreed with regard to the right of return in the majority of cases.

The impairment test for goodwill is based on assumptions concerning the future. From the current perspective, changes in these assumptions will not result in the carrying amounts of the cash-generating units exceeding their recoverable amount and thus having to be adjusted in the subsequent financial year.

Deferred tax assets attributable to the carryforward of losses are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The actual situation in terms of future taxable profit and thus also the actual ability to utilise deferred tax assets may depart from the assumptions made at the date of recognising deferred tax assets.

The fair value measurement of the call option is based on forward-looking assumptions as to the economic performance of the entity whose ownership interests the call option relates to within this context. Changes to these assumptions may correspondingly lead to changes in the fair value, thus necessitating an adjustment to the recognised asset through profit and loss.

All assumptions and estimates are based on circumstances and assessments at the end of the reporting period. Additionally, when assessing the future course of business, the future economic climate deemed realistic at that time with regard to the sectors and countries in which the Group operates was taken into account. If these conditions change in a manner that departs from that projected in the assumptions, the actual amounts may deviate from estimates made. In these cases, the assumptions and, if necessary, the carrying amount of the assets and liabilities in question are adjusted.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the underlying assumptions and estimates made will be required. Therefore, on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2015 to the carrying amounts of the assets and liabilities recognised.

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

1. Property, plant and equipment and intangible assets

The categorisation and development of non-current assets is shown in the following fixed assets schedule. Effective from the 2006 financial year, the usufructuary rights relating to licence agreements within the area of 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 2014

	Cost of purchase or conversion				
	Balance at 01.01.2014	Currency adjustment	Acquisition	Disposals	Balance at 31.12.2014
	€	€	€	€	€
I. Property 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	6,010,009.25
2. Technical equipment and machinery	1,209,169.18	96,369.86	0.00	-371,180.79	934,358.25
3. Other plant, operating and office equipment, furniture and fixtures	2,517,685.32	110,938.96	0.00	-44,151.91	2,584,472.37
	9,736,863.75	**207,308.82**	**0.00**	**-415,332.70**	**9,528,839.87**
II. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	12,928,012.18	1,245,762.55	800,000.00	-6,974,833.61	7,998,941.12
2. Goodwill	7,202,803.40	0.00	32,072.59	0.00	7,234,875.99
	20,130,815.58	**1,245,762.55**	**832,072.59**	**-6,974,833.61**	**15,233,817.11**
III. Financial assets					
1. At-equity investments	66,946.09	0.00	0.00	-66,946.09	0.00
	66,946.09	**0.00**	**0.00**	**-66,946.09**	**0.00**
	29,934,625.42	**1,453,071.37**	**832,072.59**	**-7,457,112.40**	**24,762,656.98**

Accumulated depreciation/amortisation				Net Amounts	
Balance at 01.01.2014	Additions	Disposals	Balance at 31.12.2014	Balance at 31.12.2014	Balance at 31.12.2013
€	€	€	€	€	€
1,999,060.92	178,971.31	0.00	2,178,032.23	3,831,977.02	4,010,948.33
583,391.81	153,398.76	-361,120.05	375,670.52	558,687.73	625,777.37
1,898,677.49	148,934.29	-43,970.66	2,003,641.12	580,831.25	619,007.83
4,481,130.22	**481,304.36**	**-405,090.71**	**4,557,343.87**	**4,971,496.00**	**5,255,733.53**
9.354.208,22	2.342.274,26*	-6.974.833,61	4.721.648,87	3,277,292.25	3,573,803.96
1.577.579,43	0.00	0.00	1.577.579,43	5,657,296.56	5,625,223.97
10.931.787,65	**2.342.274,26**	**-6.974.833,61**	**6.299.228,30**	**8,934,588.81**	**9,199,027.93**
0.00	66,946.09	-66,946.09	0.00	0.00	66,946.09
0.00	**66,946.09**	**-66,946.09**	**0.00**	**0.00**	**66,946.09**
15,412,917.87	**2,890,524.71**	**-7,446,870.41**	**10,856,572.17**	**13,906,084.81**	**14,521,707.55**

*of this amount, € 2,116.501.40 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 225,772.86 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 (€ 481,304.36).

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).

Goodwill was calculated as follows:

	2014 € '000	2013 € '000
Balance at 01.01.	5,625	5,625
Depreciation/amortisation	32	0
Balance at 31.12.	**5,657**	**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. Effective from 29 May 2014, additional goodwill of €32 thousand was recognised following the acquisition of a further 40% ownership interest in Open Mark United Labels GmbH. 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 4.79% (Colombine), 3.95% (Ibérica), 4.79% (Open Mark United Labels GmbH) 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 backlog data available at the end of the reporting period and cost budgeting based on the business model. Essentially, moderate revenue growth, together with a stable profit margin and a slower increase in costs relative to revenue growth, is expected. 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 3.95% or 4.79% (prev. year: 6.12% or 6.40%) after taxes. The interest rate before taxes was 4.73% or 6.24%. (prev. year: 8.31% or 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.

2. At-equity investments

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, in which **UNITED**LABELS AG holds a 45% interest. All carrying amounts relating to these two entities were corrected in 2012, and therefore the aforementioned liquidation had no impact on profit in 2014. The consolidated earnings of Montesquieu for 2014 are unknown.

Additionally, Open Mark United Labels GmbH, Münster, was established in 2011; **UNITED**LABELS AG held a 50% interest in this entity. The entity's share capital is €125 thousand, and in 2014 it generated a profit of €12 thousand. Effective from 29 May 2014, the Company acquired an additional 40% interest in Open Mark United Labels GmbH for a purchase consideration of €164 thousand. The entity has been fully consolidated since the aforementioned date of acquisition.

3. Deferred tax assets

The deferred tax assets in the amount of €4,219 thousand (prev. year: €4,313 thousand) comprise an amount of €3,376 thousand (prev. year: €3,333 thousand) for the carryforward of unused tax losses as well as an amount of €843 thousand (prev. year: €980 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 €264 (prev. year: €3 thousand). Current deferred tax assets amounted to €649 thousand (prev. year: €225 thousand), while current deferred tax liabilities totalled €121 thousand (prev. year: €3 thousand).

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

	31.12.2014		31.12.2013		2014	2014	2013	2013
	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
Loss carried forward	3,376	0	333	0	-142	185	1,738	0
Intangible assets	431	199	440	0	47	-255	-15	0
At-equity investments	0	0	0	0	0	0	1	0
Receivables from affiliated companies	0	32	0	0	-32	0	0	0
Inventories	6	0	0	0	49	-43	0	0
Forderungen verbundene Unternehmen	0	0	0	0	0	0	-12	0
Other assets	0	23	0	0	-23	0	0	0
Provisions for post-employment benefits	398	0	525	0	-246	119	-76	-69
Other provisions	0	0	0	0	0	0	-23	0
Bank borrowings	5	0	7	0	-2	0	-3	0
Trade payables	0	9	6	0	-15	0	-64	0
Payables to affiliated companies	2	1	1	3	3	0	-2	0
Other liabilities	1	0	1	0	0	0	0	0
	4,219	**264**	**4,313**	**3**	**-361**	**6**	**1,544**	**-69**

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. The Company has substantive evidence to suggest future earnings growth as a result of the ongoing optimisation programme, underpinned by an increase in both revenue and margins as well as further cost streamlining. An amount of €4,523 thousand (prev. year: €4,153 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 €15,541 thousand (prev. year: 14,401 thousand) and €12,810 thousand (prev. year: €11,637 thousand) respectively. Additionally, no deferred taxes were recognised with regard to corporation tax loss carryforwards attributable to subsidiaries totalling €6,622 thousand (prev. year: €5,540 thousand). Of this amount, €4,059 thousand (prev. year: €3,746 thousand) is attributable to non-domestic activities. The positive temporary differences in relation to subsidiaries in the financial year 2014 amounted to €20 thousand (prev. year: €0).

4. Inventories

Of the total inventories amounting to €3,350 thousand (prev. year: €3,450 thousand), 49% (€1,657 thousand; prev. year 55%, €1,891 thousand) was attributable to the storage location in Spain, while 51% (prev. year: 45%), i.e. €1,693 thousand, was attributable to the storage location in Germany (prev. year: €1,559 thousand).
The inventories of the German parent company (€1,595 thousand) and the Spanish subsidiary (€1,657 thousand) have been assigned to the financing banks as security.

5. Trade receivables

Trade receivables fell by €227 thousand year on year, from €4,695 thousand to €4,468 thousand. This item includes prepayments for inventories amounting to €32 thousand (prev. year: €33 thousand). The policy of **UNITED**LABELS is to insure all accounts receivable whose balance exceeds a specific limit. Exceptions to this rule are only permitted for a limited period with the prior written consent of the management. Thus, the age structure of non-impaired receivables is as follows:

Maturity of receivables	**2014 € '000**	**2013 € '000**
Not due	3,752	4,415
Due		
due for 0 - 30 days	279	35
due for 31 - 60 days	161	22
due for 61 - 90 days	40	7
due for more than 90 days	236	216
Total	**4,468**	**4,695**

The maximum default risk, without taking into account existing credit insurance, stands at €4,468 thousand. In total, 77% of these receivables are covered by credit insurance.

There was an allowance for uncollectible accounts of €528 thousand (prev. year: €589 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 2014, receivables had to be written down by €3 thousand (prev. year: €12 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, €3,712 thousand of receivables outstanding had been sold to the factoring company. The receivables attributable to these key accounts are sold in full and irrevocably. However, the factoring company is entitled to a retention of 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 recognised 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 2014. 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 €88 thousand (prev. year: €76 thousand), the associated liability stood at €92 thousand (prev. year: €79 thousand), interest income in respect of the previous year totalled €1 thousand (prev. year: €2 thousand) and accounting-related income amounted to €0 (prev. year: €1 thousand).
The receivables of the German parent company (€939 thousand) and the Spanish subsidiary (€1,861 thousand) have been assigned to the financing banks as security.

6. Other assets

Other non-current assets include receivables from pledged reinsurance policies totalling €1.4 million (prev. year: €1.2 million).
The current item mainly includes receivables from the factoring agency in Germany and Belgium amounting to €0.9 million (prev. year: €0.8 million) and receivables from creditors amounting to €0.3 million (prev. year: €0.3 million); a valuation allowance of €0.1 million has been recognised in respect of the receivables from creditors.
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 €67 thousand (prev. year: €69 thousand), were recognised within this item.

Non-impaired assets were as follows:

Maturity of receivables	2014 € '000	2013 € '000
Not due	3,025	2,811
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	204	399
Total	**3,229**	**3,210**

The maximum default risk, without taking into account existing credit insurance, stands at €1,835 thousand (prev. year: €2,185 thousand).

7. Cash and cash equivalents

Cash and cash equivalents rose from €290 thousand to €722 thousand in the financial year under review. The Company did not invest any monies during the financial year under review.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31.12.2014			31.12.2013		
€ '000	Gross value €'000	less impairment €'000	Net value €'000	Gross value €'000	less impairment €'000	Net value €'000
Trade receivables	4,996	528	4,468	5,284	589	4,695
Other assets	3,303	74	3,229	3,247	37	3,210

The net losses and gains correspond to the year-on-year change in the impairment for each measurement category and amount to €24 thousand. Please refer to the relevant section of the notes for further details concerning measurement.

9. Equity

As at 31 December 2014 share capital totalled €6,300 thousand, divided into 6.3 million no-par-value bearer shares („Stückaktien“ governed by German law). In December 2014, the Company completed a capital increase by issuing 2,100,000 new shares at a price of €1.55 per share. The difference between this price and the nominal amount of €1.00, less transaction costs of €154 thousand associated with the capital increase, was accounted for in the capital reserve.
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). This authorisation was exercised in December 2014, when 2,100,000 new shares (maintaining the subscription rights of shareholders) were sold to existing and new shareholders at a subscription price of €1.55 per share.

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 and replaced by a new authorisation. In accordance with Section 71 et seq. AktG, the company’s Management Board was authorised to acquire shares with a proportional amount of the company’s share capital of up to 10% of the current share capital before 18 May 2015. This resolution was cancelled by the 2014 Annual General Meeting and replaced by a new resolution: The company is authorised to purchase own shares (treasury shares) in the company. This authorisation is restricted to the purchase of treasury shares with a notional interest of up to 10% in the company‘s share capital. In this case, the shares acquired due to this authorisation together with other treasury shares already in the possession of the company or share assigned to it pursuant to Section 71a et seq. AktG (German Stock Corporation Act) may not exceed 10% of the share capital at any time. The authorisation may be exercised in full or in partial amounts, either once or on several occasions, by the company or, for its account, by third parties. The authorisation is valid until 18 August 2019. It may also be exercised by Group entities or by third parties acting for the account of the Company or one of its Group entities. Neither the authorisation of the first resolution nor that of the new resolution were exercised in the financial year under review. As at 31 December 2014, the Company held no treasury shares. The existing 46,199 shares held by the company were disposed of via the stock exchange in May and June 2014 at an average price of €2.40 per share. As a result of this transaction, the capital reserve was reduced by €113 thousand and the reserve for treasury shares rose by €223 thousand.

The Management Board has been authorised by the 2014 Annual General Meeting to issue, with the consent of the Supervisory Board, bearer warrant bonds and/or convertible bonds with a total par value of up to €10,000,000 and with a term of up to 20 years. Furthermore, the Management Board has been authorised to grant option rights to holders of warrant bonds or conversion rights to holders of convertible bonds in respect of up to 2,100,000 new bearer shares of the Company with a proportionate amount of share capital of up to €2,100,000 under the conditions of the bond agreement. Different terms, i.e. durations, may be agreed in respect of the bonds as well as the associated conversion and option rights.

In addition, the Annual General Meeting resolved the following:
The share capital is conditionally increased by up to €2,100,000 through the issuance of up to 2,100,000 new bearer shares (Contingent Capital 2014/I). The Contingent Capital increase shall only be executed insofar as the holders of warrant bonds and/or convertible bonds, as issued up to 18 August 2019 on the basis of the authorisation granted by the Annual General Meeting of 19 August 2014, exercise their conversion or option rights or insofar as conversion obligations arising from such bonds are met and to the extent that no other forms of settlement are used for the purpose of servicing these rights. The new shares shall carry dividend rights from the beginning of the financial year in which they are created pursuant to the exercise of conversion or option rights or fulfilment of conversion obligations. The Board of Directors is authorised, with the consent of the Supervisory Board, to define the further details of the Contingent Capital increase. The Supervisory Board shall be authorised to adapt the wording of the Articles of Association to reflect the scope of execution of a Contingent Capital increase.
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.
Due to the capital increase and the disposal of treasury shares, the capital reserve has risen by €888 thousand.
Revenue reserves declined by €253 thousand compared to the previous year. This is attributable to actuarial losses in connection with the valuation of pension provisions and the associated deferred taxes.

The Group's accumulated deficit developed as follows:

	2014 T€	2013 T€
Balance at 01.01.	-3,953	-3,310
Consolidated loss for the year	-1,058	-848
Loss attributable to shareholders	163	205
Transfers from capital reserves	0	0
Balance at 31.12.	**-4,848**	**-3,953**

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

Consolidated earnings per share	**2014**	**2013**
basic diluted	-0.21 € -0.21 €	-0.15 € -0.15 €
Weighted average shares outstanding		
basic diluted	4,267,255 pcs. 4,267,255 pcs.	4,153,801 pcs. 4,153,801 pcs.

Consolidated earnings per share amounted to €-0.21 (prev. year: €-0.15), calculated by dividing the annual consolidated loss of €-895,731.17 attributable to the owners by the average number of shares outstanding, i.e. 4,267,255. In mid-2014, the Company disposed of its 46,199 treasury shares via the stock exchange and raised the total amount of shares issued to 6,300,000 by means of a capital increase on the basis of a follow-on offering. The basic and diluted amounts are identical.

As Mr. Hirsch, sole Managing Director of Elfen Service GmbH, holds a 20% interest in Elfen Service GmbH, 20% of the loss incurred by Elfen Service GmbH, less the purchase price, is presented in non-controlling interests. This amount is equivalent to €-490 thousand. Additionally, Open Mark S.L., Italy, held 10% of the interests in Open Mark United Labels GmbH as at the end of the reporting period. In this case, the non-controlling interests are equivalent to €57 thousand.

10. Provisions for pensions

A defined benefit obligation exists for one member of the Management Board; this commitment is dependent on the final salary.

As in the previous year, the full benefit obligation amounting to €1,708 thousand (prev. year: €2,477 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	**2014**	**2013**
Interest rate	2.60 %	3.70 %
Rate of salary increase	2.50 %	2.50 %
Pension trend	1.75 %	2.00 %
Underlying biometric data	RT 2005 G	RT 2005 G

In accordance with IAS 19, actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions are recognised 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	2014 (in €)	2013 (in €)
DBO at 01.01.	2,476,713	2,493,135
Service cost	102,063	107,169
Curtailments	-1,337,095	0
Interest Cost	95,414	91,011
Actuarial losses	371,360	-214,602
– of which from experience adjustments	-15,510	-77,388
– of which from changes in actuarial assumptions	386,870	-137,214
DBO at 31.12.	**1,708,455**	**2,476,713**

As in previous years, there were no plan assets in the 2014 financial year.

The following table presents changes in pension provisions:

Change in provision for pensions	2014 (in €)	2013 (in €)
Provisions for pensions at 01.01.	2,476,713	2,493,135
Net pension cost	197,477	198,180
Curtailments	-1,337,095	0
New valuation	371,360	-214,602
Provisions for pensions at 31.12.	**1,708,455**	**2,476,713**

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

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

Net pension cost	2014 (in €)	2013 (in €)
Service cost	102,063	107,169
Interest cost	95,414	91,011
Gains due to curtailments	-1,337,095	0
Amortisation of actuarial losses	371,360	0
Net pension cost	**-768,258**	**198,180**

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

	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
	€	€	€	€	€
Present value of the obligation	1,708,455	2,476,713	2,493,135	1,516,020	1,469,811
Plan assets	0	0	0	0	0
Funded status	1,708,455	2,476,713	2,493,135	1,516,020	1,469,811
Experience adjustments	-15,510	-77,388	-52,213	-74,488	42,569

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

Sensitivity analysis		DBO at 31.12.2014
Valuation with interest rate	-0.50%	1,958,733
Valuation with interest rate	+0.5%	1,495,005
Valuation with pension trend	-0.50%	1,594,696
Valuation with pension trend	+0.5%	1,834,372
Valuation with rate of salary increase	-0.50%	1,606,250
Valuation with rate of salary increase	+0.5%	1,817,304
Valuation with underlying biomatric data	- 1 year	1,667,724
Valuation with underlying biomatric data	+ 1 year	1,748,048

The duration of the obligation is approx. 28 years.

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01.01.2014 €'000	Reversed €'000	Utilised €'000	Reclassified €'000	Allocated €'000	Balance at 31.12.2014 €'000
Non-current provisions:	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
Current provisions:	0	0	0	0	129	129
Provision for contingent losses	0	0	0	0	119	119
from goods returned	0	0	0	0	10	10
Total provisions	**0**	**0**	**0**	**0**	**129**	**129**

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 in part on an assessment made by management or on available data relating to sales volumes. The legal dispute relates to a commercial agent who is no longer active for the Company.

12. Trade and other payables as well as financial liabilities

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

2014	Total amount €'000	Remaining term up to 1 year €'000	to 1 and 5 years €'000	more than 5 years €'000	of which secured €'000	Type of security
1. Financial liabilities	9,103	7,059	747	1,297	9,103	land charges, receivables, stocks
2. Trade and other payables	11,984	9,223	2,420	341	0	
	21.087	**16.282**	**3.167**	**1.638**	**9.103**	

2013	Total amount €'000	Remaining term up to 1 year €'000	to 1 and 5 years €'000	more than 5 years €'000	of which secured €'000	Type of security
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**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 December 2014 and 31 December 2013:

in €'000	Carrying amount 31.12.2014	Cashflows 2015			Cashflows 2016			Cashflows 2017–2019			Cashflows 2020 ff.		
		Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment
Loans payable to banks	2,480	83	0	436	72	0	218	175	0	529	207	0	1.297

in €'000	Carrying amount 31.12.2013	Cashflows 2014			Cashflows 2015			Cashflows 2016–2018			Cashflows 2019 ff.		
		Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment
Loans payable to banks	2,759	95	0	479	79	0	356	189	0	474	258	0	1.450

in €'000	Carrying amount 31.12.2014	Cashflows 2015			Cashflows 2016			Cashflows 2017–2019			Cashflows 2020 ff.		
		Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment
Long term trade liabilities	3,301	0	0	540	0	118	620	0	200	1.800	0	15	341

in €'000	Carrying amount 31.12.2013	Cashflows 2014			Cashflows 2015			Cashflows 2016–2018			Cashflows 2019 ff.		
		Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment
Long term trade liabilities	4,918	0	0	730	0	0	882	0	155	1.417	0	48	953

in €'000	Carrying amount 31.12.2014	Cashflows 2015			Cashflows 2016			Cashflows 2017–2019			Cashflows 2020 ff.		
		Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment	Interest fixed	Interest floating	principal payment
Non-current trade payables	1,150	23	0	1.150	0	0	0	0	0	0	0	0	0

The effective interest rates for long-term borrowings are between 3.75% and 5.5% (prev. year: between 3.75% and 5.5%). At the end of the reporting period, foreign exchange forward contracts amounted to (nominal) $2,018 thousand. There were no interest rate swaps. The trade receivables are associated with standard reservations of title. 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 agreement stipulates payments of €3.6 million, which have been accounted for in the consolidated financial statements. Other liabilities include €39 thousand (prev. year: €72 thousand) in liabilities relating to social security and €557 thousand (prev. year: €141) to tax liabilities. This item also includes €1,150 thousand (prev. year: €0) in non-current loans payable to non-banking entities.

13. 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 31.12.2014	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31.12.2014
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	722	722					722
Trade receivables	4,468	4,468					4,468
Recaivables from factoring company	3,229	3,229					3,229
	FVPL						
Value buying option Montesquieu	0				0		
Currency Swap	0				0		
Liabilities	FLAC						FLAC
Trade payables	10,850	10,850					10,850
Payables to banks	9,103	9,103					9,103
of which aggregated by measurement category according to IAS 39:							
Financial Assets at Fair Value through profit or loss (FVPL)	74				74		
Loans and Receivables (LaR)	8,419	8,419					8,419
Financial Liabilities Measured at Amortised Cost (FLAC)	19,953	19,953					19,953

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		
LaR						LaR
290	290					290
4,695	4,695					4,695
3,210	3,210					3,210
FVPL						
0				0		
0				0		
FLAC						FLAC
12,206	12,206					12,206
9,815	9,815					9,815
-11				-11		
8,195	8,195					8,195
22,021	22,021					22,021

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

Foreign exchange forward contracts are entered into for the purpose of hedging against currency risks. At the end of the reporting period, hedging transactions (nominal) amounted to USD 2,017,922.55 (prev. year: USD 814,730.88), which were measured at the applicable closing rate as at the end of the reporting period (Level II). This resulted in a positive exchange difference of €74 thousand (prev. year: €-11 thousand), which was recognised in other operating income.

In both 2013 and 2014, 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.

14. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2014 €'000	Total 2013 €'000
Orders to suppliers	1,905	1,677
License agreements	1,000	0
Leasing agreements	113	186
Rental agreements	3,572	3,756
	6,590	**5,619**

Of these obligations, an amount of €3,269 thousand (prev. year: €2,546 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 €60 thousand, limited up until September 2015.

15. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €113 thousand (prev. year: €186 thousand).

Maturity within 1 year: €67 thousand (prev. year: €78 thousand)
Maturity 1-5 years: €46 thousand (prev. year: €108 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 €46 thousand (previous year: €110 thousand).

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €3,572 thousand (prev. year: €3,756 thousand) in total.

Maturity within 1 year: €819 thousand (prev. year: €791 thousand)
Maturity 1-5 years: €2,676 thousand (prev. year: €2,965 thousand)

16. Statement of cash flows

The cash flow statement reports cash flows of the Group over the course of the financial year. Within this context, cash flows are classified by operating, investing and financing activities (IAS 7). Payments associated with investing activities are presented in greater detail within the fixed assets schedule. These mainly relate to investments in usufructuary rights for licences.

The cash outflows for income taxes paid and refunded amounted to €3 thousand (prev. year: €64 thousand), while those attributable to interest payments were €1,197 thousand (prev. year: €1,073 thousand). Interest received amounted to €56 thousand (prev. year: €103 thousand).

The payments made in connection with the acquisition of consolidated entities amounting to €163 thousand comprise the purchase consideration of €164 thousand in respect of interests in Open Mark United Labels GmbH, settled by means of a cash payment, less bank balances of €1 thousand acquired as part of the transaction.

17. Segment reporting

Reporting format

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

2014

€'000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	12,027	19,951		31,978
Segment expenses	-11,378	-16,754	-573	-28,705
Depreciation/amortisation	-783	-1,928	-112	-2,823
Segment result	**-134**	**1,269**	**-685**	**450**
Finance income				56
Finance cost				-1,293
Result from at-equity investment				138
Result from ordinary activities				**-649**
Taxes				-409
Consolidated loss				**-1,058**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	7.9	11.2	10.8	29.9
Segment liabilities	3.2	6.7	13.3	23.2
Capital expenditure	0.3	1.1	0.0	1.4

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

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 €5,644 thousand in 2014 (prev. year: €5,949 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	**2014 €'000**	**2013 €'000**
Germany	12,914	10,852
Iberian Peninsula	14,104	14,356
France	640	1,246
Rest of the World	4,320	6,778
Group	**31,978**	**33,232**

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

Total assets	**2014 €'000**	**2013 €'000**
Germany	19,610	19,343
Iberian Peninsula	6,732	7,760
France	87	101
Rest of the World	3,465	3,275
Group	**29,894**	**30,479**

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

Capital expenditure	**2014 €'000**	**2013 €'000**
Germany	1,091	1,998
Iberian Peninsula	362	1,162
France	0	0
Rest of the World	0	0
Group	**1,453**	**3,160**

18. Capital management

The principal aim of capital management is to control cash resources within the Group in line with specific requirements, which includes the selection and coordination of financing sources. The objective is to provide the requisite funds at the lowest cost possible. Within this context, borrowing and lending rates are used as key criteria for management. The overall volume of financial resources under management amounts to roughly €8 million (prev. year: €8 million). For this purpose, capital management has access to daily and monthly reports with gap analyses.

19. Risks

Fluctuations in exchange rates

Standard foreign exchange forward contracts are entered into for the purpose of hedging against currency risks associated with payment obligations denominated in foreign currencies. The aforementioned contracts are not used for speculative purposes. Changes in the value of current forward contracts are accounted for in profit or loss.
A significant proportion of merchandise purchases is effected in US dollars. Although suitable hedging instruments are currently in place, it is considered probable that long-term exchange rate fluctuations will result in an increase in the cost of sales.
In the 2014 financial year, the average euro/US dollar exchange rate was €1 = US$1.3282 (prev. year: €1 = US$1.3281). **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 €11.2 million in absolute terms. If the average exchange rate had been €1 = US$1.25, the cost of goods sold would have been €0.7 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.

Licences

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

UNITEDLABELS holds cartoon-related licence rights that are recognised in the statement of financial position at an amount of €2,608 thousand (prev. year: €2,806 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. As regards an existing licensor, at the time of preparing the annual report the Group had in its possession draft agreements for the extension of licence usage. This provided the basis for recognising items with a carrying amount of €364 thousand, which would have to be accounted for as impairments if the agreements were not to be extended.

Liquidity

In general, **UNITED**LABELS cannot rule out the possibility that liquidity requirements will be higher than planned if the entities within the Group were to fail to meet their targets. This situation could occur in periods 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. In this event, **UNITED**LABELS Aktiengesellschaft would have to utilise existing lines of credit – to the extent that these are available. Overall, continued improvement of profitability 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 31/12/2014, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	Available	Utilised	2014	2013
Current account	133	4,102	4,235	4,450
Long-term loans	0	2,044	2,044	2,402
Short-term loans	0	314	314	454
Letters of credit/ Draft	904	3,795	4,699	5,000

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.

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: 2.85% and 3.75%). 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 2014, the largest customer accounted for 18% of total sales revenue. Furthermore, the carrying amounts of deferred taxes of €4.2 million recognised by the Company as well as existing goodwill totalling €5.7 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.

	2014		2013	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	31,974	100	32,665	98
Services	4	0	567	2
	31,978	**100**	**33,232**	**100**

2. Cost of materials

The materials-expense ratio fell by a further 4.8 percentage points from 69.8% to 65.0%. This is attributable primarily to the continued focus on revenue associated with stronger profit margins. In absolute terms, costs fell from €23,186 thousand to €20,789 thousand. This was due in part 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 €2,329 thousand to €2,117 thousand. Expressed as a percentage of revenue, the ratio fell from 7.0% to 6.6%. The Company is increasingly sourcing products that have already been licensed. In 2014, depreciation/amortisation and write-downs included impairment losses of €106 thousand (prev. year: €375 thousand) for usufructuary/usage rights.

4. Other operating income

This item mainly includes income from exchange differences totalling €167 thousand (prev. year: €16 thousand), income from forward currency contracts amount to €74 thousand (prev. year: €0), income of €101 thousand (prev. year: €20 thousand) not attributable to the accounting period and income from the reversal of provisions totalling €1,337 thousand (prev. year: €1,179 thousand).

5. Staff costs

Staff costs fell from €4,819 thousand to €4,536 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 €707 thousand in 2014 and were related to systematic depreciation/amortisation.

The costs of the purchase of licence-specific usufructuary rights are recognised as intangible assets. Amortisation is performed according to the degree of usage and is presented as amortisation of usufructuary rights/royalties.

7. Other operating expenses

Other operating expenses include, in particular, distribution costs of €1,952 thousand (prev. year: €2,221 thousand) and rental expense amounting to €1,288 thousand (prev. year: €1,492 thousand). The remaining expenses consist of general administrative and operating expenses.

8. Net finance cost

Finance income only encompasses interest income, which amounted to €56 thousand in the period under review (prev. year: €103 thousand). The profit/loss from associates relates to transfer/assumption of profits and losses attributable to the investment, accounted for using the equity method up to 28 May 2014, in h GmbH amounting to €138 thousand (prev. year: €1 thousand). In this context, the existing interests held were revalued (€205 thousand), while the former carrying amount of €67 thousand in respect of investments was written down. Finance cost includes interest expenses of €1,293 thousand (prev. year: €1,073 thousand) relating to long-term loans, the use of overdraft facilities, notes payable and factoring.

9. Taxes on income

This item is composed of the following:

	2014 €'000	2013 €'000
Current tax expense	48	5
Deferred tax expense/income	361	-1,542
Total income tax expense/income	**409**	**-1,537**

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

	2014 €'000	2013 €'000
Consolidated result before income taxes	-649	-2,386
Applicable tax rate in %	31.93	31.93
Expected tax income	-207	-762
Difference to foreign tax on income	1	5
Tax effect of non-deductible expenses	74	71
Tax effect of non-taxable income	-59	-22
Impairment losses for deferred tax assets	0	0
Reversal of impairment losses for deferred tax assets	-90	-1,322
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	-11	-5
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	692	505
Taxes for other accounting periods	9	-12
Current tax expense/income	**409**	**-1,537**

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.

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 2014 financial year was €62 thousand.

Mr. Gert-Maria Freimuth holds 50,000 shares and Mr. Frank D. Rohmann, via entities he controls, holds 176,550 shares. 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 consisted of:

Mr. Peter Boder, Diplom-Kaufmann, Münster (Chairman)

Albert Hirsch, Diplom-Kaufmann, Rinkerode (sole Managing Director of Elfen Service GmbH; 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 2014 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 2014 financial year was €409 thousand. There was no variable component of compensation in the period under review. In December 2014, a management contract was agreed for five years with the Chairman of the Management Board. This contract was drawn up in accordance with the provisions set out in the Act on the Appropriateness of Management Board Compensation (VorstAG) and is thus compliant with 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 a notification issued by Mr. Peter Boder to **UNITED**LABELS AG on 19 December 2014, which was published accordingly, the following shareholdings were disclosed: „I hereby inform the company that I hold 2,831,377 shares in UNITEDLABELS AG as at the date of this notification." This corresponds to 44.94%. No notifications of changes have been received since that date.

Prior to this, the Company received the following notification from Mr. Boder in respect of his voting rights:

On 15 December 2014, Mr. Peter Boder, Germany, notified the Company in accordance with Section 21(1) WpHG that his voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 50% of voting rights on 11 December 2014 and that at this date amounted to 37.96% (corresponding to 2391527 voting rights).

Additionally, the Company received the following notifications in respect of voting rights:

On 13 June 2014, IPConcept (Luxemburg) S.A., Luxembourg-Strassen, Luxembourg, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had exceeded the threshold of 3% of voting rights on 28 May 2014 and that at this date amounted to 3.26% (corresponding to 137000 voting rights). 3.26% of the voting rights (corresponding to 137000 voting rights) are attributable to the entity in accordance with Section 22(1), sentence 1, no. 6 WpHG in conjunction with sentence 2 WpHG. Within this context, attributable voting rights are held by the following shareholders whose voting power in respect of **UNITED**LABELS AG amounts to 3% or more in each case: G&P Invest SICAV.

On 13 June 2014, G&P Invest SICAV, Luxembourg-Strassen, Luxembourg, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had exceeded the threshold of 3% of voting rights on 28 May 2014 and that at this date amounted to 3.26% (corresponding to 137000 voting rights).

On 22 December 2014, Close Brothers Seydler Bank AG, Frankfurt, Germany, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 30%, 25%, 20%, 15% and 10% of voting rights and that at this date amounted to 5.93% (corresponding to 373614 voting rights). On 22 December 2014, Close Securities (Germany) Limited, London, United Kingdom, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 30%, 25%, 20%, 15% and 10% of voting rights and that at this date amounted to 5.93% (corresponds to 373614 voting rights). 5.93% of the voting rights (corresponding to 373614 voting rights) are attributable to the entity in accordance with 22(1), sentence 1, no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of **UNITED**LABELS AG amounts to 3% or more in each case: Close Brothers Seydler Bank AG. On 22 December 2014, Close Brothers Holdings Limited, London, United Kingdom, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 30%, 25%, 20%, 15% and 10% of voting rights on 17 December 2014 and that at this date amounted to 5.93% (corresponding to 373614 voting rights). 5.93% of the voting rights (corresponding to 373614 voting rights) are attributable to the entity in accordance with 22(1), sentence 1, no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of **UNITED**LABELS AG amounts to 3% or more in each case: Close Securities Holdings Limited, Close Securities (Germany) Limited, Close Brothers Seydler Bank AG. On 22 December 2014, Close Securities Holdings Limited, London, United Kingdom, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 30%, 25%, 20%, 15% and 10% of voting rights on 17 December 2014 and that at this date amounted to 5.93% (corresponding to 373614 voting rights). 5.93% of the voting rights (corresponding to 373614 voting rights) are attributable to the entity in accordance with 22(1), sentence 1, no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of **UNITED**LABELS AG amounts to 3% or more in each case: Close Securities (Germany) Limited, Close Brothers Seydler Bank AG. On 22 December 2014, Close Brothers Group plc., London, United Kingdom, notified the Company in accordance with Section 21(1) WpHG that its voting power in respect of **UNITED**LABELS AG, Münster, Germany, had fallen below the threshold of 30%, 25%, 20%, 15% and 10% of voting rights on 17 December 2014 and that at this date amounted to 5.93% (corresponding to 373614 voting rights). 5.93% of the voting rights (corresponding to 373614 voting rights) are attributable to the entity in accordance with Section 22(1), sentence 1, no. 1 WpHG. Within this context, attributable voting rights are held by the aforementioned party via the following entity under its control whose voting power in respect of **UNITED**LABELS AG amounts to 3% or more in each case: Close Brothers Holdings Limited, Close Securities Holdings Limited, Close Securities (Germany) Limited, Close Brothers Seydler Bank AG.

Determined on the basis of IAS 19 requirements, an amount of €96 thousand (interest expenses) attributable to pension provisions was allocated in connection with post-employment benefit obligations towards a member of the Management Board. At the same time, €1,337 thousand was accounted for in other operating income and €371 thousand was recognised in other comprehensive income, as the new Management Board contract stipulates a permanent reduction of compensation. The total amount of pension provisions recognised in connection with benefits accruing to a Management Board is €1,708 thousand (prev. year: €2,477 thousand). From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of €16,001.00 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:

	2014	2013
Salaried staff	93	106
Hourly-paid employees	6	6
School-leaver trainees	3	5
	102	117

On average, 110 people were employed during the financial year under review (prev. year: 123).

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 2014, no options had been granted and no valid share option plan was in place. In May 2006, the General Meeting of Shareholders cancelled the provision within the Articles of Association formerly allowing contingently issuable shares for the purpose of employee participation schemes.

5. Professional fees

Professional fees accounted for as expense in the period under review in connection with the annual audit of the separate financial statements of **UNITED**LABELS Aktiengesellschaft and the consolidated financial statements amounted to €95 thousand (prev. year: €83 thousand). The auditor also charged a fee of €4 thousand for additional consulting services.

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 44.94 % 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 2014, the amount received was €39 thousand (prev. year: €39 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 (prev. year: €5 thousand). As regards capitalised but as yet unamortised licence fees of around €394 thousand relating to a licensor, Mr. Boder has issued a guarantee in favour of **UNITED**LABELS Aktiengesellschaft to offset any losses if the contractual extensions already concluded cannot be altered. 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. The guarantee issued in the previous year in respect of the offsetting of losses was not used by the Company, as the contractual agreement in question was extended.
Additionally, at the end of the reporting period two loans to **UNITED**LABELS Aktiengesellschaft and Elfen Service GmbH exist, both granted by Mr. Boder and amounting to €500 thousand in each case, at an interest rate of 5% p.a. and 7.5% p.a. respectively. Total interest accounted for in the consolidated financial statements in respect of Mr. Boder amounted to €73 thousand.
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. The carrying amounts within the **UNITED**LABELS Group were corrected in prior years.
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 €845 thousand in total (prev. year: €4,184 thousand), while current receivables stood at €3,461 thousand (prev. year: €3,292 thousand). These amounts were eliminated as part of the consolidation of debts.

7. Events after the reporting period

There are no significant events to report subsequent to the end of the 2014 financial year.

Münster, 20 March 2015

UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder   Albert Hirsch

Responsibility Statement

To the best of our 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, 20 March 2015

UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder   Albert Hirsch

F. Auditor's Report

We have audited the consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, Münster, comprising the statement of financial position, the statement of comprehensive income, the state-ment 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 2014. The legal representatives of the Company 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 stand-ards 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 finan-cial 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 misstate-ments are taken into account in the determination of audit procedures. The effectiveness of the ac-counting-related internal control system and the evidence supporting the disclosures in the consoli-dated 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 consoli-dation, 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 fi-nancial statements and as a whole provides a suitable view of the Group's position and suitably pre-sents the opportunities and risks of future development.

Without affecting the unqualified audit opinion provided as part of this report, we draw attention 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, based on the restructuring and financ-ing measures already implemented, is dependent on the preservation of existing lines of credit and on revenue and earnings targets stipulated within the company's budget being met to the largest extent possible.

Cologne, 20 March 2015

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rudolph	Semrau
German Public Auditor	German Public Auditor

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period from 1 January to 31 December 2014

	2014 €	2013 €
1. Sales revenues	17,126,115.12	16,488,065.41
2. Cost of purchased goods	-13,457,216.23	-13,322,171.08
3. Amortisation of usufructuary rights	-960,432.32	-1,703,867.67
	2,708,466.57	**1,462,026.66**
4. Other operating income	1,930,022.90	2,575,255.90
5. Staff costs	-1,995,404.98	-2,120,669.55
a) Wages and salaries		
b) Social security, post-employment and other employee benefit costs	-386,325.15	-398,687.95
6. a) Amortization of intangible assets and tangible assets	-247,990.45	-269,221.80
b) Depreciation of current assets to the extent that they exceed the standard in the corporation depreciation	0.00	0.00
7. Other operating expenses	-1,996,432.02	-2,006,340.70
	12,336.87	**-757,637.44**
8. Other interest and similar income	103,712.65	135,599.88
9. Write-down of long-term financial assets	0.00	0.00
10. Interest and other expenses	-748,422.32	-563,107.46
11. Result from ordinary activities	**-632,372.80**	**-1,185,145.02**
12. extraordinary expenses	-157,446.18	0.00
13. Taxes on income	-345.96	0.00
14. Deferred taxes	-107,930.95	2,233,780.02
15. Other taxes	-11,254.29	-10,984.07
16. Net profit / loss	**-909,350.18**	**1,037,650.93**
17. Profit brought forward from previous year	1,037,650.93	0.00
18. Net income from sale of own shares	64,688.26	0.00
18. Transfer from capital reserve	0.00	0.00
19 . Net profit	**192,989.01**	**1,037,650.93**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2014

ASSETS	31.12.2014 €	31.12.2013 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,238,439.76	1,790,358.37
	1,238,439.76	**1,790,358.37**
II. Property. plant and equipment		
1. Land. land rights and buildings, including buildings on third-party land	3,831,977.02	4,010,948.33
2. Technical equipment and machinery	4,475.59	11,778.43
3. Other equipment, operating and office equipment	251,654.76	302,906.63
	4,088,107.37	**4,325,633.39**
III. Long-term financial assets		
1. Investments in affiliated companies	10,883,002.57	7,816,502.57
2. Loans to affiliated companies	839,358.25	4,184,243.79
3. Other long-term equity investments	0.00	62,500.00
	11,722,360.82	**12,063,246.36**
	17,048,907.95	**18,179,238.12**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	1,595,480.18	1,522,307.68
2. Prepayments	32,375.15	32,832.21
	1,627,855.33	**1,555,139.89**
II. Receivables and other assets		
1. Trade receivables	939,140.32	1,294,185.09
2. Receivables from affiliated companies	159,282.49	586,496.39
3. Receivables from et-equity investments	0.00	0.00
4. Other current assets	3,007,262.40	3,025,126.06
	4,105,685.21	**4,905,807.54**
III. Cash, bank deposits, cheques	**519,007.14**	**154,547.67**
	6,252,547.68	**6,615,495.10**
C. Prepaid expenses	**134,031.53**	**139,446.35**
D. Deferred Taxes	**2,125,849.07**	**2,233,780.02**
Assets, total	**25,561,336.23**	**27,167,959.59**

EQUITY AND LIABILITIES	31.12.2014 €	31.12.2013 €
A. Equity		
I. Issued capital	**6,300,000.00**	**4,200,000.00**
Nominal value of own shares		-46,199.00
Issued capital	6,300,000.00	4,153,801.00
II. Capital reserves	**4,554,693.31**	**3,399,693.31**
III. Revenue reserves		
Other retained earnings	250,000.00	250,000.00
IV. Unappropriated surplus	**192,989.01**	**1,037,650.93**
	11,297,682.32	**8,841,145.24**
B. Provisions		
1. Provisions for pensions and similar obligations	1,035,715.00	1,819,809.00
2. Tax provisions	0.00	0.00
3. Other provisions	1,078,889.87	1,180,005.64
	2,114,604.87	**2,999,814.64**
C. Liabilities		
1. Payables to banks	5,393,925.05	5,611,847.25
2. Trade payables	5,022,818.32	6,573,555.00
3. Trade payables to affiliated companys	816,932.64	2,204,258.90
4. Liabilities from et-equity investments	0.00	859,927.07
5. Other liabilities	915,373.03	77,411.49
	12,149,049.04	**15,326,999.71**
Total equity and liabilities	**25,561,336.23**	**27,167,959.59**

Supervisory Board

Gert-Maria Freimuth, Chairman of the Supervisory Board
Chairman of the Board of Directors of MBB SE

Gert-Maria Freimuth, born 1965, is the Chairman of the Board of Directors and founding shareholder of MBB SE, Berlin. Until June 2013, Gert-Maria Freimuth had been Deputy Chairman of the Management Board of MBB. He directed the area of Mergers & Acquisitions and was thus responsible for acquiring new investees. In addition, he oversaw the area of Legal Affairs and Corporate Identity. He studied Business/Economics and Christian Social Ethics at the University of Münster. Gert-Maria Freimuth is the Deputy Chairman of the Supervisory Board of Delignit AG, Chairman of the Supervisory Board of DTS IT AG and Chairman of the Supervisory Board 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, Münster. In his role as Managing Director, he currently oversees the company's investments in Gates GmbH and Beeline Asset Management GmbH as well as Beeline Solutions GmbH & Co.KG. 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 (now: 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
Managing Director
UNITEDLABELS Ibérica

Alvar Pellejero
Head of Finance
UNITEDLABELS Ibérica

Carla Brandenburg
Head of Order and Purchase Management

Stephan Vitz
Head of Sales
Northern Europe

Marc Harenkamp
Head of Logistics

Holger Pentz
Head of
Finance and HR

Tobias Greger
Creative Director

IMPRINT

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For further information on **UNITED**LABELS or its financial results:

fon:
+49 (0) 251 - 3221 - 0

fax:
+49 (0) 251 - 3221 - 960

e-mail:
investorrelations@unitedlabels.com

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".**

UNITEDLABELS AG
Gildenstraße 6
48157 Münster
Deutschland
phone: +49 (0) 251 - 3 22 10
fax: +49 (0) 251 - 3 22 19 99
info@unitedlabels.com
www.unitedlabels.com

UNITEDLABELS Ibérica S.A.
Av. de la Généralitat 29E
Pol. Ind. Fontsana
08970 Sant Joan Despi
Barcelona, Spain
phone: +34 (0) 93 - 4 77 13 63
fax: +34 (0) 93 - 4 77 32 60
info@unitedlabels.es

House of Trends europe GmbH
Gildenstraße 6
48157 Münster
Deutschland
phone: +49 (0) 251 - 3 22 10
fax: +49 (0) 251 - 3 22 19 99
info@houseoftrends.com

UNITEDLABELS Polska Sp.o.o
ul. Sienna 39
00 - 121 Warszawa
Poland
phone: +49 (0) 251- 32 21- 0
fax: +49 (0) 251- 32 21- 999
info@unitedlabels.com

Open Mark United Labels GmbH
Gildenstraße 6
48157 Münster
Deutschland
phone: +49 (0) 251 - 3 22 10
fax: +49 (0) 251 - 3 22 19 99

UNITEDLABELS Comicware Ltd.
211, 2nd Fl, Empire Court,
2-4 Hysan Avenue
Causewaybay
Hong Kong
phone: +85 (0) 225 - 44 29 59
fax: +85 (0) 225 - 44 22 52
info-hk@unitedlabels.com

Elfen Service GmbH
Gildenstraße 6
48157 Münster
Deutschland
phone: +49 (0) 251 - 162 100 - 0
fax: +49 (0) 251 - 162 100 - 69

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)

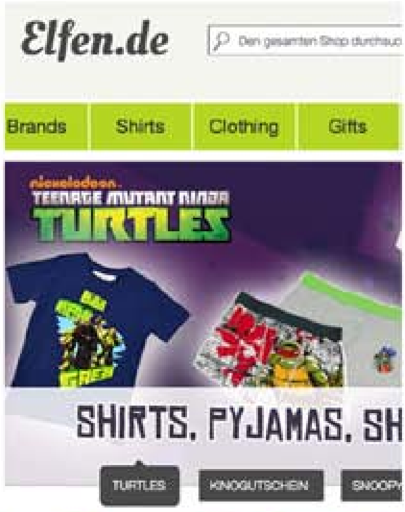
2006
· Opening of first airportshop in Barcelona

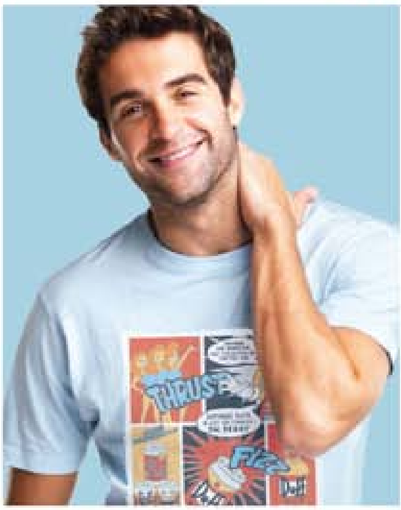
2007
· Launch of House of Trends europe GmbH

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





UNITEDLABELS AG
Gildenstraße 6
48157 Münster
Deutschland
phone: +49 (0) 251 - 3 22 10
fax: +49 (0) 251 - 3 22 19 99
info@unitedlabels.com
www.unitedlabels.com

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