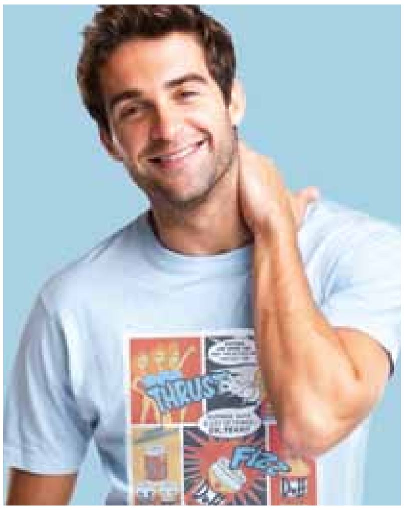
ANNUAL REPORT 2015

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)	**2015**	2014	2013	2012	2011**	2010
Revenue	30,382	31,978	33,232	43,144	59,558	58,702
EBITDA*	-116	1,157	-728	-9,818	-428	2,584
EBIT	-878	450	-1,416	-12,380	-1,059	1,971
Consolidated profit/loss for the year	-4,207	-1,058	-848	-18,652	-379	1,068
Operating Cash flow	1,677	-310	3,331	4,575	3,448	5,935
Net income per share (€)	-0,65	-0.21	-0.15	-4.46	-0.09	0.26
Liquidity	1,311	722	290	1,640	1,570	5,468
Equity	2,552	6,692	4,754	5,456	24,935	28,637
Equity ratio (%)	9%	22%	16%	17%	47%	55%
Net debt	7,716	8,381	9,524	8,725	8,687	4,325
Total assets	27,914	29,894	30,479	31,633	53,538	52,202
Bookvalue per share (€)	0,41	1.06	1.14	1.31	6.00	6.82
Shareprice per year end (€)	3,58	1.48	1.26	1.06	3.14	4.28
Market capitalization	22,554	9,324	5,292	4,452	13,188	17,976
Staff member (average)	100	110	123	132	146	132
Revenue per staff member	304	291	270	327	408	445

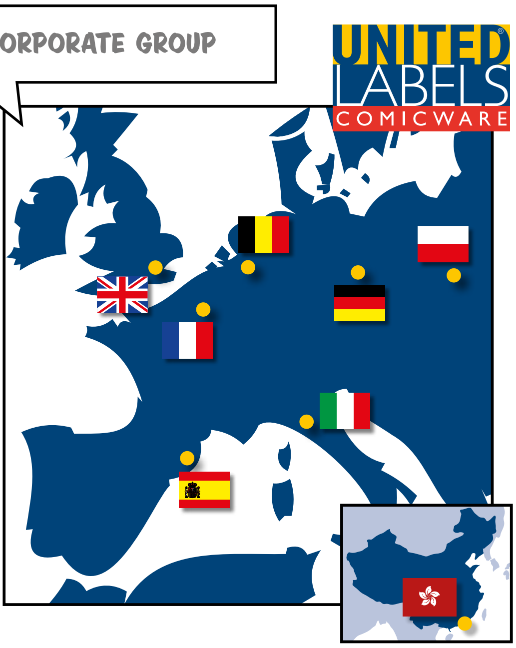
*incl. amortisation of usage rights / ** changed

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

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

Some of the standards we comply with:

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

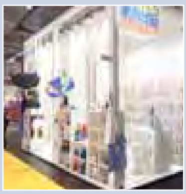
Quality and legal regulations

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

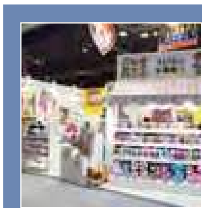
TRADE FAIR APPEARANCES

International trade fair appearances

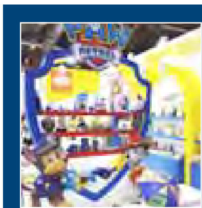
UNITEDLABELS makes appearances at trade fairs in the world's major business cities (including Intergift in Madrid, Nuremberg's International Toy Fair and the Toys & Games Fair in Hong Kong). **UNITED**LABELS uses these events to showcase entire licensed product ranges for the trade sector and thereby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



SPIELWARENMESSE



INTERGIFT



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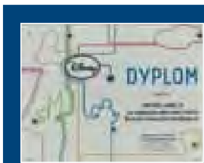
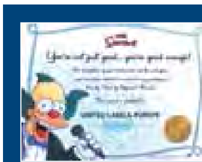
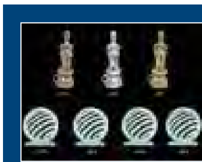
OUR AWARDS

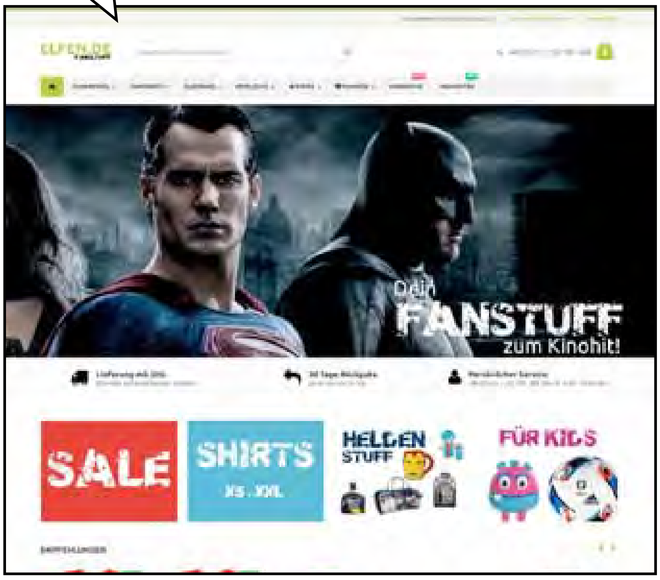
Various prizes **UNITED**LABELS AG has been awarded. The company was recently on the Las Vegas Licensing Show the „Krusty Seal of Approval Award" from „Twentieth Century Fox". On the international „Disney Day 2011" in Warsaw **UNITED**LABELS AG received the „Disney Dyplom". In previous years, the company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

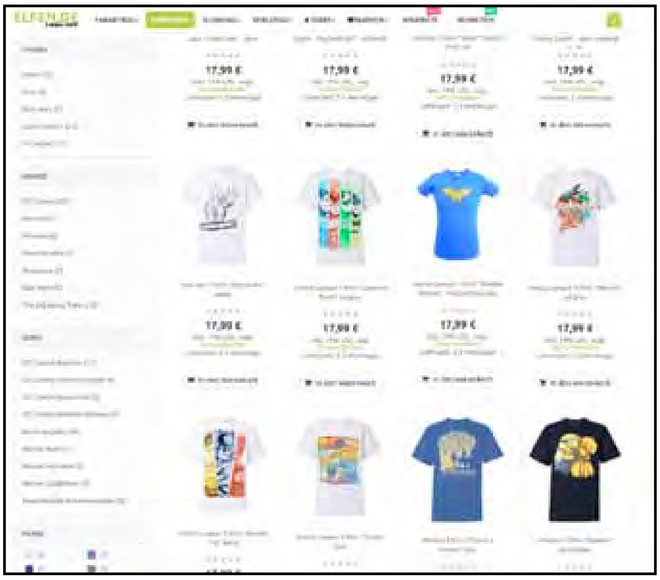






ELFEN.DE





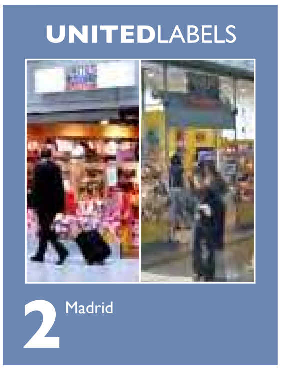
Elfen Service

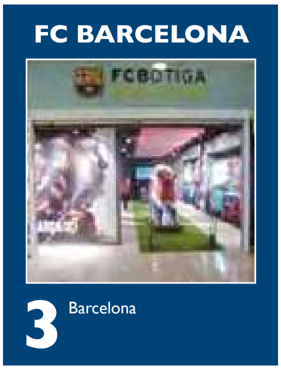
Having originally centred the Elfen.de portfolio around a selection of branded toys over a course of the last two years, the Company implemented significant strategic changes in 2015.

To escape the price battle and the lower margins associated, the Company has decided subconscious accepting a range streamlining and related short-term reduction in sales, with the subsidiary Elfen Service GmbH to end customer-oriented e-commerce business unit strengthened with the launch of its own products and license expand and textile articles.

OUR AIRPORT SHOPS

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





Barcelona Airport (32 million passengers/year)
3 FC Barcelona Airport Stores
(2 in Terminal 1, 1 in Terminal 2)

Madrid Airport (46 million passengers/year)
2 **UNITED**LABELS Airport Stores

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

LETTER TO SHAREHOLDERS

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

ALBERT HIRSCH
MEMBER OF THE
MANAGEMENT BOARD

Dear Shareholder,

On the whole, the financial year just ended fell short of expectations for **UNITED**LABELS AG. We had to contend with lower revenue in Germany, whereas our business in Spain expanded substantially. Exceptional items of around €3.4 million had an adverse effect on earnings.
Group revenue amounted to €30.4 million in the annual period under review, compared with €32.0 million a year earlier. The decline in revenue was attributable primarily to developments that did not meet expectations as well as shifts in key account revenue and our Christmas-related business in Germany during the fourth quarter. Whereas revenue within the Key Account segment declined to €16.3 million (prev. year: €20.0 million), revenue attributable to the Special Retail segment increased to €14.0 million (prev. year: €12.0 million). Business at the Spanish subsidiary **UNITED**LABELS Iberica proved encouraging, with revenue increasing by an impressive 29.7% to €17.9 million (prev. year: €13.8 million).
Exceptional items totalling €3.4 million proved particularly detrimental to earnings; they included €2.1 million in write-downs of deferred taxes that had been recognised in respect of loss carryforwards.
As a result, the loss before interest, taxes, depreciation and amortisation (negative EBITDA) was €0.1 million, compared with positive EBITDA of €1.2 million in the previous year. Having accounted for interest, taxes, depreciation, amortisation and write-downs, the Group loss for the period stood at €4.2 million (prev. year: loss of €1.1 million).
Operating cash flow developed well in the period under review, rising significantly to €1.7 million (prev. year: €-0.3 million).
Supported by far-reaching sales activities, particularly in Germany, order backlog was up 29% at the end of the year, taking the total to €8.9 million (prev. year: €6.9 million); this is the highest level recorded in the past four years. Order backlog provides a solid basis for business in the current 2016 financial year.

Our sights for the coming years are firmly fixed on revenue 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. In fact, we have already secured a large-scale contract for the current 2016 financial year, which involves the exclusive marketing of a selected product portfolio centred around the well-known Diddl Mouse character. The „cult mouse" continues to have a large fan base and will be presented in a new look. This will be accompanied by extensive social media activities as well as apps. From the fourth quarter of 2016 onwards, we will be marketing a broad range of merchandise via specialty retailers as well as our own internet shop at diddl-shopping.de.

The focus of our sales activities in the coming year will be on our German key account business, our aim being to recapture market share as soon as possible. Supported by our new Diddl products, we also want to extend our presence in the area of specialty retail and broaden our customer base. Our Spanish subsidiary has stood its ground despite the challenging economic environment within the local market, has maintained its forward momentum and continues to deliver solid results from the southern belt of Europe and through the airport shops. Committed to generating further international growth, we will be focusing our attention on France and the UK during the current financial year.

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.

From a structural perspective, our concept for growth embraces not only our established fields of business but also the area of B2C. Alongside the five airport shops, which managed to lift their revenue by a solid 28% to €6.1 million in the financial year just ended, this also includes e-commerce activities overseen by our subsidiary Elfen Service GmbH, which we will be looking to expand gradually as we move forward. Overall, the revenue share of our B2C business rose from 18% to 20% of total sales. 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 „The Minions", „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. These include, among others, „Batman", „Superman", „Ice Age" and „Diddl", all of which offer excellent marketing opportunities.

Overall, Group revenue is to grow by 15% - 23% in 2016. Based on current projections, EBIT is expected to lie between €0.6 million and €1.5 million in 2016.

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 one telephone conference attended by all members of the company's Supervisory and Management Boards.
At these 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 customer structure, the sale of business premises in Münster and general planning and monitoring of the Group in financial year 2015. 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 view of the Supervisory Board, this number is appropriate to the size of the company. Since it would serve no purpose, the Supervisory Board did not form committees during the financial year 2015.
The Supervisory Board duly awarded the contract to audit the annual and consolidated financial statements for the financial year 2015 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 2015 and the management report for United Labels AG and the United Labels Group were compiled in line with the principles of the German Commercial Code and the consolidated financial statements as of 31 December 2015 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 General Meeting of Shareholders and appointed by the Supervisory Board Chairman, which issued an unqualified audit opinion on 28. April 2016.

"Our audit has not led to any reservations. In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the company's assets, financial and earnings position in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, provides an appropriate picture of the company's position as a whole and suitably outlines the opportunities and risks of future development.
Without qualifying the audit opinion, we draw attention to the risks that may jeopardise the future existence of the enterprise as a going concern, as outlined in the management report. Section 4 (Outlook and Report on Opportunities and Risks) states that the continuation of the Group as a going concern, based on the cost and financing measures already implemented, is dependent on the preservation of existing lines of credit and loans on revenue and earnings targets stipulated within the company's budget being met to the largest extent possible. „

The report by the Management Board of United Labels AG concerning relations with associated entities 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 28. April 2016:

"We raised no objections in respect of the report upon conclusion of our final examination. In accordance with Section 313(3) of the Stock Corporation Act, we hereby issue the following audit opinion: Having conducted a proper audit and appraisal, we hereby confirm that

1. *the factual statements in the report are correct,*
2. *the consideration of the company was not unreasonably high or disadvantages were compensated as regards the legal transactions listed in the report."*

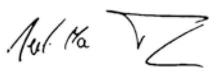
The Supervisory Board has carefully examined the management report and consents to the Management Board's assessment of the situation and the auditor's evaluation of the management report and forecast. In connection with the auditor's report in particular, the Supervisory Board once again refers to comments by the Management Board in the management report regarding risks that could threaten the company's survival under section 4. As regards the corporate goals underpinning the sustainable development of United Labels, the Supervisory Board will continue to focus in 2016 on the core factors of sales growth along with improvements to the marketing of both new and existing licences. For the final time, a proof-of-concept for the activities of Elfen Services GmbH is also on the agenda for 2016. In view of the concentration on licensed United Labels products implemented by the end of 2015, the Management Board expects an improvement to profitability, which should also have a positive impact on earnings over the years ahead. In 2016, the Management Board will also need to refine enterprise management tools significantly to restore the accuracy of planning and forecasting that was absent in 2015.

Under German legislation on equal opportunities for women and men in executive positions within the private and public sector, which came into force on 1 May 2015, the management boards and supervisory boards of specific entities based in Germany are obliged to define and determine, for the first time, target figures in respect of the proportion of women to be appointed to the supervisory board, the management board and the two managerial echelons below the management board, in addition to determining a date by which the respective targets shall be met. On 25 August 2015, the Supervisory Board of United Labels AG resolved that there was no reason for it to alter the current composition of the Supervisory Board (three male members) and the Management Board (two male members) in the period up to 30 June 2017. At the same time, however, it noted that its objective was to take into account the issue of quotas to a larger extent when appointing members to governing bodies in the future. On 25 August 2015, the Management Board of United Labels AG resolved that the proportion of women appointed to the first managerial echelon shall be increased to 50% by the end of 2015. This resolution was implemented accordingly. The managerial echelon below this level (management circle) consists of four male executives and one female executive. The Management Board sees no reason to make changes to this composition in the period up to 30 June 2017.

The Supervisory Board has inspected the annual financial statements compiled by the Management Board, the management report for United Labels AG and the United Labels Group, the proposal for the appropriation 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 28. April 2016. 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 28. April 2016. 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 commitment.

Münster, 28. April 2016
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 2015 financial year are provided in the Report of the Supervisory Board, which forms part of the 2015 Annual Report.

Measures to promote equal opportunities for women and men in executive positions

Under German legislation on equal opportunities for women and men in executive positions within the private and public sector, which came into force on 1 May 2015, the management boards and supervisory boards of specific entities based in Germany are obliged to define and determine, for the first time, target figures in respect of the proportion of women to be appointed to the supervisory board, the management board and the two managerial echelons below the management board, in addition to determining a date by which the respective targets shall be met. These entities were required to decide on their target figures, including the timelines for implementation, by 30 September 2015. Under the statutory requirements, the entities in question were prohibited from exceeding the deadline of 30 June 2017 when determining the date by which their targets were to be implemented.

On 25 August 2015, the Supervisory Board of United Labels AG resolved that there was no reason for it to alter the current composition of the Supervisory Board (three male members) and the Management Board (two male members) in the period up to 30 June 2017. At the same time, however, it noted that its objective was to take into account the issue of quotas to a larger extent when appointing members to governing bodies in the future.

On 25 August 2015, the Management Board of United Labels AG resolved that the proportion of women appointed to the first managerial echelon shall be increased to 50% by the end of 2015. This resolution was implemented accordingly. The managerial echelon below this level (management circle) consists of four male executives and one female executive. The Management Board sees no reason to make changes to this composition in the period up to 30 June 2017.

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 2015 financial year:

Date	Disclosing Party	Role	Transaction	Quantity	Price €	Volume €	Trading Venue
10.06.15	Frank Rohmann	Supervisory Board	Sale of shares	32,500	1.877	61,002.50	Xetra
09.06.15	Frank Rohmann	Supervisory Board	Sale of shares	34,377	1.861	63,975.60	Xetra
02.06.15	Frank Rohmann	Supervisory Board	Sale of shares	1,223	1.95	2,384.85	Xetra
03.06.15	Frank Rohmann	Supervisory Board	Sale of shares	500	1.95	975.00	Xetra
18.05.15	Frank Rohmann	Supervisory Board	Sale of shares	450	2.253	1,013.85	Frankfurt

Transparency

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

Information is also furnished by means of press releases as well as via ad hoc announcements where required by law. All notifications and releases can be accessed on the Internet at www.unitedlabels.com/investor-relations. The scheduled dates with regard to the most important recurrent events and publications – such as the Annual General Meeting, the

annual report and interim financial reports – have been compiled in a financial calendar, which is published well in advance and can be accessed from the company's website at http://www.unitedlabels.com/investor-relations/finanzkalender.
UNITEDLABELS AG has established the requisite insider register. All persons concerned have been informed of their legal obligations and possible sanctions.

Corporate Governance on the Internet

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

Code of Conduct for manufacturers

The **UNITED**LABELS Group has drawn up a Code of Conduct for manufacturers for the purpose of promoting compliance with ethical standards in an environment dominated by global production. The **UNITED**LABELS Group comprises the headquarters **UNITED**LABELS AG (Germany), **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 2016, 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 2015. It is subject to the provisions of the German Corporate Governance Code in the version of 24 June 2014. Subsequently, it is subject to the provisions of the German Corporate Governance Code in the version of 5. May 2015.
The Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft hereby declare that since the last Declaration of Conformity of March 2015 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 2016

The Management Boards

The Supervisory Board

COMPANY AND GROUP MANAGEMENT REPORT

UNITEDLABELS Aktiengesellschaft, Münster

Group Management Report for FY 2015

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, Germany. The company has branch offices in Germany and Spain with a total of 13 subsidiaries. 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 licence 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 hand, 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.
UNITEDLABELS AG reaches consumers through a variety of distribution channels. These include direct end consumer sales through several airport shops, the Internet platform at www.elfen.de and specialist retailers and wholesalers across Europe. Key clients of **UNITED**LABELS AG include major European retail businesses.

UNITEDLABELS AG is listed in the Prime Standard of Deutsche Börse. The company is run by the Management Board, which is made up of Mr. Peter Boder and Mr. Albert Hirsch, as well as a staff member with joint power of attorney and a general manager for Spain; 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 products; the company's stated aim is to consolidate this strategy, implement it within the market and adjust it as it moves forward. 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 accordingly, 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

Having maintained a steady trajectory of growth in 2014, as evidenced by a year-on-year increase in price-adjusted GDP by 1.5%, the German economy continued to move forward in 2015.

The tailwind provided by the emerging markets was less pronounced, with German exports contracting by 40% in the period under review. At the same time, however, the eurozone economy regained its footing as its emerged from the sovereign debt crisis. This was underpinned by a substantial fall in the price of oil, which helped to reduce manufacturing costs for companies and scale back fuel costs for consumers. Additionally, lower oil prices meant that consumer prices were only marginally higher in 2015, despite the fact that foreign exchange rates had pushed up the price of imports of consumer goods. What is more, consumption was fuelled by the ECB's policy of zero interest rates. Indicators of market sentiment within the German wholesale industry also pointed upward. In fact, the business climate indicator for Germany's wholesale industry has remained almost entirely in positive territory since the autumn of 2014. This is attributable to an improved assessment of the current situation as well as a more favourable outlook among companies with regard to business in the coming six months. In the first half of 2015, real year-on-year growth in revenue generated within the consumer goods wholesale sector stood at 1.6%. Against this backdrop, it would appear likely that price-adjusted revenue generated by consumer goods wholesalers will also have trended higher in 2015 as a whole and will remain buoyant in 2016. With a marginal increase in wholesale prices, nominal revenue should expand at a slightly faster rate.
For many years, Germany's economic growth had been driven mainly by dynamic exports within the industrial sector. This situation has now changed, with private consumption becoming an important factor in economic growth. This trend looks set to continue in 2016, according to market research specialist GfK.
In 2015, private consumption in Germany was up by 1.9%, thus contributing around 54 per cent to Germany's economic output. Market analysts anticipate that consumer spending by private households will grow by 2.0% in 2016. This is a price-adjusted figure, i.e. a potential loss in purchasing power as a result of inflation has been eliminated. On this basis, Germany's consumers are likely to make an even bigger contribution to domestic economic growth in 2016 than in the previous year. According to GfK director Matthias Hartmann, this optimistic outlook is founded in particular on the sustained buoyancy of Germany's economy. Against this backdrop, many companies were likely to recruit new employees. „Unemployment figures will continue to fall," said Hartmann.
Compared to other consumer research firms, the GfK's outlook is actually considered relatively conservative, as Hartmann pointed out. This was due to the ongoing refugee crisis as well as the terrorist threat within Europe and the „slump in energy prices". In the medium to long term, companies within the respective industries might be tempted to scale back their investment spending as a result of these factors. „This, in turn, may have an adverse effect on the job market and ultimately also on consumption levels," said the director of the GfK. Industry associations representing the retail sector have provided an extremely positive assessment of the business climate. According to the BVS (Bundesverband des Spielwaren-Einzelhandels – toy retail industry federation) and the DVSI (Deutscher Verband der Spielwaren-Industrie – toy industry association), the continued expansion of toys sold under licence as well as merchandising goods and marketing activities via e-commerce channels are to be seen as key growth drivers. A prime example in 2015 was Star Wars, which saw a substantial increase in revenues from extensive online marketing of related merchandise.
Other merchandising products are also providing an additional boost to B2C toy and merchandise retailing, as the directors of both industry associations pointed out. These include licences such as Minions and Frozen. From United Labels' point of view, licensed products centred around Peanuts and The Simpsons are also to be seen as attractive merchandising

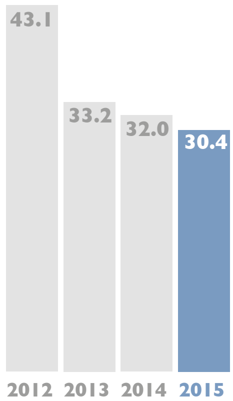
avenues generating solid growth. According to data published by the two above-mentioned industry associations, more than 30% of all toy and merchandising products are purchased online by end consumers.
With economic growth of 3.1% in spain, the former crisis-plagued country propelled itself to the top of Europe's rankings.
Unemployment levels also trended lower in Spain. Based on the latest data, jobless figures fell to the lowest point in four years. At 20.9% in the fourth quarter, however, unemployment continues to be a significant challenge. The country's unemployment rate in the third quarter had been 21.2%, down from its peak of 26.9% at the beginning of 2014. The Spanish central bank believes that the rate of unemployment may fall to below 20% in the current year. Against this backdrop, many of those surveyed had provided a positive outlook for Spain's economy in 2016.
As regards the European Union as a whole, the GfK has forecast growth in private consumption of 1.5 to 2.0%. In this context, Hartmann cited the more buoyant level of consumer confidence in many of the 28 member states. He went on to point out that some of the former crisis-stricken countries such as Spain, Portugal and Ireland had seen an encouraging turnaround in consumer spending among private households.
The swing in consumer demand within the European Union as well as changes in circumstances within its procurement markets are of particular relevance to the **UNITED**LABELS Group. The quality standards that the **UNITED**LABELS Group 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 $1.11 per euro in 2015. The closing price at the end of the year, however, was €1.09 per euro. The company uses forward currency contracts to cushion the effects that foreign exchange movements have on profit margins.
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 **UNITED**LABELS Group remained a leading light within the European licence market in 2015 as high-profile and strong-selling licensed brands were extended. New licences such as „Batman", „Superman" and „Ice Age" were added to the portfolio, while well-known classics were extended.

Course of business and position

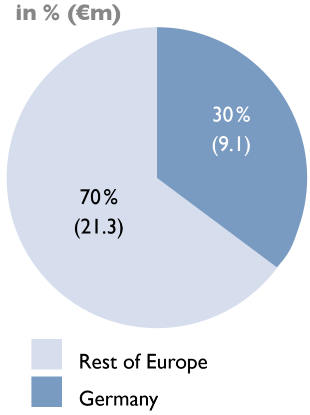
In the financial year under review, **sales revenue** amounted to €30.4 million (prev. year: €32.0 million). While revenue generated in Spain saw encouraging growth from €14.1 million to €17.9 million, revenue from sales in Germany fell from €12.9 million to €9.1 million. In particular, revenue from one of the key accounts in Germany decreased from €5.6 million to €2.7 million. Whereas revenue within the Key Account segment declined to €16.3 million (prev. year: €20.0 million), revenue attributable to the Special Retail segment increased to €14.1 million (prev. year: €12.0 million). The German parent company saw sales revenue decline to €11.3 million in the financial year under review. In the previous year, revenue had amounted to €17.1 million. The German parent company **UNITED**LABELS AG contributed external sales revenue (adjusted for intra-Group sales) of €9.1 million (prev. year: €13.9 million) to consolidated sales. Looking at the individual companies, consolidated revenue in Spain rose substantially from €13.7 million to €17.7 million (+29%), while revenue in Belgium expanded by 22% to €2.2 million. Consolidated sales generated by Elfen Service GmbH amounted to €0.3 million (prev. year: €0.9 million) following the strategic realignment of business in mid-2014, which involved forgoing low-margin toy brands.

The proportion of Group sales attributable to **UNITED**LABELS Ibérica rose to 58%, up from a share of 43% recorded in the previous year.
The **cost of sales within the Group** comprises material expenses as well as amortisation/write-downs of usage rights for licences. In the financial year under review, the cost

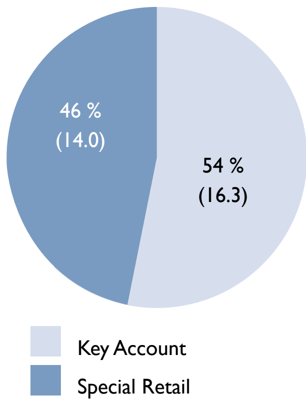
Sales performance (in €m)



Breakdown of sales in Europe for 2015 in % (€m)



Breakdown of sales in 2015 for Key Account and Special Retail in % (€m)



of sales stood at €22.3 million (prev. year: €22.9 million). In relation to Group sales revenue, the cost-of-sales ratio was 73.4% (prev. year: 71.6%). The EBIT margin was -2.9% (prev. year: 1.3%) in relation to sales. The cost-of-sales ratio includes non-recurring expenses of €24 thousand (prev. year: €106 thousand) attributable to licence agreements that were not fully utilised (so-called shortfalls). Additionally, this item includes impairments in the form of risk provisioning with regard to current licence contracts of €350 thousand, as it cannot be ruled out that the guaranteed amount will not be earned in full by the end of the contractual period. However, as the contracts in question are valid until the end of 2017, a reversal of the impairments is possible. In the previous year, a premium of €535 thousand had been included in revenue with regard to merchandise invoiced to Open Mark United Labels GmbH. Correspondingly, the gross profit market fell from 28.4% to 26.6%.

Other operating income amounting to €1.7 million (prev. year: €1.9 million) was the result, among other factors, of income from gains made by the company (€0.3 million) and the sale of the land and property in Gildenstrasse 6. In December 2015, Mr. Peter Boder purchased from the company the office and warehouse facilities, including the land, in Gildenstrasse 6, which he now rents out to the company (sale and lease-back). The purchase price was €2 million and was calculated on the basis of an appraisal by an independent expert appointed by IHK Nord Westfalen. Income from this transaction totalled €1.2 million.
In the previous year, this item had been influenced to a large extent by the reversal of pension provisions of €1.3 million.

As budgeted, **staff costs** continued to fall in the year under review, down from €4.5 million to €4.4 million. Calculated on an annual average, the Group headcount was down by ten. Whereas staffing levels remained stable in Spain, the average annual headcount in Germany fell by 10 (primarily at Elfen Service GmbH). In contrast to the prior year, special payments to staff members amounted to €28 thousand (performance bonus). Per-capita revenue (annual average) was up for the second time in succession in 2015, rising to €304 thousand (prev. year: €291 thousand).
Other operating expenses increased to €5.5 million (prev. year: €5.3 million). This figure includes expenses for rental payments (€1.6 million; prev. year: €1.3 million) and selling expenses (€1.8 million; prev. year: €2.0 million). The slight year-on-year increase is attributable primarily to higher rental costs for airport stores due to more expansive sales in this area.

Earnings before interest, taxes, depreciation and amortisation was €-0.1 million in the period under review (prev. year: €1.2 million).
Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment amount to €0.8 million (prev. year: €0.7 million). Amortisation/write-downs of usage rights amounting to €2.3 million (prev. year: €2.1 million) was accounted for separately as material expense. The licence ratio stands at 7.7% (prev. year: 6.6%).

Earnings before interest and taxes (EBIT) amounted to €-0.9 million (prev. year: €0.4 million).

Net **finance cost** of €-1.2 million (prev. year: €-1.1 million) encompasses finance income and cost. Looking at net interest income in isolation, the use of factoring over the entire year as well as the use of credit lines exerted downward pressure on income within this area.
Taxes on income included tax expense of €2.1 million (prev. year: €0.4 million). Deferred taxes in respect of loss carryforwards for the parent company were written off in full (€1.9 million). Additionally, deferred taxes with regard to loss carryforwards for United Labels Ibérica had to be adjusted, as the applicable tax rate will fall from 30% to 25% in 2016.
On this basis, the **consolidated loss** for the financial year was €-4.2 million, compared to a consolidated loss of €-1.1 million reported for the previous financial year.
For 2015, this corresponds to earnings per share of €-0.65 (prev. year: €-0.21).

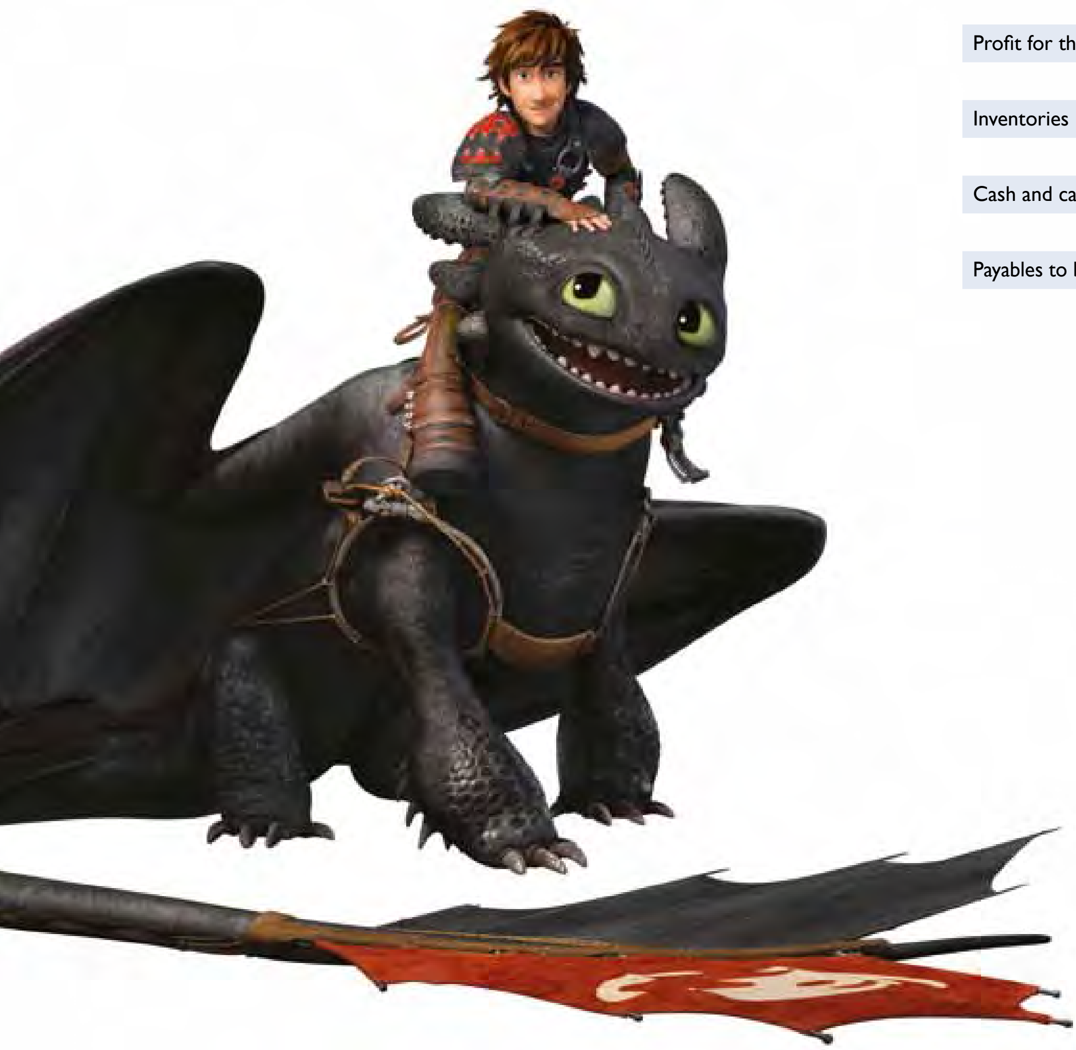
The Key Account **segment result** was €-0.1 million (prev. year: €1.3 million). This was due primarily to lower sales revenue. The Special Retail segment recorded a result of €0.6 million (prev. year: €-0.2 million). In this context, buoyant business relating to the airport shops in Spain provided a boost to earnings.
Unallocated administrative costs rose substantially year on year to €1.4 million (prev. year: €0.7 million); in the previous year the reversal of pension provisions had had a positive impact on this item.
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). Revenue and EBIT (earnings before interest and taxes) are considered to be the key financial performance indicators within the Group. Sales revenue fell by 5% (prev. year: 4%) in the financial year 2015. Earnings before interest and taxes (EBIT) stood at €-0.9 million (prev. year: €0.4 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
Cash and cash equivalents
Payables to banks



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)
2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
17,924	13,786	151	13	1,872	1,770	512	916	102	4,794	974	1,042
1,161	947	57	-29	-52	79	-141	-692	-40	99	102	83
854	707	57	-29	-52	-605	-366	-911	-40	99	102	83
170	103	57	-29	6	-526	-388	-911	-47	12	50	34
2,061	1,657	0	0	0	0	167	111	0	7	0	0
200	103	0	0	1	3	11	40	1	27	0	25
4,237	3,167	0	1	0	0	0	0	0	0	595	599

Alongside its holdings in the subsidiaries, the parent company 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. The parent company holds a 90% interest in Open Mark United Labels GmbH and an 80% interest in Elfen Service GmbH, based in Münster.

Cash flows

The Group's cash flow statement shows **net cash from operating activities** of €1.7 million for the 2015 financial year (prev. year: net cash used in operating activities of €-0.3 million). This was attributable primarily to extended payment periods agreed with suppliers. Payments in relation to **investing activities** totalled €2.0 million (prev. year: €1.5 million), with a particular emphasis on the extension of licensing rights. Proceeds from the sale of the property in Gildenstrasse 6 amounted to €2.0 million, as a result of which **net cash used in investing activities** was €-0.01 million in total. Net cash used in financing activities was €-1.1 million (prev. year: net cash from financing activities of €2.4 million). In the context of the Group's financing activities, a sum of €2.6 million (prev. year: €1.9 million) was used for the purpose of servicing loans. In December 2014, the company had received €3.1 million as part of an increase in capital.
On this basis, **cash and cash equivalents** rose by €0.6 million to €1.3 million for the period under review. As at 31 December 2015, receivables totalling €2.0 million (prev. year: €3.7 million) had been sold to the factoring company.
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. 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 unchanged by land charges in respect of the logistics centre in Münster.

Financial position

Non-current assets amounted to €16.8 million (prev. year: €19.5 million). Intangible assets rose by €0.5 million as a result of new or extended usage rights, while property, plant and equipment fell by €1.1 million mainly due to the sale of the land and property in Gildenstrasse 6 (sale and lease-back). Deferred taxes were lower in the period under review, primarily as a result of the write-down of deferred tax assets on loss carryforwards for the German parent company and a lower tax rate in Spain. They fell by €2.2 million to €2.0 million. **Current assets** were up slightly due to the higher value of inventories, rising by €0.8 million to €11.2 million.

Inventories (including goods in transit) rose to €4.8 million (prev. year: €3.3 million). Goods in transit alone amounted to €1.0 million (prev. year: €0.5 million).

At the end of the reporting period, **trade receivables** totalled €3.9 million (prev. year: €4.5 million) due to lower sales towards the end of the reporting period.
Bank deposits rose from €0.7 million in 2014 to €1.3 million in the period under review. Of this total, €930 thousand has been allocated to a three-month time deposit account. This sum is to be used for the future repayment of a long-term loan. It cannot be utilised for other purposes.

Current **other assets** fell by €0.7 million, partly as a result of lower trade receivables and the associated reduction in receivables from the factoring agency.

Total assets fell to €27.9 million (prev. year: €29.9 million).

Equity decreased by €4.1 million, primarily as a result of the loss for the period. The total amount of shares outstanding remained unchanged at 6,300,000.
The consolidated loss amounted to €4.2 million. Of this total, €0.1 million is attributable to non-controlling interests.
Non-current liabilities rose by €0.5 million to €7.3 million. This was due to the addition or extension of licence agreements with payment periods stretching into the non-current category.
Current liabilities were also up, rising by €1.6 million to €18.0 million. **Current financial liabilities, current provisions** and **current income tax liabilities** remained relatively stable. By contrast, current **trade payables** and **other liabilities** rose by €1.5 million, particularly as the German parent company had agreed longer payment periods with its suppliers in order to counteract the effects of extended payment terms granted to customers.
At €16.8 million, non-current assets accounted for 60% (prev. year: 65%) of total assets. At €11.2 million, current assets accounted for 40% (prev. year: 35%) of total assets.
Totalling €7.3 million, non-current liabilities accounted for 26% of total equity and liabilities, which was slightly higher than in the previous year. At the same time, current liabilities totalling €18.0 million were up on the prior-year figure. The latter accounted for 65% of total equity and liabilities (prev. year: 55%).

In total, Group debt amounted to €25.4 million in the financial year under review, compared to €23.2 million in the previous year. Group debt in relation to total equity and liabilities stood at 91%, after 78% in the previous year.
Based on equity of €2.6 million reported by **UNITED**LABELS, the equity ratio stands at 9%, compared to 22% in the previous financial year.
Equity covers the Group's non-current assets by 15%. The proportion of goodwill in relation to equity is 222%.
Business over the course of the year proved unsatisfactory, having been impacted by a number of exceptional items. Deferred taxes were unused and had to be written down, while impairments were also recognised in respect of licence usage rights. Additionally, the office building and land previously owned by the company was disposed of as part of a sale and lease-back arrangement. Finally, the company had to contend with a decline in revenue, as a result of which it failed to move into profit.
The individual Group companies developed along different lines in the period under review. While Spain and Belgium saw revenue and earnings improve substantially, business in Germany was down markedly. The shortfall in revenues from German operations also had a severe impact on earnings. The aim is to improve business performance in Germany, too, by pursuing ongoing optimisation measures put in place for the coming years.

Non-financial performance indicators

Staff

As at 31 December 2015, the Group employed 99 (prev. year: 102) members of staff. The lower headcount is due to the current Business Reengineering programme as well as additional optimisation and restructuring measures. At 100, the average headcount was down by 10 compared to the previous year.
The Group is not attached to, or bound by, any collective wage scale. Remuneration is based on an employee's position within the company and his/her performance.
It is a particular aim within the company to continuously develop employees' potential and improve its service towards customers. The company therefore organised several internal and external training sessions throughout 2009.
In addition, the company has established an employee development programme in Germany to encourage and motivate each employee individually. For example, this includes regular staff information events for all employees, where current issues are brought up and employees have the opportunity to engage in a dialogue with the company's management. At least twice a year, each employee meets with his/her supervisor for a feedback and career development meeting. Due to the small size of the teams within the Group (up to eight people), each employee can be given individual support.
Diversity within the workforce is one of the top priorities for the Group and constitutes a core component of the 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 increased to 25% (prev. year: 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 25%. The Group organises cross-cultural workshops for the purpose of improving mutual understanding among staff members when it comes to Group-wide communication and teamwork at a European 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

The existing Management Board contract with Mr. Hirsch ends on 30 April 2016 and will not be extended.
The post-contractual covenant not to compete has been cancelled effective from 30 April 2016.

4. Outlook and Report on Opportunities and Risks

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

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

The **UNITED**LABELS Group regularly encounters risks and opportunities that can impact both positively and negatively on its assets, profits and cash flow as well as intangible assets such as licence values. Risks are understood to be the potential occurrence of internal or external events that may adversely affect the attainment of short-term goals or the implementation of its long-term strategy; missed or poorly utilised opportunities also constitute risks. In general, opportunities can be defined as strategic and operational developments, both internal and external, that can have a positive impact on the Group's performance if used in the right way.

The company makes use of various information channels with a view to identifying risks and opportunities. Assessments of relevant markets are based on dialogue with customers and suppliers as well as information derived from the Internet, other media and trade fairs and 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 risks in the following areas in particular:

A significant proportion of merchandise purchases are transacted in US dollars. The Group 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.

The **UNITED**LABELS Group holds cartoon-related licence rights that are recognised in the statement of financial position at an amount of €3.3 million (prev. year: €2,6 million). In view of their guarantee amounts (up to €1.4 million), individual agreements are subject to close scrutiny. At present, there are no indications that the current carrying amounts are impaired. 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.

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 entity 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 situations can adversely affect the company's revenue, earnings and cash flow.

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. If the company were to lose any of these customers, particularly customers with a large share of revenue, this could lead to a decline in sales revenue and earnings and have a negative impact on the company's financial position, performance and cash flows.

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 Group 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 terms, the possibility of liquidity requirements being higher than planned may arise if the Group's companies deviate negatively from their targets. These circumstances 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 continue to utilise existing lines of credits – to the extent that these are available. Against the backdrop of the cost reduction and financing measures already implemented, the continuation of the company without jeopardising it as a going concern presupposes that current lines of credit and loans 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 material goodwill in respect of **UNITED**LABELS Ibérica (€2.6 million) and Colombine in Belgium (€3.0 million). Non-impairment of this goodwill depends on the enterprise values of these entities, which will remain subject to continuous assessment. A sustained deterioration in these entities' business performance may result in adjustments to the value of goodwill.

In addition to the risks described above, other risks associated with general business (such as risks relating to price fluctuations, default and interest rates) are recorded by the internal risk management system and constantly monitored. Our principal aims in terms of risk management involve safeguarding and monitoring the margin situation by means of costing guidelines and dollar hedging, strict cost regulation through budgetary controls and the safeguarding of liquidity by means of planning and supervision. Essentially, the risk management system serves to provide early warning of risks, evaluate their seriousness and probability of occurrence and initiate appropriate countermeasures.

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

Needless to say, the general economic situation in Germany, Spain and the rest of Europe also affects the performance of **UNITED**LABELS. With the German economy having expanded in 2015, the Federal Ministry for Economic Affairs and Energy is also predicting growth for 2016; 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 direct distribution of products to end consumers through the online channels of Elfen Service GmbH and various cooperation partners will become progressively more important.

According to the recent growth forecast, the economy within the eurozone as a whole will develop at a slightly more subdued rate when compared to that of Germany. Spain is expected to maintain its positive trajectory of growth. Essentially, this should also have a favourable impact on business performance for the company in Spain.

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 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. Growth within this area is likely to decelerate substantially. At the same time, however, this will also reduce the strain on earnings and liquidity. This is complemented by a low rate of returns and higher margins.

The Group continues to operate a total of five airport shops. However, revenue rose by 28% and EBIT by as much as 59% on a like-for-like basis, i.e. with the number of shops remaining unchanged. Targeted expansion is being planned for 2016 and 2017 where suitable and appropriate. Extensions of rental agreements for existing airport shops will be assessed on the basis of commercial criteria.

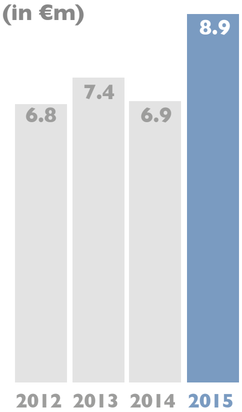
The licence portfolio currently comprises more than 30 licence themes. As in previous years, a number of contracts no longer deemed economically viable by the company were discontinued. New additions included „Ice Age“ and „Paw Patrol“. In the past year, „Simpsons“, „Mia and Me“, „Hello Kitty“ and „Minions“ were among the most successful licence subjects. In 2016, the company will continue to evaluate the business viability of every new licence and reach decisions on that basis.

Report on expected developments

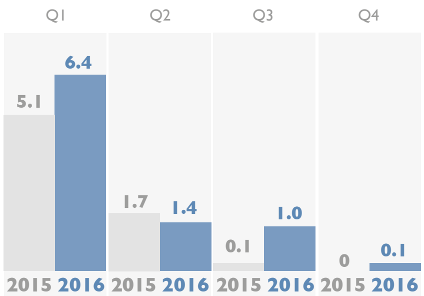
The forecast published as part of the last annual report, pointing to Group revenue growth of between 15% and 25% in 2015, was revised to growth of 2-10% as part of the corporate guidance issued upon publication of the first-half report. The Group's performance fell short of expectations due to lower sales relating to selected items for key account customers, less favourable business in the last two months of 2015 (usually a buoyant period within the B2C and specialty retail business) and sluggish performance at Elfen. As a result, the Group also failed to achieve its forecast for EBIT (€0.7 - 1.6 million).

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, one of the focal points is on expanding specialty retail business in Spain, which developed more favourably than expected in the financial year just ended and remains on track for steady growth. Above all however, the Group will be looking to bring about a significant improvement in its business within the home market of Germany. Earnings performance in 2015 was dominated by a number of exceptional items. More expansive sales and an improvement in earnings in Germany are seen as an essential prerequisite for stronger earnings at Group level. Far-reaching sales efforts have helped to boost order backlog for the current financial year 2016, with the figure rising by 43% to €7.8 million in Germany and by 29% to €8.9 million in the Group as a whole. With this in mind, we anticipate growth for the current financial year, which will continue to be accompanied by stringent cost management at all levels of the Group. Also taking into account current order backlog, total sales revenue is to grow by 15-23% in 2016. The target for EBIT is between €0.6 million and €1.5 million.
Buoyed by the current economic situation, the consumer climate throughout Europe, particularly in Spain, seems to be showing signs of recovery.
Key Account business, with a large proportion of textiles and clothing, is expected to be the key growth driver in 2016. In this context, the company anticipates that the US dollar exchange rate will be comparable to the prior-year figure. 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.

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



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



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

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

5. Risk Report on the Use of Financial Instruments

The deployment of financial instruments exposes the company to the usual risks, which include default risks, market price risks and liquidity risks. The company makes use of forward exchange and exchange option 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 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.15 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 2015, 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.

Authorised Capital 2011, as approved by the Annual General Meeting on 24 May 2011, was utilised in full as part of the capital increase from Authorised Capital executed and completed in November 2014. The Annual General Meeting on 23 June 2015 therefore passed a resolution authorising the Management Board to increase the company's share capital, with the Supervisory Board's approval, by up to €3,150,000.00 through the issue, for cash and/or non-cash contributions, of up to 3,150,000 new bearer shares under single or multiple initiatives up to 22 June 2020 (Authorised Capital 2015).
In accordance with Section 71 et seq. AktG, the company's Management Board was authorised by the Annual General Meeting of 19 May 2010 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. This authorisation remains 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. This right was not exercised during the financial year under review. As at 31 December 2015, the company held no treasury shares.

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 2014 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.

Loan, licensing and customer contracts are the main types of agreement entered into by **UNITED**LABELS AG that could be subject to change of control provisions. However, no explicit agreements are in place in any of these three contract areas. Similarly, no agreements on compensatory payments in the event of a takeover bid have been reached with employees. An agreement has been concluded with the Management Board under which severance pay shall not exceed 150% of the value of two years' compensation in the event of termination of a Management Board contract following a change of control.

Compensation system for the company's governing bodies

Supervisory Board compensation is governed by the provisions set out in the Articles of Association. The fixed component of compensation amounts to €40 thousand per annum. The Chairman of the Supervisory Board receives €20 thousand p.a., and the two other Supervisory Board members receive €10 thousand p.a. In addition, the members of the Supervisory Board received variable compensation which is calculated on the basis of 0.25% of consolidated profit (before payment of the variable compensation component); the maximum amount is €10 thousand. Furthermore, the members of the Supervisory Board and its committees to which they are assigned receive remuneration of €1 thousand for meetings attended. The Chairman of the Supervisory Board receives double this amount for meetings attended. Total Supervisory Board compensation for the 2015 financial year was €57 thousand.

Mr. Boder is the Chairman of the Management Board. In total, the Management Board's compensation amounted to €400 thousand in the financial year under review (prev. year: €409 thousand) (Mr. Boder: €216 thousand; Mr. Hirsch: €184 thousand). Management Board compensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2015 financial year amounted to €400 thousand; no variable-component compensation was granted in 2015. The current management contract for the CEO/Chairman of the Management Board 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. The pro rata present value of the anticipated settlement amount of the share-based long-term compensation component was €76 thousand, for which a provision was recognised.

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. However, Mr. Hirsch will relinquish his right to all bonuses, as his contract as a member of the management Board ends in April 2016 and will not be extended.

In the consolidated financial statements for 2015 pension provisions recognised for obligations towards a member of the Management Board increased by €16 thousand in total. Costs of €67 thousand were recognised as staff costs and €46 thousand as interest expense, while actuarial gains of €98 thousand were accounted for in other comprehensive income. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is €1,724 thousand (prev. year: €1,708 thousand).

From the age of 65, the Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €14,490.20 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	203,920.20	203,920.20	203,920.20	180,000.00	180,000.00	180,000.00	180,000.00
Fringe benefits	13,985.26	12,449.26	12,449.26	12,449.26	12,191.04	3,226.35	3,226.35	3,226.35
Total	217,139.26	216,369.46	216,369.46	216,369.46	192,191.04	183,226.35	183,226.35	183,226.35
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	102,063.00	67,468.00	67,468.00	67,468.00	0.00	0.00	0.00	0.00
Curtailments	-1,337,095.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total salary	319,202.26	283,837.46	283,837.46	283,837.46	192,191.04	183,226.35	183,226.35	183,226.35

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, 28. April 2016

UNITEDLABELS Aktiengesellschaft

The Management Board

Peter Boder Albert Hirsch

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2015

ASSETS

	Notes	31.12.2015 €	31.12.2014 €
Assets			
Non-current assets			
Property. plant and equipment	C.1.	3,826,255.92	4,971,496.00
Intangible assets	C.1.	9,432,457.07	8,934,588.81
Other assets	C.6.	1,488,248.08	1,394,279.68
Deferred taxes	C.3.	2,007,108.47	4,218,756.06
		16,754,069.54	**19,519,120.55**
Current assets			
Inventories	C.4.	4,772,189.86	3,349,761.17
Trade receivables	C.5. / C.8	3,939,152.44	4,468,433.01
Other assets	C.6. / C.8	1,138,199.19	1,834,510.27
Cash and cash equivalents	C.7.	1,310,618.29	721,697.66
		11,160,159.78	**10,374,402.10**
Total assets		**27,914,229.32**	**29,893,522.65**

EQUITY AND LIABILITIES

	Notes	31.12.2015 €	31.12.2014 €
Equity			
Capital and reserves attributable to the owners of the parent company			
Issued capital	C.9.	6,300,000.00	6,300,000.00
Capital reserves	C.9.	0.00	4,240,733.00
Retained earnings	C.9.	1,540,848.44	2,003,475.41
Currency translation	C.9.	-571,167.25	-571,261.32
Consolidated unappropriated loss	C.9.	-4,190,023.09	-4,848,144.60
Shareholders' equity		**3,079,658.10**	**7,124,802.48**
Non-controlling interests	C.9.	-527,535.01	-432,519.89
Total equity		**2,552,123.09**	**6,692,282.59**
Non-current liabilities			
Provisions for pensions	C.10.	1,724,259.00	1,708,455.00
Provisions	C.11.	76,274.77	0.00
Financial liabilities	C.12.	1,903,048.63	2,044,446.75
Trade payables	C.12.	3,428,061.50	2,760,765.72
Deferred tax liabilities	C.3.	186,589.85	264,492.44
		7,318,233.75	**6,778,159.91**
Current liabilities			
Provisions	C.11.	122,422.60	128,692.78
Current tax payable	C.12.	40,181.98	12,863.42
Financial liabilities	C.12.	7,123,896.86	7,058,562.39
Trade and other payables	C.12.	10,757,371.04	9,222,961.56
		18,043,872.48	**16,423,080.15**
Total liabilities		**25,362,106.23**	**23,201,240.06**
Total equity and liabilities		**27,914,229.32**	**29,893,522.65**

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

for the period from 1 January to 31 December 2015

	Notes	2015 €	2014 €
Revenue	**D.1.**	**30,381,588.11**	**31,978,022.16**
Cost of materials	D.2.	-19,981,982.32	-20,788,896.48
Amortisation/write-down of usage rights	D.3.	-2,327,296.28	-2,116,501.40
		-22,309,278.60	**-22,905,397.87**
		8,072,309.51	**9,072,624.29**
Other operating income	D.4.	1,717,239.88	1,926,574.70
Staff costs	D.5./C.10.	-4,404,887.81	-4,535,663.84
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation/write-down of usage rights)	D.6.	-762,319.38	-707,077.22
Other operating expenses	D.7.	-5,501,427.42	-5,306,702.13
Profit from operations		**-879,085.23**	**449,755.79**
Finance income	D.8.	19,207.96	56,023.79
Result from associated entities	D.8.	0.00	138,053.92
Finance costs	D.8.	-1,245,893.01	-1,292,866.27
Net finance cost		**-1,226,685.05**	**-1,098,788.56**
Profit before tax		**-2,105,770.27**	**-649,032.77**
Taxes on income	D.9.	-2,101,081.58	-409,334.63
Consolidated loss for the period		**-4,206,851.85**	**-1,058,367.40**
Loss attributable to owners		-4,111,836.73	-895,731.16
Loss attributable to non-controlling interests	C.9.	-95,015.12	-162,636.24
Other comprehensive income („OCI“):			
Not to reclassify result:			
Actuarial gains and losses		97,837.92	-371,360.00
Deferred taxes on actuarial gains and losses		-31,239.65	118,575.25
To reclassify result:			
Exchange difference on translating foreign operations		94.07	365.92
Total other comprehensive income		66,692.34	-252,418.83
Total comprehensive group loss		**-4,140,159.51**	**-1,310,786.23**
Loss attributable to owners		-4,045,144.39	-1,148,150.00
Loss attributable to non-controlling interests	C.9.	-95,015.12	162,636.24
Consolidated loss (based on income statement) per share			
basic	C.9.	-0.65 €	-0.21 €
diluted	C.9.	-0.65 €	-0.21 €
Weighted average shares outstanding			
basic	C.9.	6,300,000 pcs,	4,267,255 pcs,
diluted	C.9.	6,300,000 pcs,	4,267,255 pcs,

UNITEDLABELS Aktiengesellschaft, Münster - Group Statement of Cash Flows

Notes to Group Statement of Cash Flows. cf. C.16.	Notes	2015 T€	2014 T€
Consolidated loss for the period		-4,207	-1,058
Interest income from financing activities		1,227	1,237
Amortisation/write-down of usage rights	C.1.D. 3/6	2,327	2,116
Amortisation of intangible assets	C.1.D. 3/6	246	226
Depreciation of property, plant and equipment	C.1.D. 3/6	517	481
Write-down of financial assets	C.1.D. 3/6	0	67
Change in provisions	C.10,C.11	86	-640
Other non-cash expenses		2,003	-622
Result from disposal of non-current assets		-1,179	10
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.4-6	-291	307
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	950	-2,431
Payments for tax on profit		0	-3
Cash flows from operating activities		**1,678**	**-310**
Payments for investments in intangible assets and property. plant and equipment	C.1	-2,011	-1,453
Proceeds/Payments from investments in financial assets	C.1	2,000	0
Payments for acquisition of consolidated companies	A.3	0	-163
Cash flows from investing activities		**-11**	**-1,617**
Proceeds from capital increase	C.9	0	3,102
Proceeds from sale of own shares	C.9	0	110
Proceeds from bank loans		1,236	0
Proceeds from short-term loans		225	1,000
Repayment of financial loans		-1,312	-712
Interest received		19	56
Interest paid		-1,246	-1,197
Cash flows from financing activities		**-1,078**	**2,359**
Net change in cash and cash equivalents		589	432
Cash and cash equivalents at the beginning of the period		722	290
Cash and cash equivalents	**C.7.**	**1,311**	**722**
Gross debt bank		9,027	9,103
Net debt bank		**7,716**	**8,381**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**1,311**	**722**

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
As at 31.12.2013	**4,200**	**3,353**	**2,256**	**-3,953**	**-572**	**-223**	**5,061**	**-307**	**4,754**
Consolidated result 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 2014 results	**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
Transactions with owners	**2,100**	**888**	**0**	**0**	**0**	**223**	**3,211**	**37**	**3,248**
As at 31.12.2014	**6,300**	**4,241**	**2,003**	**-4,848**	**-571**	**0**	**7,125**	**-433**	**6,692**
Consolidated result 2015	0	0	0	-4,112	0	0	-4,112	-95	-4,207
Other gains and losses									
Currency translation	0	0	0	0	0	0	0	0	0
Acturial gains and losses	0	0	98	0	0	0	98	0	98
Deferred taxes	0	0	-31	0	0	0	-31	0	-31
Total 2015 results	**0**	**0**	**67**	**-4,112**	**0**	**0**	**-4,045**	**-95**	**-4,140**
Withdrawl from revenue reserves to offset losses	0	0	-529	529	0	0	0	0	0
Withdrawl from capital reserves to offset losses	0	-4,241	0	4,241	0	0	0	0	0
As at 31.12.2015	**6,300**	**0**	**1,541**	**-4,190**	**-571**	**0**	**3,080**	**-528**	**2,552**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2015

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 2015 were approved, and thus adopted, and released for publication by the Supervisory Board on 28 April 2016.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2015, 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 2015 to 31 December 2015. 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 as well as licence rights. 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 co-financed by the Group. 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 and loans – to the extent that these are available. Against the backdrop of the cost streamlining and financing measures already implemented, the continuation of the company without jeopardising it as a going concern presupposes that current lines of credit and loans 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, using existing credit lines and loans, 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 2015 and were applied by **UNITED**LABELS Aktiengesellschaft accordingly.

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

Annual Improvements Project 2011-2013: improvements to existing standards

- IFRIC 21, „Levies“

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 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)
- Annual Improvements to IFRSs 2012-2014 Cycle: improvements to existing standards (EU endorsement on 15 December 2015)
- Amendments to IFRS 11, Joint Arrangements – Acquisition of Interests in Joint Operations (EU endorsement on 24 November 2015)
- Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (EU endorsement on 2 December 2015)
- Amendments to IAS 27, Separate Financial Statements – Applying the Equity Method to Separate Financial Statements (EU endorsement on 18 December 2015)
- Amendments to IAS 16, Property, Plant and Equipment, and IAS 41, Agriculture – Agriculture: Bearer Plants (EU endorsement on 23 November 2015)
- Amendments to IAS 1, Presentation of Financial Statements (Disclosure Initiative) (EU endorsement on 18 December 2015)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception (EU endorsement expected in Q2 2016)

Mandatory application for reporting period as from 1 January 2017

- IFRS 9, Financial Instruments (EU endorsement expected in H1 2016)
- IFRS 15, Revenue from Contracts with Customers (EU endorsement expected in Q2 2016)

At present, the application of IFRS 15 is not expected to have a material impact on financial accounting within the **UNITED**LABELS Group.

- Amendments to IAS 12, Income Taxes - recognition of deferred taxes in unrealized losses (EU endorsement expected in Q4 2016)
- Amendments to IAS 7 , Statement of Cash Flows - initiative to improve disclosures (EU endorsement expected in Q4 2016)

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.

Intragroup transactions and balances, as well as unrealised profits and losses resulting from intragroup transactions are eliminated in full. The accounting policies applied by the subsidiaries were changed, to the extent that this was possible, in order to ensure consistent financial accounting throughout the Group. Profits and losses resulting from transactions between Group companies and associated companies are eliminated according to the interest of the Group in the associated entity. There were no differences attributable to offsetting.
In accordance with regulations governing the scope of consolidated financial statements, in addition to **UNITED**LABELS Aktiengesellschaft as the parent company the following enterprises are included in the consolidated financial statements as at 31 December 2015, 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.-31.12.2015
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florenz, Italy	100.000 %	01.01.-31.12.2015
UNITEDLABELS Belgium N.V., Brügge, Belgium	99.999 %	01.01.-31.12.2015
as its wholly owned subsidiary		
Colombine b.v.b.a., Brügge, Belgium	100.000 %	01.01.-31.12.2015
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01.01.-31.12.2015
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01.01.-31.12.2015
UNITEDLABELS Comicware Ltd., Hongkong	100.000 %	01.01.-31.12.2015
UNITEDLABELS Polska Sp.o.o., Warschau, Poland	100.000 %	01.01.-31.12.2015
Open Mark United Labels GmbH, Münster	90.000 %	01.01.-31.12.2015
Elfen Service GmbH, Münster	80.000 %	01.01.-31.12.2015
House of Trends europe GmbH, Münster	100.000 %	01.01.-31.12.2015

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 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.
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

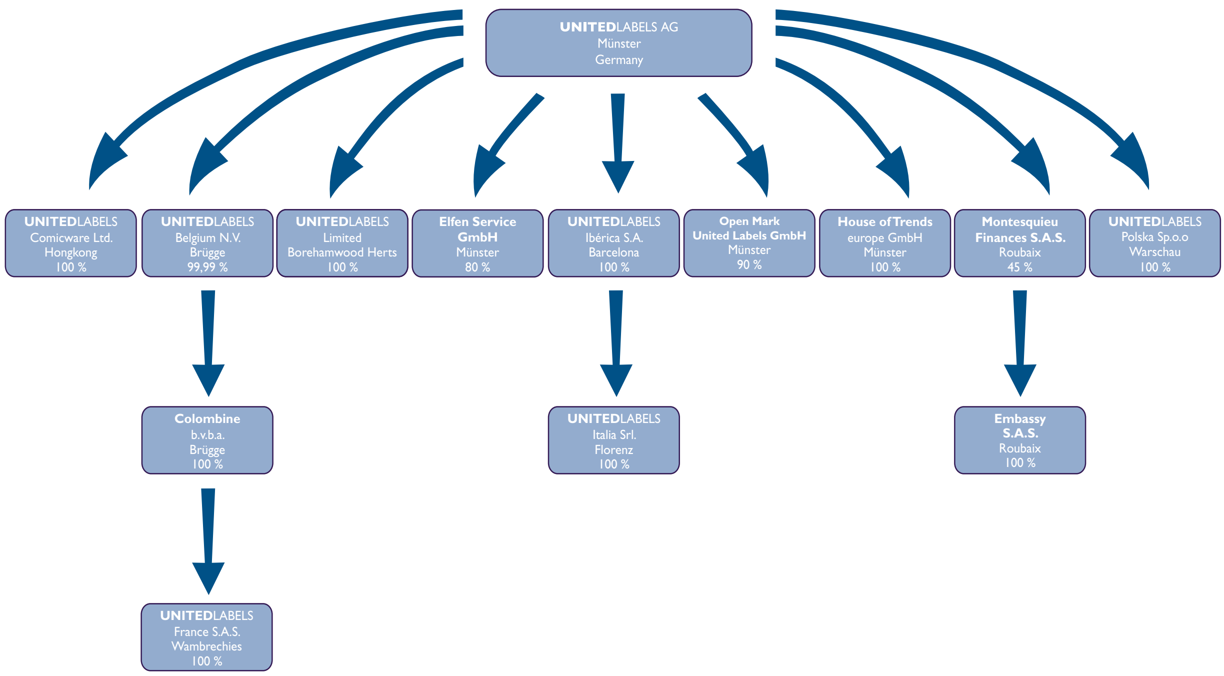
NOTES TO FINANCIAL STATEMENTS IN 2015

Labels GmbH has been fully consolidated within the Group. The fair values of assets and liabilities taken over by the Group as at 29 May 2014 are as follows:

Open Mark United Labels GmbH	**29.05.2014**
	T€
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**

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 UNITEDLABELS AG are published in the Electronic Federal Gazette.

Entities included in the consolidated financial statements as at 31 December 2015



4. 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 (in €'000)	01.01.2014 - 31.12.2014 (in €'000)	2014 (in €'000)	2013 (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

5. 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. The internet business of Elfen Service GmbH as well as the airport shops of United Labels Ibérica are allocated to the Special Retail segment. There were no intersegment revenues or expenses in the period under review.

B. Significant accounting policies

1. Property, plant and equipment

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

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

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

2. Identifiable intangible assets

(a) Goodwill

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

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

(b) Concessions, industrial property rights

Trademarks and licences are recognised at their historical cost of purchase/conversion. Trademarks and licences (not cartoon/animation licences) have finite useful lives and are carried at their cost of purchase/conversion, less accumulated amortisation. Amortisation is performed on a straight-line basis over an estimated economic life of 3 to 10 years. 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 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 2.7 % (prev. year: 2.6 %) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5% (previous year: 2.5%), and an interest rate of 1.75% (previous year: 1.75%) 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. The financing costs are distributed across the contractual period in such a way as to ensure a consistent return, having taken into account the underlying interest rate. The proportion of interest relating to lease instalments is recognised in interest expense in the statement of comprehensive income.

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 2015 financial year was €1.3732 € / £ (prev. year: €1.2407 € / £), and the closing rate at 31 December 2015 was €1.3577 € / £ (prev. year: €1.2894 € / £). **UNITED**LABELS Polska is accounted for in Polish złoty. The average exchange rate for the applicable accounting period was 4.1840 zł / € (prev. year: 4.1856 zł / €), and the closing rate was 4.2630 zł / € (prev. year: 4.2986 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 foreign exchange options for the purpose of hedging exchange 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 reporting date. In the case of foreign exchange forward contracts and foreign exchange options, 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.

In the case of long-term contracts for the use of licence rights projections have to be made as to whether the guarantee amounts can be recovered by future revenues.

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 in respect of the French entity Montesquieu S.A. 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 2016 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. The usufructuary rights relating to licence agreements within the area of licence characters are presented as intangible assets. The Company's operating premises with a carrying amount of €2,821 thousand (prev. year: €3,805 thousand) are subject to land charges for loans amounting to €5,647 thousand (prev. year: €5,647 thousand). Due to finance lease agreements, the Company does not have unrestricted access to €72 thousand in non-current assets.

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2015

Cost of purchase or conversion

	Balance at 01.01.2015	Acquisition	Reclassifica-tions	Disposals	Balance at 31.12.2015
	€	€	€	€	€
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	-2,244,071.32	3,765,937.93
2. Technical equipment and machinery	934,358.25	13,299.59	0.00	-190,494.05	757,163.79
3. Other plant, operating and office equipment, furniture and fixtures	2,584,472.37	173,782.70	1,616.36	-338,373.68	2,421,497.75
4. Advance payments and construction in progress	0.00	2,150.00	0.00	0.00	2,150.00
	9,528,839.87	**189,232.29**	**1,616.36**	**-2,772,939.05**	**6,946,749.47**
II. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	7,998,941.12	3,073,768.66	-1,616.36	-974,083.79	10,097,009.63
2. Goodwill	7,234,875.99	0.00	0.00	0.00	7,234,875.99
	15,233,817.11	**3,073,768.66**	**-1,616.36**	**-974,083.79**	**17,331,885.62**
	24,762,656.98	**3,263,000.95**	**0.00**	**-3,747,022.84**	**24,278,635.09**

Accumulated depreciation/amortisation				Net Amounts	
Balance at 01.01.2015	Additions	Disposals	Balance at 31.12.2015	Balance at 31.12.2015	Balance at 31.12.2014
€	€	€	€	€	€
2,178,032.23	172,418.63	-1,429,939.83	920,511.03	2,845,426.90	3,831,977.02
375,670.52	188,074.85	-185,395.05	378,350.32	378,813.47	558,687.73
2,003,641.12	156,358.14	-338,367.06	1,821,632.20	599,865.55	580,831.25
0.00	0.00	0.00	0.00	2,150.00	0.00
4,557,343.87	**516,851.62**	**-1,953,701.94**	**3,120,493.55**	**3,826,255.92**	**4,971,496.00**
4,721,648.87	2,572,764.04	-972,563.79	6,321,849.12	3,775,160.51	3,277,292.25
1,577,579.43	0.00	0.00	1,577,579.43	5,657,296.56	5,657,296.56
6,299,228.30	**2,572,764.04**	**-972,563.79**	**7,899,428.55**	**9,432,457.07**	**8,934,588.81**
10,856,572.17	**3,089,615.66**	**-2,926,265.73**	**11,019,922.10**	**13,258,712.99**	**13,906,084.81**

*of this amount, € 2.327.296,28 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; € 245.467,76 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensiveincome with depreciation/write-downs of property, plant and equipment (€ 726.319,38).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2014

	Cost of purchase or conversion				
	Balance at 01.01.2014	Acquisition	Additions	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).

The goodwill developed as follows:

	2015 € '000	2014 € '000
Balance at 01.01.	5,657	5,625
Depreciation/amortisation	0	32
Balance at 31.12.	**5,657**	**5,657**

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 7.68% (Colombine), 10.16% (Ibérica), 7.70% (Open Mark United Labels GmbH) and a growth rate of 1.5% (prev. year: 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 1.5 % for both CGUs (prev. year: 2.0%). The discount rate, depending on goodwill, was 7.68%, 7.70% or 10.16% (prev. year: 3.95% or 4.79%) after taxes. The interest rate before taxes was 10.42% and 11.83% (prev. year: 4.73% or 6.24%). 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. Investments accounted for using the equity method

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 2015. The consolidated earnings of Montesquieu for 2015 are unknown.

3. Deferred tax assets

The deferred tax assets in the amount of €2,007 thousand (prev. year: €4,219 thousand) comprise an amount of €1,234 thousand (prev. year: €3,376 thousand) for the carryforward of unused tax losses as well as an amount of €774 thousand (prev. year: €843 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 €187 thousand (prev. year: €264 thousand). Current deferred tax assets amounted to €169 thousand (prev. year: €649 thousand), while current deferred tax liabilities totalled €79 thousand (prev. year: €121 thousand).

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

	31.12.2015		31.12.2014		2015	2015	2014	2014
	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	1,234	0	3,376	0	-2,142	0	-142	185
Intangible assets	357	140	431	199	-15	0	47	-255
Receivables from affiliated companies	0	32	0	32	0	0	-32	0
Inventories	10	0	6	0	4	0	49	0
Receivables affiliated companies	5	0	0	0	5	0	0	-43
Other assets	0	9	0	23	14	0	-23	0
Provisions for post-employment benefits	392	0	398	0	25	-31	-246	119
Other provisions	2	0	0	0	2	0	0	0
Bank borrowings	5	0	5	0	0	0	-2	0
Trade payables	0	0	0	9	9	0	-15	0
Payables to affiliated companies	2	2	2	1	-1	0	3	0
Other liabilities	0	4	1	0	-5	0	0	0
	2,007	**187**	**4,219**	**264**	**-2,104**	**-31**	**-361**	**6**

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 (prev. year: corporation tax and 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 in the prior year, 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 House of Trends europe GmbH, **UNITED**LABELS Ibérica and **UNITED**LABELS Belgium.

Due to the history of losses of **UNITED**LABELS Aktiengesellschaft, prior-year deferred tax assets of €1,938 thousand had to be corrected in full in the current financial year. Additionally, deferred tax assets for loss carryforwards of **UNITED**LABELS Ibérica had to be adjusted in an amount of €208 thousand, as the tax rate in Spain will be reduced from 30% to 25% in 2016.

An amount of €7,030 thousand (prev. year: €4,523 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 €23,183 thousand (prev. year: 15,541 thousand) and €20,868 thousand (prev. year: €12,810 thousand) respectively. Additionally, no deferred taxes were recognised with regard to corporation tax loss carryforwards attributable to subsidiaries totalling €6,745 thousand (prev. year: €6,622 thousand). Of this amount, €3,822 thousand (prev. year: €4,059 thousand) is attributable to foreign operations.

The positive temporary differences in relation to subsidiaries in the financial year 2015 amounted to €13 thousand (prev. year: €20 thousand).

4. Inventories

Of the total inventories amounting to €4,772 thousand (prev. year: €3,350 thousand), 43% (€2,061 thousand; prev. year 49%, €1,657 thousand) was attributable to the storage location in Spain, while 57% (prev. year: 51%), i.e. €2,711 thousand, was attributable to the storage location in Germany (prev. year: €1,693 thousand).
The inventories of the German parent company (€2,578 thousand) and the Spanish subsidiary (€2,061 thousand) have been assigned to the financing banks as security.

5. Trade receivables

Trade receivables fell by €529 thousand year on year, from €4,468 thousand to €3,939 thousand. This item includes prepayments for inventories amounting to €23 thousand (prev. year: €32 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	**2015 € '000**	**2014 € '000**
Not due	3,546	3,752
Due		
due for 0 - 30 days	184	279
due for 31 - 60 days	5	161
due for 61 - 90 days	8	40
due for more than 90 days	196	236
Total	**3,939**	**4,468**

The maximum default risk, without taking into account existing credit insurance, stands at €3,939 thousand. In total, 90% of these receivables are covered by credit insurance. Therefore, in the event of a maximum default 90% of the receivables would be safeguarded by credit insurance.
The accumulated write-downs of receivables were €534 thousand (prev. year: €528 thousand). **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 2015, receivables were written down by €6 thousand (prev. year: €3 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, €1,996 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 2015. 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 €46 thousand (prev. year: €88 thousand), the associated liability stood at €48 thousand (prev. year: €92 thousand), interest income in respect of the previous year totalled €2 thousand (prev. year: interest expense €1 thousand) and accounting-related expense amounted to €0 (prev. year: €0 thousand).
The receivables of the German parent company (€466 thousand; prev. year: €939 thousand) and the Spanish subsidiary (€2,416 thousand; prev. year: €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 €1.5 million (prev. year: €1.4 million).
The current item mainly includes receivables from the factoring agency in Germany and Belgium (€0.5 million; prev. year €0.9 million) and receivables from creditors amounting to €0.2 million (prev. year: €0.3 million); a valuation allowance of €0.1 million (prev. year: €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 thousand (prev. year: €0 thousand) 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 €42 thousand (prev. year: €67 thousand), were recognised within this item.

Non-impaired assets were as follows:

Maturity of receivables	**2015 € '000**	**2014 € '000**
Not due	2,314	3,025
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	312	204
Total	**2,626**	**3,229**

The maximum default risk, without taking into account existing credit insurance, stands at €1,138 thousand (prev. year: €1,835 thousand).

7. Cash and cash equivalents

Cash and cash equivalents rose from €722 thousand to €1,311 thousand in the financial year under review.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31.12.2015			**31.12.2014**		
€ '000	**Gross value €'000**	**less impairment €'000**	**Net value €'000**	**Gross value €'000**	**less impairment €'000**	**Net value €'000**
Trade receivables	4,473	534	3,939	4,996	528	4,468
Other assets	2,774	148	2,626	3,303	74	3,229

The net losses and gains correspond to the year-on-year change in the impairment for each measurement category and amount to €80 thousand. Please refer to the relevant section of the notes for further details concerning measurement.

9. Equity

As at 31 December 2015 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.
The Annual General Meeting on 23 July 2015 passed a resolution authorising the Management Board to increase the Company's share capital, with the Supervisory Board's approval, by up to €3,150,000.00 through the issue, for cash and/or non-cash contributions, of up to 3,150,000 new bearer shares under single or multiple initiatives up to 22 June 2020 (Authorised Capital 2015).
In accordance with Section 71 et seq. AktG, the company's Management Board was authorised by the Annual General Meeting on 19 May 2010 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. This right was not exercised during the financial year under review. As at 31 December 2015, the Company held no treasury shares.
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.
On the one hand the revenue reserves increased by €67 thousand compared to the previous year. This is attributable to actuarial gains in connection with the valuation of pension provisions and the associated deferred taxes.
On the other hand due to the result distribution descision from the mother company, T€529 were taken from revenue reserves and T€4,241 from capital reserves and settled with the unappropriated surplus.

The Group's accumulated deficit developed as follows:

	2015 € '000	2014 € '000
Balance at 01.01.	-4,848	-3,953
Consolidated loss for the year	-4,207	-1,058
Loss attributable to shareholders	95	163
Transfers from revenue reserves	529	0
Transfers from capital reserves	4,241	0
Balance at 31.12.	**-4,190**	**-4,848**

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

Consolidated earnings per share	2015	2014
basic	-0.65 €	-0.21 €
diluted	-0.65 €	-0.21 €
Weighted average shares outstanding		
basic	6,300,000 pcs,	4,267,255 pcs,
diluted	6,300,000 pcs,	4,267,255 pcs,

Consolidated earnings per share amounted to €-0.65 (prev. year: €-0.21), calculated by dividing the annual consolidated loss of €-4,111,836.73 attributable to the owners by the average number of shares outstanding, i.e. 6,300,000. 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 €-567 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 €39 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 €1,724 thousand (prev. year: €1,708 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	2015	2014
Interest rate	2.70%	2.60%
Rate of salary increase	2.50%	2.50%
Pension trend	1.75%	1.75%
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	2015 €	2014 €
DBO at 01.01.	1,708,455	2,476,713
Service cost	67,468	102,063
Curtailments	0	-1,337,095
Interest Cost	46,174	95,414
Actuarial losses	-97,838	371,360
– of which from experience adjustments	-52,293	-15,510
– of which from changes in actuarial assumptions	-45,545	386,870
DBO at 31.12.	**1,724,259**	**1,708,455**

As in previous years, there were no plan assets in the 2015 financial year.

The following table presents changes in pension provisions:

Change in provision for pensions	2015 €	2014 €
Provisions for pensions at 01.01.	1,708,455	2,476,713
Net pension cost	113,642	197,477
Curtailments	0	-1,337,095
New valuation	-97,838	371,360
Provisions for pensions at 31.12.	**1,724,259**	**1,708,455**

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	2015 €	2014 €
Service cost	67,468	102,063
Interest cost	46,174	95,414
Gains due to curtailments	0	-1,337,095
Amortisation of actuarial losses	-97,838	371,360
Net pension cost	**15,804**	**-768,258**

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

	31.12.2015 €	31.12.2014 €	31.12.2013 €	31.12.2012 €	31.12.2011 €
Present value of the obligation	1,724,259	1,708,455	2,476,713	2,493,135	1,516,020
Plan assets	0	0	0	0	0
Funded status	1,724,259	1,708,455	2,476,713	2,493,135	1,516,020
Experience adjustments	-52,293	-15,510	-77,388	-52,213	-74,488

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

Sensitivity analysis		DBO 31.12.2015
Valuation with interest rate	-0.5%	1,966,855
Valuation with interest rate	+0.5%	1,516,384
Valuation with pension trend	-0.5%	1,610,636
Valuation with pension trend	+0.5%	1,849,903
Valuation with rate of salary increase	-0.5%	1,627,782
Valuation with rate of salary increase	+0.5%	1,826,551
Valuation with underlying biomatric data	- 1 Jahr	1,683,450
Valuation with underlying biomatric data	+ 1 Jahr	1,763,876

The duration of the obligation is approx. 27 years.

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01.01.2015 €'000	Reversed €'000	Utilised €'000	Reclassified €'000	Allocated €'000	Balance at 31.12.2015 €'000
Non-current provisions:	0	0	0	0	76	76
Other provisions	0	0	0	0	76	76
Current provisions:	129	0	-119	0	112	122
Provision for contingent losses	119	0	-119	0	102	102
from goods returned	10	0	0	0	10	20
Total provisions	**129**	**0**	**-119**	**0**	**188**	**198**

The non-current provisions relate to a bonus for a member of the Management Board. This provision was recognised on the basis of the Company's share price and its current planning. Whether the bonus will actually be paid cannot be determined until the financial results for 2017 are available. 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. Legal disputes relate to two agents who used to work on behalf of the Company.

12. Trade and other payables as well as financial liabilities

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

2015	Total amount	Remaining term up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	9,027	7,124	759	1,144	9,027	land charges, receivables, stocks
2. Trade and other payables	14,185	10,757	3,428	0	0	
	23,212	**17,881**	**4,187**	**1,144**	**9,027**	

2014	Total amount	Remaining term up to 1 year	to 1 and 5 years	more than 5 years	of which secured	Type of security
	€'000	€'000	€'000	€'000	€'000	
1. Financial liabilities	9,103	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**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 December 2015 and 31 December 2014:

in €'000	Carrying amount 31.12.2015	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 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	2,219	78	0	316	68	0	211	158	0	547	161	0	1,145

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 31.12.2015	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 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	4,035	2	112	1,277	2	84	1,097	2	94	1,661	0	0	0

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 31.12.2015	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 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 to non-banks	1,425	79	0	200	9	0	1,225	0	0	0	0	0	0

Non-current trade payables	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 to non-banks	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 7.5% (prev. year: between 3.75% and 5.5%). Additionally, foreign exchange forward contracts amounted to US$4,791 thousand, while foreign exchange options totalled US$500 thousand.

A small proportion of trade receivables are associated with standard reservations of title in respect of suppliers.

An agreement has been reached with several of the company's suppliers concerning the amounts and dates of payment, which extend into the non-current category. The agreements stipulate payments of €3.4 million, which have been accounted for in the consolidated financial statements.

Other liabilities include €36 thousand (prev. year: €39 thousand) in liabilities relating to social security and €329 thousand (prev. year: €557) to tax liabilities. This item also includes €1,425 thousand (prev. year: €1,150) in 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 31.12.2015	Recognised in balance sheet IAS 39				Amount recognised in balan-ce sheet according to IAS 17	Fair Value 31.12.2015
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	1,311	1,311					1,311
Trade receivables	3,939	3,939					3,939
Recaivables from factoring company	2,584	2,584					2,584
	FVPL						
Value buying option Montesquieu	0				0		
Currency Swap	-12				-12		
Liabilities	FLAC						FLAC
Trade payables	14,093	14,093					14,093
Finance lease liabilities according to IAS 17	73	73					73
Payables to banks	9,027	9,027					9,027
of which aggregated by measurement category according to IAS 39:							
Financial Assets at Fair Value through profit or loss (FVPL)	-12				-12		
Loans and Receivables (LaR)	7,834	7,834					7,834
Financial Liabilities Measured at Amortised Cost (FLAC)	23,193	23,193					23,193

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		
LaR						LaR
722	722					722
4,468	4,468					4,468
3,229	3,229					3,229
FVPL						
0				0		
74				74		
FLAC						FLAC
10,850	10,850					10,850
0	0					0
9,103	9,103					9,103
74				74		
8,419	8,419					8,419
19,953	19,953					19,953

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 4,290,793.63 (prev. year: USD 2,017,922.55), which were measured at the applicable closing rate as at the end of the reporting period (Level II). As regards the foreign exchange forward contracts this resulted in a positive exchange difference of €3 thousand (prev. year: €74 thousand). In terms of the foreign exchange option this led to a negative exchange difference of €15 thousand (prev. year: €0 thousand). Both items were accounted for in cost of materials.
Since 2012, the call option on 20% of the interests in S.A.S. Montesquieu Finances has 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:

	2015 €'000	2014 €'000
Orders to suppliers	3,906	1,905
License agreements	0	1,000
Leasing agreements	105	113
Rental agreements	6,021	3,572
	10,032	**6,590**

Of these obligations, an amount of €5,203 thousand (prev. year: €3,269 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 in 2008. 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 security.

No guarantees were granted to suppliers of Elfen Service GmbH in 2015. In the previous year, such guarantees had amounted to €60 thousand.

As part of pending legal proceedings, the parent company is severally liable for a third-party debt of €150 thousand.
Additionally, the parent company has furnished collateral for third-part liabilities. These relate to liabilities of Mr. Boder towards banks. Over the course of the financial year under review, Mr. Boder provided financial funds to the Company in the form of loans and settled the purchase price for the land, including office and warehouse facilities, in Gildenstr. 6, Münster.

A reinsurance policy was pledged as collateral to the Sparkasse in an amount of up to €500 thousand. At the same time, two reinsurance policies were pledged to Nationalbank; at the end of the reporting period the total asset value recognised was €732 thousand. This reinsurence policies were pledged to Mr. Boder before. Should this pledged collateral be utilised by the aforementioned banks, Mr. Boder will relinquish his rights to pension benefits in the same amount.

15. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €105 thousand (prev. year: €113 thousand).

Maturity within 1 year:	€45 thousand (prev. year: €67 thousand)
Maturity 1-5 years:	€60 thousand (prev. year: €46 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 €37 thousand (previous year: €46 thousand).

In the financial year under review, UNITEDLABELS AG signed two finance lease agreements in respect of intangible assets and property, plant and equipment. The carrying amount of the assets at the end of the reporting period was €72 thousand. The associated liabilities were €73 thousand and correspond to the present value of the total obligation of €79 thousand. The agreements are valid until July 2019 and January 2020 respectively. For one of the agreements, repayments occur on a monthly basis, while in the other case repayments are on a quarterly basis. In the financial year under review interest expenses attributable to the finance lease were €1 thousand (prev. year: €0 thousand). Subsequent minimum lease payments are as follows:

Maturity within 1 year:	€19 thousand (prev. year: €0 thousand)
Maturity 1-5 years:	€60 thousand (prev. year: €46 thousand)

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €6,021 thousand (prev. year: €3,572 thousand). Rental expense amounted to €1,642 thousand in 2015 (prev. year: €1,288 thousand). The new rental agreement for Gildenstr. 6 is valid until 31 December 2027, and the tenant has the right (nine months prior to the end of the agreement) to seek an extension to the rental agreement by up to 2 x 6 years. If the rental agreement is not terminated, the contract is automatically extended by two years. The basic rent is €15,400 and is adjusted in line with the latest consumer price index for Germany issued by the Federal Statistical Office if the index applicable upon commencement of the contract or compared to the last rent increase has changed by more than 5%. Future rental expenses will be as follows:

Maturity within 1 year:	€1,266 thousand	(prev. year: €819 thousand)
Maturity 1-5 years:	€3,462 thousand	(prev. year: €2,676 thousand)
Maturity beyond 5 years:	€1,293 thousand	(prev. year: €77 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. Longer-term payment periods have been agreed in respect of several licence contracts. In the case of the licence agreements concluded or extended in 2015, an amount of €1,180 thousand was not payable in 2015.

Of the bank deposits as at the end of the reporting period, a total of €930 thousand was allocated to a three-month time deposit account; this amount is to be used for the future repayment of a long-term loan. It may not be used for other purposes.

The cash outflows for income taxes paid and refunded amounted to €0 thousand (prev. year: €3 thousand), while those attributable to interest payments were €1,246 thousand (prev. year: €1,197 thousand). Interest received amounted to €19 thousand (prev. year: €56 thousand).

17. Segment reporting

Reporting format

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

2015

€‘000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	14,045	16,337		30,382
Segment expenses	-12,165	-14,863	-1,144	-28,172
Depreciation/amortisation	-1,300	-1,554	-235	-3,089
Segment result	**580**	**-80**	**-1,379**	**-879**
Finance income				19
Finance cost				-1,246
Result from at-equity investment				0
Result from ordinary activities				**-2,106**
Taxes				-2,101
Consolidated loss				**-4,207**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	7,9	10,8	9,2	27,9
Segment liabilities	3,5	8,2	13,7	25,4
Capital expenditure	0,7	2,4	0,1	3,2

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

There were no segment revenues or expenses between the individual segments in the financial year under review. In accordance with IFRS 8.34, the Company hereby discloses that no single customer accounts for more than 10% of total Group revenues. In the previous year, one customer from the Key Accounts segment had accounted for revenue of €5,644 thousand, which represented more than 10% of total Group revenue.

Geographical information

The two business segments of the Group are divided into four geographical regions. The company's home country is 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	**2015 €'000**	**2015 €'000**
Germany	9,142	12,914
Iberian Peninsula	17,941	14,104
France	426	640
Rest of the World	2,873	4,320
Group	**30,382**	**31,978**

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

Total assets	**2015 €'000**	**2014 €'000**
Germany	16,771	19,610
Iberian Peninsula	7,381	6,732
France	134	87
Rest of the World	3,628	3,465
Group	**27,914**	**29,894**

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

Capital expenditure	**2015 €'000**	**2014 €'000**
Germany	2,418	1,091
Iberian Peninsula	845	362
France	0	0
Rest of the World	0	0
Group	**3,263**	**1,453**

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 can not be excluded that long-term currency appreciation will result in an increase in the cost of sales.

In the 2015 financial year, the average euro/US dollar exchange rate was €1 = US$1.1106 (prev. year: €1 = US$1.3282). **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 €10.8 million in absolute terms. If the average exchange rate had been €1 = US$1.05, the cost of goods sold would have been €0.6 million higher; if the average exchange rate had been €1 = US$1.15, the cost of goods sold would have been €0.4 million lower. Hedging transactions have not been taken into account in this calculation.

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 €3,277 thousand (prev. year: €2,608 thousand). In view of their guarantee amounts (up to €1.4 million), individual agreements are subject to close scrutiny. At present, there are no indications that the current carrying amounts are impaired under normal circumstances. Having said that, the Company is exposed to the general risk that the carrying amounts of the assets may have to be adjusted following changes to future market expectations and/or the appeal of specific licences.

Liquidity

In general, **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 AG regularly has a substantial requirement for liquidity. In this event, **UNITED**LABELS AG would have to utilise existing lines of credit and loans – to the extent that these are available. Overall, improvement of profitability as well as the preservation of established credit lines and loans are critical in terms of the short-, medium- and long-term financing concept.

UNITEDLABELS is committed to creating as much room for manoeuvre as possible with regard to its liquidity by performing liquidity forecasts, maintaining a high level of transparency towards its principal banks and optimising cash flows throughout the Group. As at 31 December 2015, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€'000	Available	Utilised	2015	2014
Current account	370	3,180	3,550	4,235
Long-term loans	0	1,903	1,903	2,044
Short-term loans	0	316	316	314
Letters of credit/ Draft	720	5,045	5,765	4,699

Factoring-based funding provides further financial flexibility. The maximum possible drawing limit for UNITEDLABELS AG and Colombine b.v.b.a., Belgium, is €3.5 million.

Interest

UNITEDLABELS secures long-term loans by means of fixed interest rate arrangements. Depending on the loan, the effective interest rate lies between 3.75% and 7.50% (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 2015, the largest customer accounted for 9 % of total sales revenue, compared to 18% in the previous year. Furthermore, the carrying amounts of deferred taxes of €2.0 million (prev. year: €4.2 million) recognised by the Company as well as existing goodwill totalling €5.7 million (prev. year: €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.

	2015		2014	
	Sales revenue		Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	30,370	100	31,974	100
Services	12	0	4	0
	30,382	**100**	**31,978**	**100**

2. Cost of materials

At 65.8%, the materials-expense ratio was largely unchanged on the prior-year figure of 65.0%. This is attributable primarily to the continued focus on revenue associated with stronger profit margins and exchange hedging measures. In absolute terms, costs fell from €20,789 thousand to €19,982 thousand. This was due to lower sales revenue.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they increased from €2,117 thousand to €2,327 thousand. Expressed as a percentage of revenue, the ratio increased from 6.6% to 7.7%. The Company buys pre-licensed products, sells products to end consumers and, to a larger extent, also sources non-licensed products. In 2015, depreciation/amortisation and write-downs included impairment losses of €374 thousand (prev. year: €106 thousand). Therein allowances for risks on ongoing license agreements amounting to € 350 thousand are included as it is not ruled out that the guarantee amount can not be fully earned by the end of the contract period . However, since the contracts run until the end of 2017 is a reversal possible . Of the € 350 thousand have been € 109 thousand associated with the Special Retail segment and € 241 thousand to the Key Account segment .

4. Other operating income

This item mainly includes income from the sale of the property in Gildenstr. 6 of €1,155 thousand, exchange differences totalling €294 thousand (prev. year: €167 thousand), income from forward currency contracts amounting to €16 thousand (prev. year: €74), income of €72 thousand (prev. year: €101 thousand) not attributable to the accounting period and income from the reversal of provisions totalling €47 thousand (prev. year: €1,337 thousand).

5. Staff costs

Staff costs fell from €4,536 thousand to €4,405 thousand. For further details regarding post-employment benefits, please refer to Chapter C.10.

6. Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to €762 thousand in 2015 (prev. year: €707 thousand) 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 €1,786 thousand (prev. year: €1,952 thousand) and rental expenses of €1,642 thousand (prev. year: €1,288 thousand); the latter is attributable primarily to higher revenue-based rent for airport shops. The remaining expenses consist of general administrative and operating expenses.

8. Net finance cost

Finance income only encompasses interest income, which amounted to €19 thousand in the period under review (prev. year: €56 thousand). Finance cost includes interest expenses of €1,246 thousand (prev. year: €1,293 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:

	2015 €'000	2014 €'000
Current tax expense	-2	48
Deferred tax expense/income	2,103	361
Total income tax expense/income	**2,101**	**409**

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

	2015 €'000	2014 €'000
Consolidated result before income taxes	-2,106	-649
Applicable tax rate in %	31,93%	31,93%
Expected tax income	-672	-207
Difference to foreign tax on income	-12	1
Tax effect of non-deductible expenses	47	74
Tax effect of non-taxable income	-12	-59
Impairment losses for deferred tax assets	1,938	0
Reversal of impairment losses for deferred tax assets	-5	-90
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	-101	-11
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	724	692
Taxes for other accounting periods	-14	9
Effect of tax rate changes	208	0
Current tax expense/income	**2,101**	**409**

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, MBB SE, Berlin, Chairman of the Board of Directors

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.

The fixed component of compensation amounts to €40 thousand per annum. The Chairman of the Supervisory Board received €20 thousand p.a. and the two other Supervisory Board members receive €10 p.a. In addition, the members of the Supervisory Board receive variable compensation which is calculated on the basis of 0.25% of consolidated net profit (before payment of the variable compensation component); the maximum amount is €10 thousand. 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 2015 financial year was €57 thousand.

Mr. Gert-Maria Freimuth holds 50,000 shares and Mr. Frank D. Rohmann, via entities he controls, holds 107,500 shares. Mr. Otto E. Umbach holds no shares in the Company.

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

Gert-Maria Freimuth:
MBB SE, Berlin; Chairman of the Board of Directors
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 €400 thousand in the 2015 financial year (Mr. Boder: €216 thousand; T€ 217); Mr. Hirsch: €184 thousand (prev. year: €192 thousand));at the time of preparing the annual financial statements no payments were made in respect of performance-based compensation or compensation with a long-term incentive effect.
The current management contract for the CEO/Chairman of the Management Board 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. The pro rata present value of the anticipated settlement amount of the share-based long-term compensation component was €76 thousand (prev. year: €0 thousand), for which a provision was recognised.
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. However, Mr. Hirsch will relinquish his right to all bonuses, as his contract as a member of the management Board ends in April 2016 and will not be extended. 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, the following shareholdings were disclosed: „I hereby inform the company that I hold 2,831,377 shares in **UNITED**LABELS AG as at the date of this notification.“ This corresponds to 44.94%. No notifications of changes have been received since that date.
Determined on the basis of IAS 19 requirements, an amount of €46 thousand was allocated to interest expenses and €67 million to staff costs with regard to pension provisions in connection with post-employment benefit obligations towards a member of the Management Board. Changes to actuarial assumptions and experience adjustments resulted in a gain of €98 thousand, which was recognised directly in equity. The total amount of pension provisions recognised in connection with benefits accruing to a Management Board is €1,724 thousand (prev. year: €1,708 thousand).
From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of €14,490.20 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:	2015	2014
Salaried staff	91	93
Hourly-paid employees	6	6
School-leaver trainees	2	3
	99	102

On average, 100 people were employed during the financial year under review (prev. year: 110).

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 2015, no options had been granted and no valid share option plan was in place.

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 AG and the consolidated financial statements amounted to €95 thousand (prev. year: €95 thousand). No other consulting fees were charged by the year-end auditor.

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 AG, Mr. Peter Boder has a 100% shareholding in Facility Management Münster GmbH. **UNITED**LABELS AG occupies office premises in Gildenstraße 2j, which are leased to it by Facility Management GmbH. In 2015, the amount received was €78 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).
At the end of the reporting period, two loans had been granted to **UNITED**LABELS AG by Mr. Boder for an amount

of €500 thousand (prev. year: €500 thousand) (term up to 28 February 2017), the interest rate having been set at 5% p.a., and an amount of €175 thousand (term up to 1 February 2017), the interest rate having been set at 7.5% p.a. The latter can be utilised, together with Elfen Service GmbH and House of Trends europe GmbH, in an amount of up to €1,300 thousand. As at 31 December, Elfen Service GmbH had borrowings of €550 thousand in respect of the aforementioned loan; the loan was not utilised by House of Trends europe GmbH. At their peak level, borrowings under the loan amounted to €675 thousand in the case of United Labels AG and €550 thousand with regard to Elfen Service GmbH. As regards this loan, reinsurance policies of up to €500 have been pledged as collateral to the financing bank, having previously been pledged by Mr. Boder. Interest for the two loans amounted to €43 thousand in the financial year under review. Additionally, at the end of the reporting period a loan had been granted to Open Mark United Labels GmbH (€200 thousand; prev. year: €200 thousand) by Mr. Boder at a rate of interest of 5% p.a.; it was utilized consistently over the course of the year. The aforementioned loan was repaid in February 2016. Total interest accounted for in the consolidated financial statements in respect of Mr. Boder amounted to €70 thousand.

Effective from 23 December 2015, Mr. Boder purchased from the Company the office and warehouse facility, including land, in Gildenstr. 6. He rents it out to the Company (sale and lease-back). The purchase price was €2,000 thousand, based on an appraisal by an independent expert appointed by IHK Nord Westfalen. Net income from this transaction was €1,155 thousand and has been recognised in other operating income. In this context, the Company pledged as collateral reinsurance policies of €732 thousand to the financing bank of Mr. Boder. In return, the Company receives a commitment fee of 0.01% p.a. on the redemption value of the reinsurance policies it pledged. The newly signed rental agreement is valid until 31 December 2027. The monthly rent is €15 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 UNITEDLABELS Group were corrected in prior years.

The UNITEDLABELS 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 end of the reporting period, loans to subsidiaries amounted to €519 thousand (prev. year: €845 thousand), while current receivables stood at €4,577 thousand (prev. year: €3,461 thousand). These amounts were eliminated as part of the consolidation of debts.

7. Events after the reporting period

The Management Board contract of Mr. Hirsch ends on 30 April 2016 and will not be extended. The post-contractual covenant not to compete has been cancelled effective from 30 April 2016.

Münster, 28 April 2016

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, den 28. April 2016

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 cost and financing measures already implemented, is dependent on the preservation of existing lines of credit and loans and on revenue and earnings targets stipulated within the company's budget being met to the largest extent possible.

Cologne, 28 April 2016

Roever Bronner Susat Mazars 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 2015

	2015 €	2014 €
1. Sales revenues	11,348,999.77	17,126,115.12
2. Cost of purchased goods	-8,751,368.44	-13,457,216.23
3. Amortisation of usufructuary rights	-1,082,102.56	-960,432.32
	1,515,528.77	**2,708,466.57**
4. Other operating income	780,713.23	1,930,022.90
5. Staff costs	-2,125,408.30	-1,995,404.98
a) Wages and salaries		
b) Social security, post-employment and other employee benefit costs	-335,039.47	-386,325.15
6. Amortization of intangible assets and tangible assets	-230,923.35	-247,990.45
7. Other operating expenses	-2,186,683.49	-1,996,432.02
	-2,581,812.61	**12,336.87**
8. Other interest and similar income	15,903.92	103,712.65
9. Write-down of long-term financial assets	-974,383.14	0.00
10. Interest and other expenses	-690,924.30	-748,422.32
11. Result from ordinary activities	**-4,231,216.13**	**-632,372.80**
12. Extraordinary icome	1,185,862.51	0.00
13. Extraordinary expenses	-30,834.14	-157,446.18
14. Extraordinary result	1,155,028.37	-157,446.18
15. Taxes on income and profit	-1,875,187.88	-108,276.91
16. Other taxes	-11,571.61	-11,254.29
17. Net profit / loss	**-4,962,947.25**	**-909,350.18**
18. Profit brought forward from previous year	192,989.01	1,037,650.93
19. Transfers from revenue reserves	4,519,958.24	0.00
20. Transfer from capital reserve	250,000.00	0.00
21. Profit-neutral settings of the principal amount in excess of sales proceeds from the sale of treasury shares	0.00	64,688.26
22. Net profit	**0.00**	**192,989.01**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2015

ASSETS	31.12.2015 €	31.12.2014 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,994,936.73	1,238,439.76
	1,994,936.73	**1,238,439.76**
II. Property. plant and equipment		
1. Land. land rights and buildings, including buildings on third-party land	2,845,426.90	3,831,977.02
2. Technical equipment and machinery	1,344.49	4,475.59
3. Other equipment, operating and office equipment	223,485.65	251,654.76
	3,070,257.04	**4,088,107.37**
III. Long-term financial assets		
1. Investments in affiliated companies	9,908,619.43	10,883,002.57
2. Loans to affiliated companies	419,000.00	839,358.25
	10,327,619.43	11,722,360.82
	15,392,813.20	**17,048,907.95**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	2,577,846.95	1,595,480.18
2. Prepayments	20,495.68	32,375.15
	2,598,342.63	**1,627,855.33**
II. Receivables and other assets		
1. Trade receivables	466,075.22	939,140.32
2. Receivables from affiliated companies	366,359.16	159,282.49
3. Receivables from et-equity investments	2,259,404.24	3,007,262.40
	3,091,838.62	**4,105,685.21**
III. Cash, bank deposits, cheques	**1,093,880.55**	**519,007.14**
	6,784,061.80	**6,252,547.68**
C. Prepaid expenses	**104,494.78**	**134,031.53**
D. Deferred Taxes	**250,661.19**	**2,125,849.07**
Assets, total	**22,532,030.97**	**25,561,336.23**

EQUITY AND LIABILITIES	31.12.2015 €	31.12.2014 €
A. Equity		
I. Issued capital	**6,300,000.00**	**6,300,000.00**
II. Capital reserves	**34,735.07**	**4,554,693.31**
III. Revenue reserves		
Other retained earnings	0.00	250,000.00
IV. Unappropriated surplus	**0.00**	**192,989.01**
	6,334,735.07	**11,297,682.32**
B. Provisions		
1. Provisions for pensions and similar obligations	1,276,441.00	1,035,715.00
2. Other provisions	1,639,108.69	1,078,889.87
	2,915,549.69	**2,114,604.87**
C. Liabilities		
1. Payables to banks	4,243,367.72	5,393,925.05
2. Trade payables	31,293.85	0.00
3. Trade payables to affiliated companys	6,230,705.80	5,022,818.32
4. Liabilities from et-equity investments	1,696,781.30	816,932.64
5. Other liabilities	1,079,597.54	915,373.03
	13,281,746.21	**12,149,049.04**
Total equity and liabilities	**22,532,030.97**	**25,561,336.23**
Contingent liabilities	1,976,959.21	809,235.50

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

Marc Harenkamp
Head of Logistics

Holger Pentz
Head of Finance and HR

Tobias Greger
Creative Director

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Our press releases can be accessed at **"Press – Press Releases".**

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1987
· Founding of Duke GmbH

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

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

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

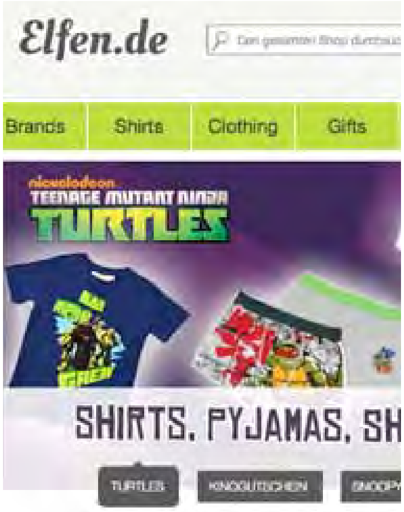
2000
· Neuer Markt, Frankfurt – IPO
· Acquisition of Colombine b.v.b.a. (Belgium)
· Acquisition of Jocky Team S.A. (Spain)

2006
· Opening of first airportshop in Barcelona

2007
· Launch of House of Trends europe GmbH

2011
· Founding of Elfen Service GmbH

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



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