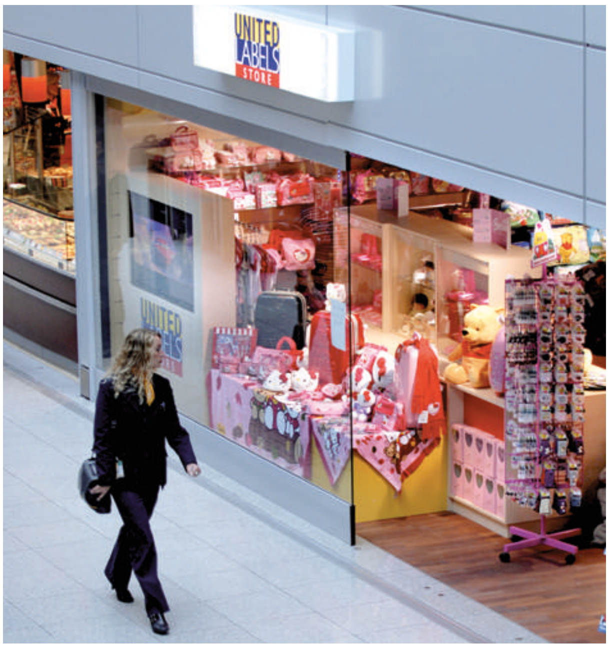
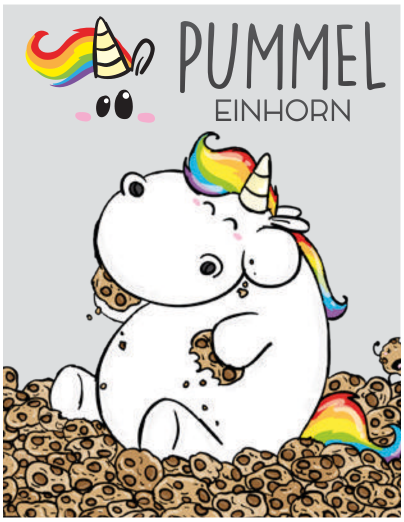
ANNUAL REPORT 2016

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 (T€)	**2016**	2015	2014	2013
Revenue	32.447	30.382	31.978	33.232
EBITDA*	417	-116	1.157	-728
EBIT	-365	-878	450	-1.416
Consolidated profit/loss for the year	-1.776	-4.207	-1.058	-848
Operating Cash flow	-290	1.677	-310	3.331
Net income per share (€)	-0,27	-0,65	-0,21	-0,15
Liquidity	914	1.311	722	290
Equity	556	2.552	6.692	4.754
Equity ratio (%)	2%	9%	22%	16%
Net debt	10.053	7.716	8.381	9.524
Total assets	26.181	27.914	29.894	30.479
Bookvalue per share (€)	0,09	0,41	1,06	1,14
Shareprice per year end (€)	2.81	3,58	1,48	1,26
Market capitalization	17.703	22.554	9.324	5.292
Staff member (average)	102	100	110	123
Revenue per staff member	318	304	291	270

* incl. amortisation of usage rights / ** changed

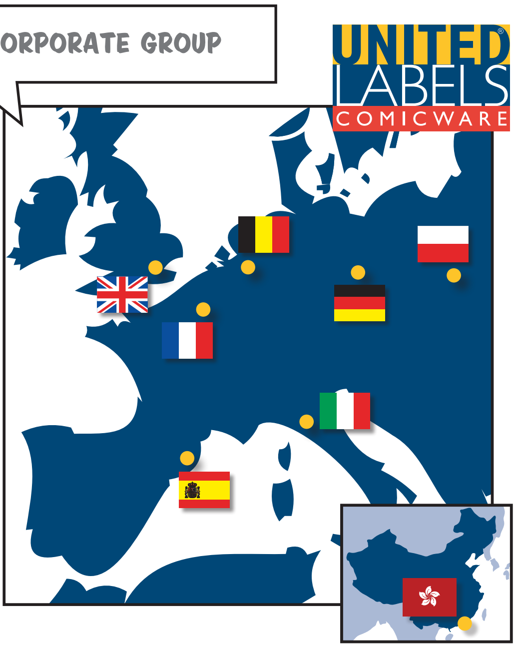
© 2017 Thomas Goletz
www.Diddl.de

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 CUSTOMERS

kik, WOOLWORTH, Ulla Popken, Kaufland, MediaMarkt, Ernsting's family, amazon.com, Müller, OTTO, real,-, REWE, LIDL, SPIELE MAX, NKD, ROSSMANN, PRIMARK, Toys"R"us, HIPERCOR, El Corte Inglés

u.v.m.

SOME OF OUR LICENSED BRANDS

Extensive licence portfolio

UNITEDLABELS benefits from long-standing partnerships with major licensors such as Peanuts, Warner Bros. and 20th Century Fox. These licensors ensure the long-term popularity of their licensed brands around the globe – and thus also the popularity of **UNITED**LABELS produced merchandise – through marketing campaigns, movies, TV series, theme parks and DVD releases. The portfolio spans not just current movie-based collections such as Snoopy and the Simpsons; it caters to all age groups, from baby to adult. For this reason, **UNITED**LABELS can promise its trading partners precisely tailored cross-product and cross-licence campaigns that ensure strong sales.

OUR PRODUCT RANGE

UNITEDLABELS creates merchandise ranges for the key product categories and devises made-to-measure cross-product and cross-licence campaigns for its trading partners from more than 2,000 articles.

Clothing

Nightwear, underwear, hosiery, boxer shorts, trousers, shorts, swimwear, sweat-shirts, pullovers, t-shirts, jackets, windcheaters, scarves, gloves and more.

Gift items

Mugs, cereal bowls, eggcups, crockery, glassware, eyeglass cases, money boxes, biscuit barrels, figures, candles, alarm clocks, wall clocks and more.

Soft items

Soft toys, beanbags, cushions, slippers and more.

Stationery

Paper, writing pads, pen boxes, desk pads, pencil cases, mouse pads, bookends, pens, stationery boxes and more.

Bathroom and household textiles

Towels, flannels, tea towels, dressing gowns, slippers, bed linen, pillows, aprons, serviettes and more.

Bags and accessories

Holdalls, sports bags, handbags, backpacks, wallets, belts, hair accessories, caps, scarves, gloves, sunglasses, key rings and more.

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

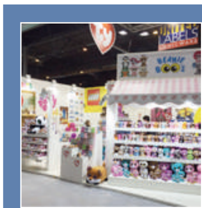
UNITEDLABELS conforms to all product requirements in accordance with EEC guidelines and standards. In addition, the company applies its own stringent quality controls and carries out regular checks and inspections of factories in order to ensure maximum product safety, efficient order processing and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

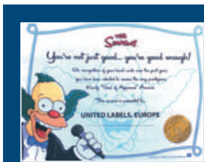
SPIELWARENMESSE



INTERGIFT

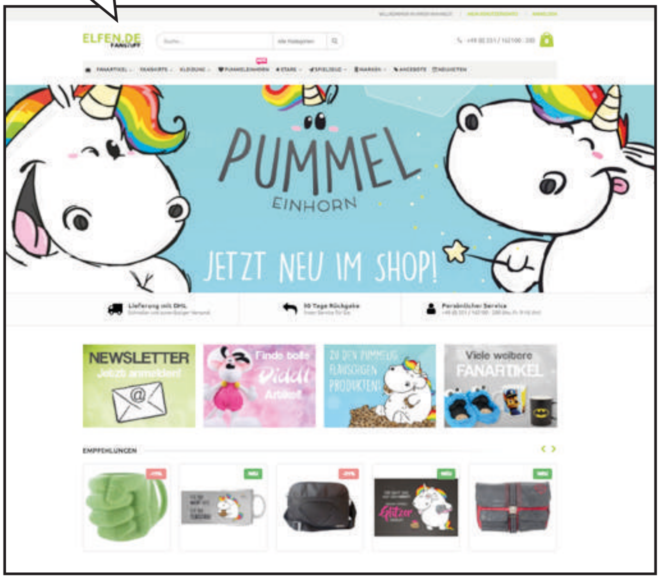
INSIGHTS-X

OUR AWARDS

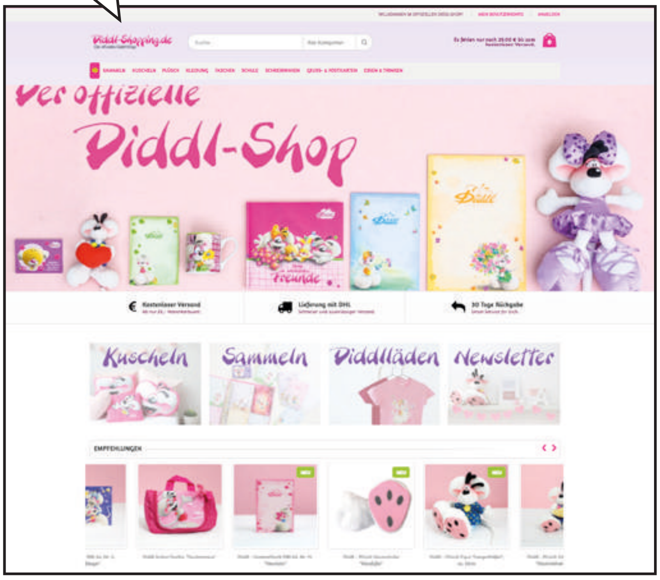


Various prizes **UNITED**LABELS AG has been awarded. The company was recently on the Las Vegas Licensing Show the „Krusty Seal of Approval Award“ from „Twentieth Century Fox“. On the international „Disney Day 2011“ in Warsaw **UNITED**LABELS AG received the „Disney Dyplom“. In previous years, the company 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



DIDDL-SHOPPING.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.

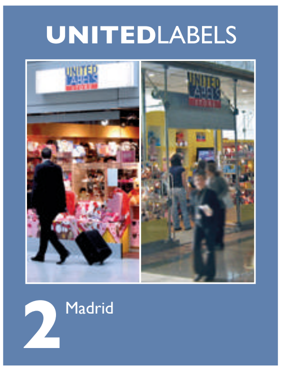
OUR AIRPORT SHOPS

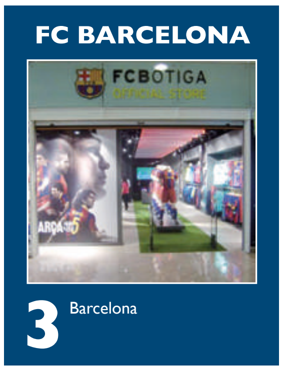
UNITEDLABELS currently operates 6 airport shops all over Europe at well-frequented international airports:

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.





PETER BODER
CEO

Dear Shareholders,

On the whole, the financial year just ended proved satisfactory for **UNITED**LABELS AG. We recorded revenue growth of 6.8%, while earnings before interest, taxes, depreciation and amortisation (EBITDA) were in positive territory – a step in the right direction. Having said that, we have as yet been unable to achieve positive post-tax profit. In expanding our specialty retail business in Germany during the final quarter of 2016, however, we laid a solid foundation for a successful 2017 financial year.

Group revenue increased by 6.8% to €32.4 million in the financial year just ended, compared with €30.4 million in the previous year. The expansion in revenue was driven by growth in both of the segments in which we operate, Key Account and Special Retail.

Whereas revenue within the Key Account segment rose by 2.1% to €16.7 million (prev. year: €16.3 million), revenue attributable to the Special Retail segment increased by 12.2% to €15.8 million (prev. year: €14.0 million). The direction taken by sales at the German parent company was encouraging too, up by 14.5% to €13.0 million (prev. year: €11.3 million). In the fourth quarter of 2016 we presented the new Diddl collection to specialist stores, thereby attracting around 300 additional retailers within this area despite the fact that most of the Christmas orders had already been placed by this point in time.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved to €0.4 million, up from €-0.1 million in the previous financial year. Having accounted for interest, taxes, depreciation, amortisation and write-downs, the Group loss for the period was reduced to €-1.8 million (prev. year: €-4.2 million).

Our sights for the coming years are set on profitability. In this context, **UNITED**LABELS AG will continue to focus on its textile business within the Key Account segment and its e-commerce activities directed at end consumers. Above all, however, we will be looking to expand our high-margin Special Retail business with the help of the Diddl and Pummeleinhorn brands. Having received positive feedback at key trade fairs in early 2017 with regard to merchandise in these two areas, we saw solid growth in customer numbers and revenue within this category. Additionally, we will be stepping up our marketing efforts for the existing Diddl collection via our dedicated internet shop „diddl-shopping.de". The marketing campaign also includes extensive press and social media activities. The focus of our sales activities for the coming year will be on specialty retailers in Germany, the aim being to capture market share and expand our customer base as rapidly as possible. With this in mind, we are committed to expanding our Diddl and Pummeleinhorn collections and launching new products over the course of the year.

Our Spanish subsidiary has stood its ground despite the challenging economic environment within the local market and is delivering solid results from the southern belt of Europe and through its airport shops. Committed to generating further international growth, we will be focusing our attention on France, the Benelux region 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 very good.

Our concept for growth embraces not only our established fields of business and the area of specialty retail but also activities directed at end consumers (B2C). Alongside the five airport shops operating at the end of the financial year under review, this also includes the gradual expansion of e-commerce activities via our subsidiary Elfen Service GmbH, which also manages the new online platform „diddl-shopping.de". In total, revenue generated from sales within the area of B2C amounted to €6.4 million, which corresponds to 20% of total revenue. Marketing our range to end consumers is an effective way to extend our value chain and unlock additional growth potential.

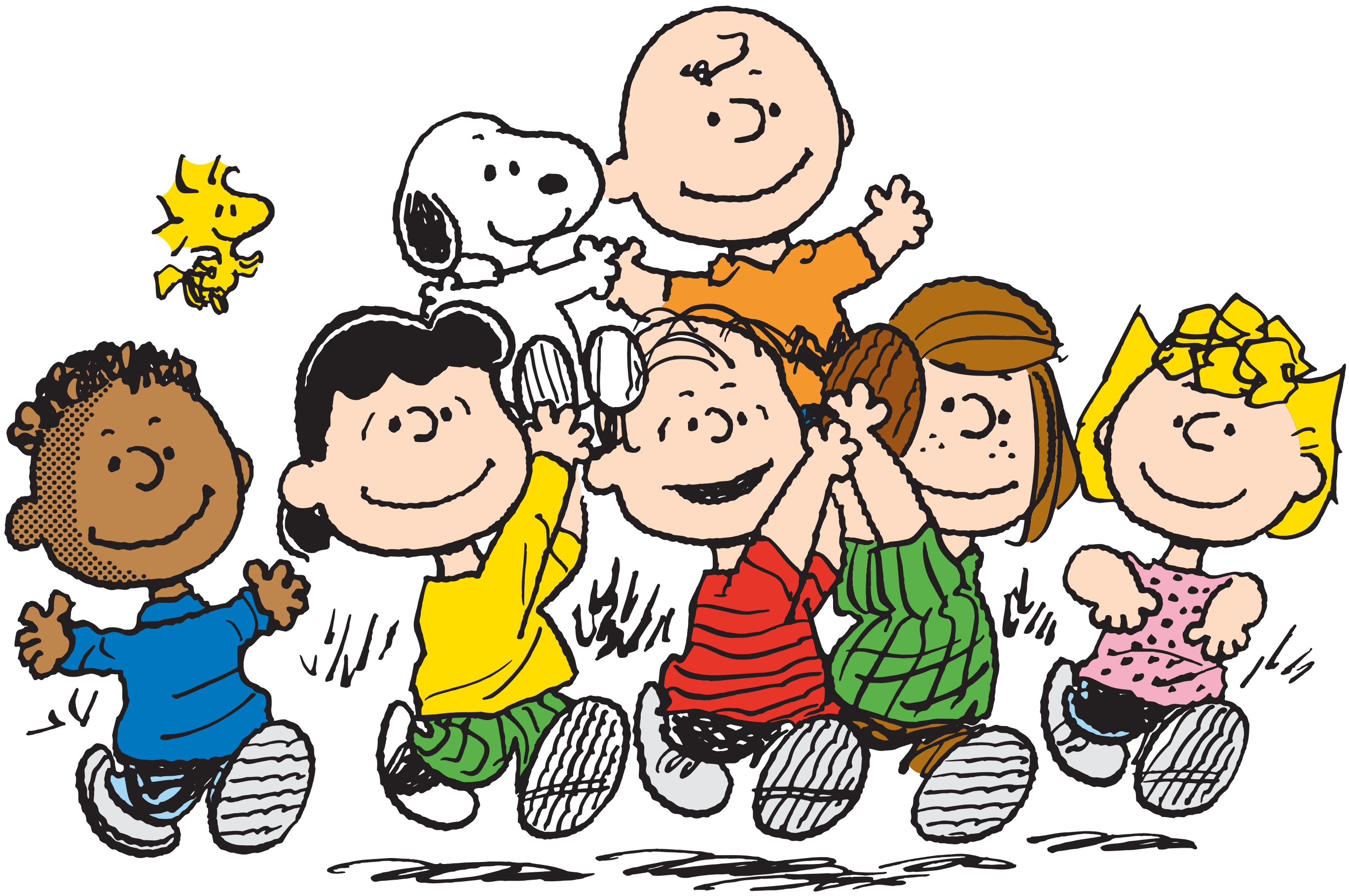
Last year's highlights with regard to licensed merchandise were „Ice Age", „Mia & Me", „Snoopy", „Batman" and „The Simpsons". We will continue to develop new textile and giftware collections for these and many other licences within our portfolio, which will also be marketed to an increasing extent within the B2C segment. We have already secured highly lucrative licence rights for the current financial year. Among other brands, this includes „Pummeleinhorn" and „Diddl", which both present excellent marketing opportunities.

Overall, Group revenue is to grow by 2% - 7% in 2017. Based on current projections, EBIT is expected to lie between €1.7 million and €2.7 million.

We would like to express our gratitude to all members of staff for their tremendous commitment as well as their tireless efforts and their willingness to support the change process, particularly during the last two years.

Our thanks also go to our business partners, the members of the Supervisory Board and, above all, to you, our valued shareholders, for your support and the trust you have placed in us.

Peter Boder
CEO



Supervisory Board Report

RALF KLEIN BÖLTING
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 the Management Board, through regular written and verbal reports from the Management Board to the Supervisory Board concerning the course of business and through four Supervisory Board meetings and two telephone conferences attended by all members of the company's Supervisory Board and the Chairman of the Management Board.

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 discussed end consumer structures, the expansion of the Group's e-commerce business, the introduction of the Diddl licence, liquidity budgeting and the cash situation, business planning in general and overall governance of the Group in the 2016 financial year. As regards the Group's cash situation, please refer to point 4 of the Group management report.

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 was re-elected in its entirety at the company's Annual General Meeting on 23 August 2016 and consists 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 2016.

The Supervisory Board duly awarded the contract to audit the annual and consolidated financial statements for the financial year 2016 to Roever Broenner Susat Mazars GmbH & Co. KG of Cologne (the auditing company nominated by the Annual General Meeting) and its senior auditor Martin Schulz-Danso.

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 2016 and the management report for United Labels AG and the United Labels Group were compiled in line with the principles of the German Commercial Code and the consolidated financial statements as at 31 December 2016 were drawn up in accordance with the International Financial Reporting Standards (IFRS); they were audited by Roever Broenner Susat Mazars 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 20 March 2017:

"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 reduction 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."

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 Roever Broenner Susat Mazars GmbH & Co. KG of Cologne, with the following unqualified audit opinion issued on 20 March 2017:

"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 as regards the legal transactions listed in the report."

The Supervisory Board has carefully examined the management report and agrees with 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 focus mainly on the objective of growth in high-margin revenues within the Special Retail segment with the aim of increasing earnings substantially, complemented by improvements to the marketing of both new and existing licences.

Additionally, the Supervisory Board considers it essential for the company to maintain its determined approach to cost management.

In 2017, the emphasis will also be on the market launch of Diddl, an expansion of business in the areas of specialty retailing and e-commerce, and efforts to raise efficiency levels. Focusing on these four major strategic pillars – a) Introduction of „Diddl", b) Expansion of Special Retail, c) Expansion of E-Commerce and d) Efficiency Gains – as from the end of 2016, the Management Board anticipates that profitability will improve visibly on the back of moderate revenue growth; this is expected to produce positive contributions to earnings in the subsequent years.

In 2017, the Management Board will also need to refine enterprise management tools significantly to improve markedly the accuracy of planning and forecasting.

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 20 March 2017. All questions posed by the Supervisory Board were answered by the auditor. The Supervisory Board received the auditor's report prior to the financial statements meeting. Having completed its examination, the Supervisory Board raised no objections to the annual financial statements, the management report, the related-party disclosure report or the consolidated financial statements. The annual and consolidated financial statements were duly approved by the Supervisory Board on 20 March 2017. 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 profit.

The Supervisory Board would like to thank the Management Board and all employees of the **UNITED**LABELS Group for their commitment.

Münster, 24 March 2017
The Supervisory Board
Ralf Klein-Bölting
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 one person.

The Management Board is obliged to observe the interests of the Company and increase enterprise value on a sustainable basis. It determines corporate strategy, including that of the Group's subsidiaries. The Management Board is responsible for compliance with statutory provisions and for ensuring these are observed by the companies within the Group. The Management Board works in close collaboration with the Supervisory Board for the good of the Group. It determines the strategic direction of the Group in consultation with the Supervisory Board and meets with it at regular intervals to discuss progress on the implementation of strategy.

The Management Board informs the Supervisory Board, thoroughly, regularly and on a timely basis, about all issues of relevance to the Company with regard to corporate planning, the course of business, the risk situation and risk management. This includes the provision of details on any departure from the Group's declared plans and targets, noting any reasons for such divergence.

Management reports and documentation essential to executive decision-making, particularly the annual financial statements, management report, consolidated financial statements, Group management report and auditor's report, are forwarded to the members of the Supervisory Board where possible before the meeting and generally eight days in advance.

The Supervisory Board

The Supervisory Board of **UNITED**LABELS AG consists of three members, who are elected by the General Meeting of Shareholders. 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 2016 financial year are provided in the Report of the Supervisory Board, which forms part of the 2016 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 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 (at the time, two male members) in the period up to 30 June 2017. 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 AG was notified of the following transactions for the 2016 financial year:

Date	Disclosing Party	Role	Transaction	Quantity	Price €	Volume €	Trading Venue
30.06.2016	Peter Boder	CEO	sale of shares	299	4.00	1,196.00	Xetra
01.07.2016	Peter Boder	CEO	sale of shares	9,017	4.00	36,068.00	Xetra
04.07.2016	Peter Boder	CEO	sale of shares	296	3.90	1,154.40	Xetra
07.07.2016	Peter Boder	CEO	sale of shares	1,368	3.85	5,266.80	Xetra
30.08.2016	Peter Boder	CEO	sale of shares	100,000	3.40	340,000.00	outside a trading venue
05.09.2016	Peter Boder	CEO	sale of shares	150,000	3.40	510,000.00	outside a trading venue

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

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

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

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 of March 2017 pertaining to the German Corporate Governance Code, as issued by the Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft in accordance with Section 161 AktG

This Declaration follows the Declaration of March 2016. 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 2016 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 and Consumer Protection in the official section of the electronic Federal Gazette, with the exception of the following points. The Management Board and 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 4.2.1:

The Management Board shall be comprised of several persons and have a Chairman or Spokesman. By-laws shall govern the work of the Management Board, in particular the allocation of duties among individual Management Board members, matters reserved for the Management Board as a whole, and the required majority for Management Board resolutions (unanimity or resolution by majority vote). The recommendations have not been implemented. The Management Board of **UNITED**LABELS Aktiengesellschaft is comprised of one person. The Supervisory Board is of the general opinion that appointing a second Management Board member would be apposite. Such an appointment shall be made, at the very latest, when the company is generating sustained profits. Insofar as at least one additional Management Board member is appointed, the Management Board shall be furnished with a Chairman or Spokesman as well as Terms of Reference (i.e. rules of procedure) that specify the assignment of responsibilities and the basis of collaboration within the Management Board.

2. Section 5.1.2:

The Management Board only consists of one member. 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.

3. 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).

4. Section5.3.1:

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.

5. 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.

6. 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.

7. 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.

8. 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.

9. Section 7.1.2:

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

Münster, March 2017

CEO

The Supervisory Board

COMPANY AND GROUP MANAGEMENT REPORT

UNITEDLABELS Aktiengesellschaft, Münster

Group Management Report for FY 2016

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, its focus being on Germany, Spain, the Benelux region, the United Kingdom and France. The company's headquarters are in Münster, Germany. The company has branch offices in Germany and Spain with a total of 10 subsidiaries. It performs a pivotal role between licensors and the trade sector: with a comprehensive product range (comprising more than 5,600 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 – such as 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
sales through several airport shops in Spain and the e-commerce platforms „elfen.de", „elfen.es" and „diddl- shopping.de". The company also sells its products via 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, 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. The company is looking to expand its business in the specialty retail sector by
marketing licensed merchandise tailored specifically to specialist retailers, as this offers the potential of higher profit margins.

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 enjoyed an upturn in 2015 that saw its price-adjusted GDP rise by 1.7% year on year, Germany's economy continued to flourish in 2016. According to preliminary data released by the Federal Statistical Office, it grew by 1.9% compared to 2015.

The economy's forward momentum in 2016 was attributable mainly to domestic demand, with consumer spending among private households rising (price-adjusted) by 2.0%. In this context, the lowest unemployment rate since 1991 provided a solid foundation. Additionally, state expenditure rose by 4.2%, fuelled by the influx of migrants seeking protection. At the same time, exports increased by an encouraging 2.5%.

The wholesale sector proved remarkably robust in mid-2016, with the business barometer pointing to solid order books and optimism among managers within this industry. This is attributable to stable revenue flows in the German wholesale sector.

The upward trend within the wholesale industry focusing on consumer goods continued during the first half of 2016, with sales revenue expanding by 1.7% year on year. It would appear likely, therefore, that price-adjusted revenue generated by consumer-goods wholesalers will also have trended higher in 2016 as a whole and will remain buoyant in 2017. This assessment is supported by the latest figures presented by the Federal Statistical Office. In November 2016, for example, the consumer goods wholesale industry recorded growth of 4.4% compared to 2015. With a marginal increase in wholesale prices, nominal revenue should expand at a slightly faster rate.

Alongside Germany's strength as an exporting nation, private consumption has become one of the key pillars supporting the economy. Industry experts Rolf Bürkl (Consumer Spending) and Dr. Wolfgang Adlwarth (Retail) from Gesellschaft für Konsumforschung e.V. (GfK) shared their thoughts on the future direction of the industry at the „Konsum 2017" press conference held on 9 February 2017:

„In unison with sustained buoyancy in the economy and lower unemployment throughout Europe, consumption by private households will remain an important foundation for the economies of Germany and Europe," explained GfK expert Rolf Bürkl. „For Germany, we predict that private consumption will expand by 1.5 per cent in real terms, which is close to the growth figure for GDP as a whole."

According to GfK, solid consumer confidence will also have a favourable impact on retail sales – fuelled by the growth in population and a positive net migration rate. The non-food retail industry is expected to grow by just 0.8%, as business relating to textiles and electronics is showing signs of saturation.

Projections for online retailing point to a substantial increase of 8%, which illustrates the trend towards more extensive online shopping. **UNITED**LABELS AG is well positioned to satisfy demand within this area through its proprietary online shops „Elfen.de" and „diddl-shopping.de". The BVS (Bundesverband des Spielwaren-Einzelhandels – toy retail industry federation) announced on 23 January 2017 that its forecast of 29 November 2016, pointing to revenue growth of up to 3%, had been exceeded. According to the BVS, toy retailers are benefiting from the current baby boom. Against the backdrop of buoyant consumer spending, the BVS suggests that Germans had never spent more on toys than at present. In a press release issued ahead of the International Toy Fair in Nuremberg at the beginning of February 2017 the DVSI (Deutscher Verband der Spielwaren-Industrie – toy industry association) asserted that Germany is experiencing a playing and gaming frenzy, with the toy industry poised to unlock new markets by drawing on its creativity and innovations.

„Playing and gaming are as popular as ever across all age groups," says Ulrich Brobeil, Managing Director of the DVSI.

[1]https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/01/PD17_010_811.html
[2]https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/08/PD16_303_45211.html
[3]https://www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Grosshandel/hug120.htmlms_gtp=145786_list%253D2&https=1
[4]http://www.gfk.com/de/insights/press-release/konsum-2017-verlaessliche-stuetze-in-unsicheren-zeiten/
[5]http://www.bvspielwaren.de/News/Pressemitteilung/Spielwarenhandel-knackt-2016-die-3-Milliarden- Euro-Grenze

As regards sales channels, the BVS explains that Germans prefer bricks-and-mortar shops. At the same time, online sales continue to be an important part of the shopping mix, which illustrates the benefits of a multi-channel approach. The strategy chosen by **UNITED**LABELS AG takes account of these aspects. Alongside key account and online sales, the company is now also stepping up its efforts in the field of specialist retailing.

The DVSI also emphasizes that the sale of licensed merchandise associated with movies and TV series represents an important growth driver for revenues within the toy industry, which have been expanding steadily since 2009. **UNITED**LABELS AG also sells products within this category; drawing on almost 30 years' experience, it is well positioned to capture an additional share of this market. The new products launched by the company, such as „Pummeleinhorn" and the revival of „Diddl Maus", have been well received by the market, and demand within this area is solid.

Spain's economy maintained its trajectory of growth in 2016, with the government predicting a rate of expansion of 2.9% (2015: 3.1%). The country's unemployment rate has continued to fall, down from 21.2% in the previous year to 18.9% in the third quarter of 2016.2

Despite the unusually highly levels of uncertainty, for example, as a result of the new US administration and the Brexit referendum, the European Commission has forecast growth for all EU member states, citing the resilience of Europe's economy. GfK anticipates that private consumption within the European Union will rise by between 1.0% and 1.5%. Thus, spending by private households (up 2.1% within the EU in 2016) will remain an important cornerstone of the economy in 2017, with the prospect of unemployment falling throughout Europe (7% in 2016.4
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.

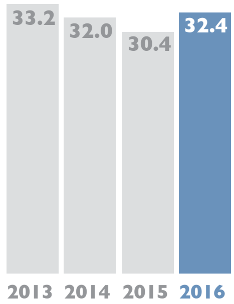
The company purchases a large proportion of its goods in Asia, where transactions are concluded in euros or US dollars. The annual average exchange rate of the euro to the US dollar was $1.11 per euro in 2015. The closing price at the end of the year was €1.05 per euro. The company uses forward currency contracts on a case-by-case basis to cushion the effects that foreign exchange movements have on profit margins.
Textiles remained the strongest product line for **UNITED**LABELS AG in terms of sales revenue. The company designed new collections and marketed them within the key account/discount segment as well as via its business-to-consumer channel.

The company remained a leading light within the European licence market in 2016 as high-profile and strong-selling licensed brands were extended. New licences such as „Diddl", „Pummeleinhorn" (January 2017) and „Playmobil" were added to the portfolio, while well-known classics were extended.

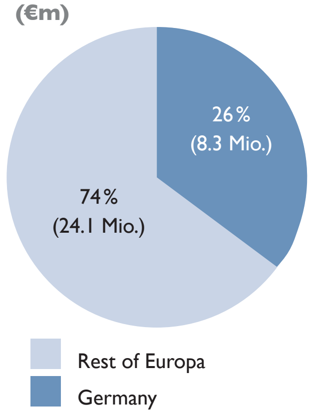
Course of business and position

The licence portfolio currently comprises more than 20 licence themes. As in previous years, a number of contracts no longer deemed economically viable by the company were discontinued. New additions to the portfolio include, among others, „Diddl", „Pummeleinhorn" and „Playmobil", which are to be marketed from 2017 onwards.
In the past year, „Simpsons", „Snoopy", „Mia and Me", „Batman" and „Ice Age" were among the most successful licence subjects in terms of sales revenue. In 2017, the company will continue to evaluate the business viability of every new licence and reach decisions on that basis.

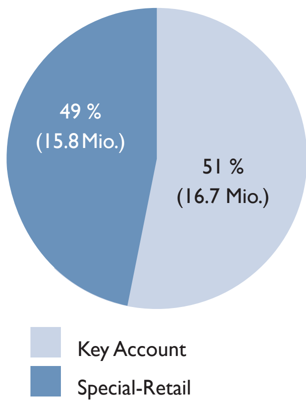
Sales performance (in €m)



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



Breakdown of sales in 2016 for Key Account and Special Retail in % (€m)



[1]http://www.bvspielwaren.de/News/Pressemitteilung/BVS-erwartet-mit-bis-plus-3-Prozent-ein-gutes Spielwarenjahr-2016
[2] https://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Spanien/Wirtschaft_node.html
[3]http://www.heute.de/eu-kommission-gebt-konjunkturprognose-fuer-eurozone-an-46540536.html
[4]http://www.gfk.com/de/insights/press-release/konsum-2017-verlaessliche-stuetze-in-unsicheren-zeiten/

In the final quarter of the 2016 financial year, the company launched its marketing campaign for „Diddl“, a product sold exclusively by specialist retailers and via the company‘s e-commerce shop. For the purpose of strengthening the company‘s business in the area of specialty retailing, its salesforce was extended to include commercial agents. The aim is to significantly expand our product portfolio within the Special Retail segment in the coming year with the help of „Pummeneinhorn“ and „Playmobil“.

The Group continues to operate a total of five airport shops. Targeted expansion is being planned for 2017 and 2018 where suitable and appropriate. Extensions of rental agreements for existing airport shops will be assessed on the basis of commercial criteria.

Earnings performance

In the financial year just ended revenue increased by €2.0 million (+6.6%), up from €30.4 million to €32.4 million. Encouragingly, sales expanded both in the Key Account and in the Special Retail segment. The Key Account segment saw revenue edge up by 2.1% from €16.3 million to €16.7 million, while the Special Retail segment managed to lift its revenue to €15.8 million (prev. year: €14.0 million), which corresponds to year-on-year growth of 12.2%. The German parent company increased its sales revenue by 14.5% to €13.0 million in the period under review. In the previous financial year, revenue had stood at €11.3 million. The German parent company **UNITED**LABELS AG contributed external sales revenue (adjusted for intra-Group sales) of €11.8 million (prev. year: €9.1 million) to consolidated sales. As regards the individual companies, revenue generated in Spain remained unchanged year on year at €17.8 million. In Belgium, revenue was down by 44% to €1.2 million in 2016, as fewer orders were placed by existing customers. At present, however, order books suggest that business in 2017 will be much more buoyant. House of Trends europe GmbH saw revenue increase by 45% to €1.3 million. Consolidated sales generated by Elfen Service GmbH amounted to €0.2 million (prev. year: €0.3 million) following the strategic realignment of business in 2014, which involved forgoing low-margin toy brands.

The share of **UNITED**LABELS Ibérica in total Group revenue fell slightly to 55%, after 58% in the previous year. This was due to the larger proportion of sales attributable to the German parent company.

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 of sales stood at €23.1 million (prev. year: €22.3 million). In relation to Group sales revenue, the cost-of-sales ratio improved slightly to 71.3% (prev. year: 73.4%).
The EBIT margin was -1.1% (prev. year: -2.9%) in relation to sales. The cost-of-sales ratio includes non-recurring expenses of €23 thousand (prev. year: €24 thousand) attributable to licence agreements that were not fully utilised (so-called shortfalls). Correspondingly, the gross profit margin rose from 26.6% to 28.7%.

Other operating income amounting to €0.4 million (prev. year: €1.7 million) was the result, among other factors, of income from gains made by the company (€0.2 million) and income from the reversal of provisions (€0.1 million). In the previous year this item had included the sale of 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 is now leased by the company (sale and lease-back). The purchase price was €2 million and the income from this transaction in the 2015 financial year amounted to €1.2 million

As budgeted, **staff costs** continued to fall in the year under review, down from €4.4 million to €4.1 million. At the end of the financial year under review the company was employing 104 people (prev. year: 100). While the headcount in Spain was increased by four, staffing levels in Germany remained unchanged. Per-capita revenue (annual average) rose for the third year in succession in 2016 to €318 thousand (prev. year: €304 thousand).

Other operating expenses fell to €5.2 million (prev. year: €5.5 million). This figure includes expenses for rental payments relating to buildings and airport shops (€1.8 million; prev. year: €1.6 million) and selling expenses (€1.8 million; prev. year: €1.8 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to €+0.4 million in the period under review (prev. year: €-0.1 million).
Amortisation/depreciation and write-downs of intangible assets (excluding amortisation of usage rights) and property, plant and equipment remained unchanged year on year at €0.8 million. Amortisation of usage rights amounting to €1.8 million (prev. year: €2.3 million) was accounted for separately as material expense. The licence ratio stood at 5.6% (prev. year: 7.7%).

Earnings before interest and taxes (EBIT) amounted to €-0.4 million (prev. year: €-0.9 million). Although this figure falls short of the target set for 2016, it does represent a year-on-year improvement in earnings.
Net **finance cost** of €-1.3 million (prev. year: €-1.2 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 €0.1 million (prev. year: €2.1 million). Deferred taxes in respect of loss carryforwards for the parent company were written off in full in 2015 (€1.9 million).

The **consolidated loss** for the financial year was €-1.8 million, compared to a consolidated loss of €-4.2 million reported for the previous financial year. For 2016, this corresponds to earnings per share of €-0.27 (prev. year: €-0.65).

The consolidated loss for the financial year was €-1.8 million, compared to a consolidated loss of €-4.2 million reported for the previous financial year. For 2016, this corresponds to earnings per share of €-0.27 (prev. year: €-0.65).

The Key Account **segment result** was €0.4 million (prev. year: €-0.1 million). This was attributable primarily to higher sales revenue and an improved customer portfolio. The Special Retail segment recorded a result of €1.1 million (prev. year: €0.6 million). Here, too, more expansive sales revenue had a positive impact on earnings.
Administrative costs that cannot be allocated to a specific segment rose year on year to €1.9 million (prev. year: €1.4 million). In the previous year, income from the sale of land and property 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 increased by 6.8% (prev. year: -5.0%) in the financial year. At €-0.4 million (prev. year: €-0.9 million), earnings before interest and taxes (EBIT) were up on the figure posted for the same period a year ago.).

Performance of the subsidiaries

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		UNITEDLABELS France S.A.S., France		Colombine b.v.b.a., Belgium		Elfen Service GmbH, Germany		Open Mark United Labels GmbH		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)
2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
17,904	17,924	102	151	1,217	1,872	511	512	0	102	1,259	974
1,453	1,161	-15	57	17	-52	15	-141	15	-40	120	102
902	854	-15	57	17	-52	-199	-366	15	-40	120	102
101	170	-15	57	8	6	-240	-388	13	-47	69	50
3,009	2,061	0	0	0	0	151	167	0	0	0	0
53	200	2	0	0	1	4	11	1	1	0	0
6,014	4,237	0	0	0	0	0	0	0	0	600	595

Cash flows

The Group's cash flow statement shows **net cash from operating activities** of €-0.3 million for the 2016 financial year (prev. year: €1.7 million). This is due to the more frequent use of suppliers with shorter payment periods. Payments in relation to investing activities totalled €1.8 million (prev. year: €2.0 million), with a particular emphasis on the extension of licensing rights. **Net cash from financing activities** was €1.7 million (prev. year: €-1.1 million). In the context of the Group's financing activities, a sum of €1.5 million (prev. year: €2.6 million) was used for the purpose of servicing loans. Additionally, the company drew a further €0.9 million from existing loan agreements with the Management Board. On this basis, **cash and cash equivalents** fell by €0.4 million to €0.9 million at the end of the financial year under review. As at 31 December 2016, receivables totalling €1.6 million (prev. year: €2.0 million) had been sold to the factoring company.
The three banks that have agreed to provide the parent company with 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 are used as collateral for the credit lines granted by the aforementioned banks. Additionally, land charges in respect of the logistics centre in Münster continue to be used as collateral.

Financial position

Non-current assets amount to €16.0 million (prev. year: €16.8 million). Intangible assets declined by €0.6 million to €8.8 million as a result of write-downs. Deferred tax assets fell by €0.1 million to €1.9 million due in particular to the utilisation of loss carryforwards. **Current assets** were lower year on year, down by €1.0 million in total to €10.2 million. This was attributable to a reduction in trade receivables due to factors relating to the end of the reporting period.

Inventories (including goods in transit) rose to €5.0 million (prev. year: €4.8 million). Goods in transit alone amounted to €0.5 million (prev. year: €1.0 million).

At the end of the reporting period, **trade receivable**s totalled €3.3 million (prev. year: €3.9 million) due to lower sales towards the end of the reporting period.
Bank deposits fell from €1.3 million to €0.9 million. Of this total, a sum of €777 thousand has been allocated to a time deposit account. It 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 €0.2 million, partly as a result of lower trade receivables and the associated reduction in receivables from the factoring agency

Total assets fell to €26.2 million (prev. year: €27.9 million).

Equity decreased by €2.0 million, primarily due to the loss for the period. The total amount of shares outstanding remained unchanged at 6,300,000.
The consolidated loss amounted to €1.8 million. Of this total, €0.05 million is attributable to non-controlling interests.
Non-current liabilities rose by €0.9 million to €8.2 million. This was due primarily to more extensive borrowings from loans grated by the Management Board.
Current liabilities fell by €0.8 million to €17.2 million. While current financial liabilities were up from €7.1 million to €9.2 million, trade and other payables were scaled back by €2.8 million. **Current provisions** fell slightly by €0.1 million.
At €16.0 million, non-current assets accounted for 61% (prev. year: 60%) of total assets. At €10.2 million, current assets made up 39% (prev. year: 40%) of total assets. Totalling €8.4 million, non-current liabilities accounted for 32% of total equity and liabilities. At the same time, current liabilities totalling €17.2 million were down in absolute terms (prev. year: €18.0 million) and made up 66% of total equity and liabilities (prev. year: 65%).

In total, Group debt amounted to €25.6 million in the financial year under review, compared to €25.4 million in the previous year. Group debt in relation to total equity and liabilities stood at 98%, after 91% in the previous year.
Based on equity of €0.6 million, the equity ratio for the Group as a whole stands at 2%, compared to 9% in the previous financial year. For UNITEDLABELS AG itself, equity stood at €4.7 million at the end of the reporting period, which corresponds to an equity ratio of 22%. Equity covers the Group's non-current assets by 3%.

Overall, the company has not yet managed to expand its sales revenue to a level that would allow it to generate a profit for the year. Having said that, its accomplishments in the period under review are to be seen as a major improvement on its performance in 2015. The company will continue to pursue its goals within this area. Building in particular on the three new licences „Diddl", „Pummeleinhorn" and „Playmobil", which are directed at the specialty retail sector, and expanding its sales activities via „TY" in Spain, it expects to take a significant step forward in terms of profitability.

Non-financial performance indicators

Staff

As at 31 December 2016, the Group employed 104 (prev. year: 99) members of staff. At 102, the average headcount was unchanged year on 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 internal and external training sessions throughout the period under review. In addition, the company has established an employee development programme in Germany to encourage and motivate each employee individually. For example, this includes regular staff information events for all employees, where current issues are brought up and employees have the opportunity to engage in a dialogue with the company's management. At least twice a year, each employee meets with his/her supervisor for a feedback and career development meeting. Due to the small size of the teams within the Group (up to eight people), each employee can be given individual support.
Diversity within the workforce is one of the top priorities for the Group and constitutes a core component of the HR strategy. UNITEDLABELS AG has set itself a target of becoming more international with regard to employment. At the same time, the potential appointment of women to senior management positions is a key issue.
The proportion of women in management roles rose to 33% (prev. year: 25%) within the Group as a whole. The company remains fully committed to promoting the appointment of women to positions of responsibility. The share of foreign managerial staff stands at 66%. Please also refer to the details presented on our company website (http://www.unitedlabels.com/investor-relations/corporate-governance).
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

There were no significant events to report subsequent to the end of the 2016 financial year..

4. Outlook and Report on Opportunities and Risks

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

UNITEDLABELS AG systematically aims to identify and take advantage of opportunities as they arise in order to steadily raise its competitiveness and achieve positive earnings in the medium to long term. Making the most of chances that present themselves involves confronting certain risks. The system of risk and opportunity management implemented by **UNITED**LABELS AG is designed to ensure that business activities can be carried out in a properly controlled corporate environment. There were no changes to risk and opportunity management compared to the previous year.
The **UNITED**LABELS Group regularly encounters opportunities and risks that can have both a positive and a negative impact on the Group's assets, profit and cash flow as well as on intangible assets such as licence values. Risks are understood to be the potential occurrence of internal or external events that may adversely affect the attainment of short-term goals or the implementation of its long-term strategy; missed or poorly utilised opportunities also constitute risks. In general, opportunities can be defined as strategic and operational developments, both internal and external, that can have a positive impact on the Group's performance if used in the right way.
The company makes use of various information channels with a view to identifying risks and opportunities. Assessments of relevant markets are based on dialogue with customers and suppliers as well as information derived from the Internet, other media and trade fairs and analyses of competitors. Such information (which is often provided by local entities of the company) is fed into the risk management system at the quarterly request of the Controlling department, which evaluates risks according to the likelihood of occurrence and the seriousness of potential damage. The management then decides which of the risks to accept or circumvent, and which openings to pursue. In many cases, specific risks – and the responsibility for utilising opportunities – are transferred to third parties (for example by means of insurance policies, outsourcing, distribution agreements or purchasing arrangements). The company is aware of significant risk in the following areas in particular:
As a licensee, **UNITED**LABELS AG exploits the proprietary rights of third parties. Although the company maintains long-standing and close relationships with its principal licensors, there remains a possibility of some 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 €3.0 million (prev. year: €3.3 million). In view of their guarantee amounts (up to €1.1 million), individual agreements are subject to close scrutiny. In this context, a risk equivalent to €0.4 million has been hedged by means of a loss assumption guarantee provided by the Management Board. Should there be clear indications suggesting that the carrying amounts going beyond the aforementioned figure are impaired, an appropriate allowance will be recognised with regard to the carrying amount. Having said that, the company is exposed to the risk that the carrying amounts of the assets may be impaired following changes to future market expectations and/or the appeal of specific licences and/or deviations from targets as regards revenues expected in the future in connection with licences.

Owing to the degree of market proximity required, **UNITED**LABELS AG 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.

A significant proportion of merchandise purchases is effected in US dollars. The Group therefore benefits from a strong euro and is disadvantaged by a weak euro. The company invariably allows for a certain degree of leeway in the exchange rate when calculating orders and takes appropriate exchange hedging measures where required. 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.

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 AG 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 AG 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 AG as well as adversely affecting its reputation.

UNITEDLABELS AG 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 AG 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 AG 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 operates with an appropriate liquidity monitoring system 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.

As at 31 December 2016, no equivalent-maturity financing was in place for the company. In general terms, therefore, 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 particular, 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 or if the company fails to meet its revenue and earnings targets to a large extent. In this case, **UNITED**LABELS AG would have to extend existing sources of liquidity or find new sources of liquidity. Irrespective of the possibility that additional liquidity may be required and against the backdrop of the cost reduction and financing measures already executed or to be implemented in the future, 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. An extended breakdown of these systems or serious loss of data has the potential to disrupt business activity significantly.
The IT Organisation unit carries out preventive system maintenance 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 outlined above, other risks generally associated with commercial activities, such as risks relating to price fluctuations, bad debt and interest rates are captured by a dedicated risk management system and updated on a continual basis. 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..

Overall Assessment of Opportunities and Risks

The risk situation of **UNITED**LABELS AG and year-on-year changes within this area can be summarised as follows: significant risks exist with regard to the possible impairment of specific licences as well as in respect of liquidity. Risk relating to the possible impairment of specific licences that expire at the end of 2017 is more pronounced due to the fact that the remaining term has now become shorter. Liquidity requirements were higher in 2016. This issue was addressed in 2016 by expanding the loan granted by the Management Board by €0.9 million to €2.7 million. Based on it's current liquidity budgets, the Management Board does not anticipate that the company will be faced with cash constraints in 2017. Irrespective of the potential need for additional liquidity and against the backdrop of the cost reduction and financing measures already and yet to be 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. Higher sales revenue budgeted for the Special Retail segment will have a positive impact on liquidity, with business in this area generating more attractive profit margins and benefiting from shorter payment periods. Sales risk, in particular, has been scaled back thanks to the successful introduction of the „Diddl" collection and the online shop „diddl-shopping.de". The new „Diddl" and „Pummeleinhorn" licences offer the chance of improving gross profit and unlocking new markets abroad with targeted merchandise. There was no significant change to the other opportunities and risks compared with the previous year.

Report on Expected Developments

The forecast published as part of the last annual report, pointing to Group revenue growth of between 15% and 23% in 2016, was revised to growth of 2-10% as part of the corporate guidance issued upon publication of the report on the first nine months. Ultimately, revenue growth stood at 7% and was therefore within the revised range. Due to the absence of some Key Account business previously budgeted by the company and the delayed launch of the „Diddl" collection for specialty retailers, **UNITED**LABELS AG was unable to meet its original expectations. As a result, the company fell short of the guidance figure for EBIT (originally €0.6 - 1.5 million; revised in report on first nine months to €0.2 - 0.7 million); actual EBIT for the 2016 financial year stood at €-0.4 million.

The general economic situation in Germany, Spain and the rest of Europe also has an impact on the company's performance. With the German economy having expanded in 2016, the Federal Ministry for Economic Affairs and Energy is also predicting growth for 2017. 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, Key Account business in Germany will continue to make up the greater part of **UNITED**LABELS AG's revenue in the 2017 financial year. The greatest potential for growth and earnings lies in the expansion of the company's German specialist retail business with the help of licensed „Diddl", „Pummeleinhorn" and „Playmobil" merchandise as well as the expansion of the „TY" brand in Spain. The direct distribution of products to end consumers through the online channels of Elfen Service GmbH and various cooperation partners will also 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 AG 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 AG, together with its subsidiary Elfen Service GmbH, plans to further expand its B2C e-commerce platform with a range of its own products and licensed merchandise. Targeting B2C sales, the overall portfolio is to be complemented by the full range of textiles products within the specialty retail area covered by the parent company and in particular new licensed merchandise from the existing collection tailored specifically to specialist retailers. Although sales within this area were delayed considerably, the impact on earnings and liquidity should be relatively low due to the extension of the product range sold via the e-commerce shop.This assumption is underpinned by the low rate of returns and higher margins anticipated by the company.

In order to spread the associated risk to the largest extent possible and seize opportunities presenting themselves within this environment, **UNITED**LABELS AG will be looking to attract further high-revenue retailers across Europe, with an emphasis on Germany, Benelux, France and Spain, 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 is 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. For this purpose, the sales team in the area of specialist retailing has been strengthened significantly. At the same time, the company has come up with new „Diddl“ and „Pummeleinhorn“ collections. Additionally, the focus continues to be on expanding business within the Key Account segment. Growth in revenue from sales in Germany is still seen as an essential prerequisite for an improvement in earnings performance. With this in mind, the company anticipates growth for the current financial year, which will continue to be accompanied by stringent cost management. Revenue in 2017 is to rise by 2% to 7%.
The target for EBIT in 2017 is between €1.7 million and €2.7 million. This guidance figure for EBIT is based on the company‘s plans to increase Special Retail sales significantly, particularly with the help of licensed „Diddl“ and „Pummeleinhorn“ merchandise in Germany, which is accompanied by relatively high profit margins.

Supported by solid economic performance, the consumer climate appears to be improving throughout Europe, particularly in Spain. In 2017, the main thrust of growth is to come from the Special Retail segment – focusing on the „Diddl“ and „Pummeleinhorn“ licences – with its stronger profit margins. In this context, the company anticipates that the US dollar exchange rate will be 1.05. With a distribution of risk within the customer, country and licence portfolio, our corporate road map is aimed at exploiting growth opportunities in all areas of business.

.

*This Group management report contains judgements and estimates as well as forward-looking statements that reflect the current views of the management of **UNITED**LABELSAG and its subsidiaries with respect to future events and expectations. Although these forward-looking statements, judgements and estimates are based on current plans, they may nevertheless be subject to risks and uncertainties that are often difficult to predict and are generally beyond the control of **UNITED**LABELSAG. If these or other risks or uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, the actual results pertaining to **UNITED**LABELS AG may differ materially from those expressed or implied by such statements, expectations or judgements. **UNITED**LABELS AG does not plan to provide updated information relating to its forward-looking statements, expectations or judgements, unless the disclosure of such updated information is mandatory. 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 (as regards trade receivables), market price risks (as regards goods sourced in US dollars) and liquidity risks (as regards solvency relating to liabilities). Default risks are mitigated in part by factoring and in part by using letters of credit and by applying the dunning procedures put in place by **UNITED**LABELS AG. As regards market price risks associated with the euro/ US dollar exchange rate, the company makes use of forward exchange and/or 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.
Liquidity risk is controlled by means of an appropriate cash monitoring system that is updated regularly. 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

At 31 December 2016, 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 2016 that he holds 2,570,397 shares (a 40.8% stake) in the company. During the 2016 financial year, Mr. Boder sold 260,980 shares. The company is not aware of any other interests in share capital that exceed 10 % of the voting rights.

The Management Board of **UNITED**LABELS AG is comprised of one person. In accordance with Section 5 of the Articles of Association and Section 84 of the German Stock Corporation Act, the Supervisory Board regulates the number of Management Board members as well as their appointment and dismissal. Moreover, the Supervisory Board is authorised under 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.
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).
At the Annual General Meeting of 2014 the company was 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 authorization 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 2016, 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 up to 18 August 2019, either once or on several occasions. 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 with regard to loan and customer contracts. Some of the licence agreements include an approval clause. 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.
The corporate governance statement has been made publicly accessible on the website of **UNITED**LABELS AG at http://www.unitedlabels.com/investor-relations/corporate-governance.

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 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 receives double this amount for meetings attended. Total Supervisory Board compensation for the 2016 financial year was €60 thousand. Mr. Boder was the sole member of the Management Board at the end of the reporting period. Management Board compensation totalled €277 thousand in the financial year under review (prev. year: €400 thousand). Of this total, €217 thousand was attributable to Mr. Boder and €60 thousand to Mr. Hirsch. Mr. Hirsch stepped down from the Management Board of the company at the end of April 2016. Management Board compensation is composed of a basic salary component and a variable component. The fixed compensation component for the 2016 financial year amounted to €277 thousand; no variable-component compensation was granted in 2016. The current contract for the 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.
In the consolidated financial statements for 2016 pension provisions recognised for obligations towards a member of the Management Board increased by €439 thousand in total. Costs of €65 thousand were recognised as staff costs and €48 thousand as interest expense, while actuarial losses of €325 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 €2,163 thousand (prev. year: €1,724 thousand).

From the age of 65, the Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €12,219.40 and an invalidity pension of the same amount. 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. The monthly retirement pension is calculated on the basis of the average basic salary of the last five years. 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 till 30.04.2016			
	n - 1	n	n (min)	n (max)	n - 1	n	n (min)	n (max)
Fixed salary	203,920.20	204,259.80	204,259.80	204,259.80	180,000.00	60,000.00	60,000.00	60,000.00
Fringe benefits	12,449.26	12,826.26	12,826.26	12,826.26	3,226.35	0.00	0.00	0.00
Total	216,369.46	217,086.06	217,086.06	217,086.06	183,226.35	60,000.00	60,000.00	60,000.00
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	67,468.00	65,402.00	65,402.00	65,402.00	0.00	0.00	0.00	0.00
Curtailments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total salary	283,837.46	282,488.06	282,488.06	282,488.06	183,226.35	60,000.00	60,000.00	60,000.00

Information disclosed in accordance with Section 315 (2) no. 5 HGB

UNITEDLABELS AG 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 40.80% 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. Additionally, direct business relations exist between Mr. Boder and the company.
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, 17 March 2017

UNITEDLABELS Aktiengesellschaft

CEO

Peter Boder

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

ASSETS

	Notes	31.12.2016 €	31.12.2015 €
Assets			
Non-current assets			
Property. plant and equipment	C.1.	3,675,105.67	3,826,255.92
Intangible assets	C.1.	8,785.,926.14	9,432,457.07
Other assets	C.6.	1,626,216.27	1,488,248.08
Deferred taxes	C.3.	1,940,170.12	2,007,108.47
		16,027,418.20	**16,754,069.54**
Current assets			
Inventories	C.4.	5,011,532.29	4,772,189.86
Trade receivables	C.5. / C.8	3,325,889.47	3,939,152.44
Other assets	C.6. / C.8	902,086.53	1,138,199.19
Cash and cash equivalents	C.7.	914,379.98	1,310,618.29
		10,153,888.27	**11,160,159.78**
Total assets		**26,181,306.47**	**27,914,229.32**

EQUITY AND LIABILITIES

	Notes	31.12.2016 €	31.12.2015 €
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.	1,319,680.84	1,540,848.44
Currency translation	C.9.	-570,180.62	-571,167.25
Consolidated unappropriated loss	C.9.	-5,919,387.96	-4,190,023.09
Shareholders' equity		**1,130,112.26**	**3,079,658.10**
Non-controlling interests	C.9.	-574,208.70	-527,535.01
Non-controlling interest		**555,903.56**	**2,552,123.09**
Non-current interest			
Provisions for pensions	C.10.	2,162,894.00	1,724,259.00
Provisions	C.11.	0.00	76,274.77
Financial liabilities	C.12.	1,770,201.43	1,903,048.63
Trade payables	C.12.	4,403,610.23	3,428,061.50
Deferred tax liabilities	C.3.	80,373.66	186,589.85
		8,417,079.32	**7,318,233.75**
Current liabilities			
Provisions	C.11.	19,198.91	122,422.60
Current tax payable	C.12.	5,220.00	40,181.98
Financial liabilities	C.12.	9,196,767.47	7,123,896.86
Trade and other payables	C.12.	7,987,137.21	10,757,371.04
		17,208,323.59	**18,043,872.48**
Total liabilities		**25,625,402.91**	**25,362,106.23**
Total equity and liabilities		**26,181,306.47**	**27,914,229.32**

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

for the period from 1 January to 31 December 2016

	Notes	2016 €	2015 €
Revenue	**D,1,**	**32,447,340.99**	**30,381,588.11**
Cost of materials	D,2,	-21,331,291.88	-19,981,982.32
Amortisation/write-down of usage rights	D,3,	-1,809,433.45	-2,327,296.28
		-23,140,725.33	**-22,309,278.60**
		9,306,615.66	**8,072,309.51**
Other operating income	D,4,	361,202.60	1,717,239.88
Staff costs	D,5,/C,10,	-4,094,149.39	-4,404,887.81
Depreciation of property, plant and equipment, and amortisati assets (excl. amortisation/write-down of usage rights)	D,6,	-781,806.21	-762,319.38
Other operating expenses	D,7,	-5,156,423.51	-5,501,427.42
Profit from operations		**-364,560.85**	**-879,085.22**
Finance income	D,8,	33,281.12	19,207.96
Result from associated entities	D,8,	-1,365,834.44	0.00
Finance costs	D,8,	-1,365,834.32	-1,245,893.01
Net finance cost		**-1,332,553.32**	**-1,226,685.05**
Profit before tax		**-1,697,114.17**	**-2,105,770.27**
Taxes on income	D,9,	-78,924.36	-2,101,081.58
Consolidated loss for the period		**-1,776,038.53**	**-4,206,851.85**
Loss attributable to owners		-1,729,364.84	-4,111,836.73
Loss attributable to non-controlling interests	C,9,	-46,673.69	-95,015.12
Other comprehensive income („OCI“):			
Not to reclassify result:			
Actuarial gains and losses		-324,912.00	97,837.92
Deferred taxes on actuarial gains and losses		103,744.40	-31,239.65
To reclassify result:			
Exchange difference on translating foreign operations		986.63	94.07
Total other comprehensive income		-220,180.97	66,692.34
Total comprehensive group		**-1,996,219.50**	**-4,140,159.51**
Loss attributable to owners		-1,949,545.81	-4,045,144.39
Loss attributable to non-controlling interests	C,9,	-46,673.69	-95,015.12
Consolidated loss (based on income statement) per share			
basic	C,9,	-0.27 €	-0.65 €
diluted	C,9,	-0.27 €	-0.65 €
Weighted average shares outstanding			
basic	C,9,	6,300,000 pcs.	6,300,000 pcs.
diluted	C,9,	6,300,000 pcs.	6,300,000 pcs.

UNITEDLABELS Aktiengesellschaft, Münster - Konzernkapitalflussrechnung

Notes to Group Statement of Cash Flows. cf. C.16. .	Notes	2016 € ,000	2015 € ,000
Consolidated loss for the period		-1,776	-4,207
Interest income from financing activities		1,333	1,227
Amortisation/write-down of usage rights	C.1.D. 3/6	1,809	2,327
Amortisation of intangible assets	C.1.D. 3/6	343	246
Depreciation of property, plant and equipment	C.1.D. 3/6	439	517
Change in provisions	C.10,C.11	259	86
Other non-cash expenses		-398	2,003
Result from disposal of non-current assets		3	-1,179
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.4-6	472	-291
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	-2,733	950
Payments for tax on profit		-41	0
Cash flows from operating activities		**-290**	**1,678**
Payments for investments in intangible assets and property. plant and equipment	C.1	-1,797	-2,011
Proceeds/Payments from investments in financial assets	C.1	0	2,000
Cash flows from investing activities		**-1,797**	**-11**
Proceeds from bank loans		2,257	1,236
Proceeds from short-term loans		938	225
Repayment of financial loans		-317	-1,312
Interest received		33	19
Interest paid		-1,222	-1,246
Cash flows from financing activities		**1,689**	**-1,078**
Net change in cash and cash equivalents		-397	589
Cash and cash equivalents at the beginning of the period		1,311	722
Cash and cash equivalents	**C.7.**	**914**	**1,311**
Gross debt bank		10,967	9,027
Net debt bank		**10,053**	**7,716**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**914**	**1,311**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital € ,000	Capital reserves € ,000	Reta-ined Earnings € ,000	Consoli-dated net € ,000	Balancing Item for currency translation € ,000	Equity € ,000	Minority Interest € ,000	Total (Group Equity) € ,000
As at 31.12.2014	**6,300**	**4,241**	**2,003**	**-4,848**	**-571**	**7,125**	**-433**	**6,692**
Consolidated result 2015	0	0	0	-4,112	0	-4,112	-95	-4,207
Other gains and losses								
Currency translation	0	0	0	0	0	0	0	0
Acturial gains and losses	0	0	98	0	0	98	0	98
Deferred taxes	0	0	-31	0	0	-31	0	-31
Total 2015 results	**0**	**0**	**67**	**-4,112**	**0**	**-4,045**	**-95**	**-4,140**
Withdrawl from revenue reserves to offset losses	0	0	-529	529	0	0	0	0
Withdrawl from capital reserves to offset losses	0	-4,241	0	4,241	0	0	0	0
As at 31.12.2015	**6,300**	**0**	**1,541**	**-4,190**	**-571**	**3,080**	**-528**	**2,552**
Consolidated result 2016	0	0	0	-1,729	0	-1,729	-47	-1,776
Other gains and losses								
Other gains and losses	0	0	0	0	1	1	0	1
Acturial gains and losses	0	0	-325	0	0	-325	0	-325
Deferred taxes	0	0	104	0	0	104	0	104
Total 2016 results	**0**	**0**	**-221**	**-1,729**	**1**	**-1,949**	**-47**	**-1,996**
As at 31.12.2016	**6,300**	**0**	**1,320**	**-5,919**	**-570**	**1,131**	**-575**	**556**

UNITEDLABELS Aktiengesellschaft, Münster

Notes to the Consolidated Financial Statements for the Financial Year 2016

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 2016 were approved, and thus adopted, and released for publication by the Supervisory Board on 24 March 2017.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2016, 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 2016 to 31 December 2016. 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.
The company has prepared its annual financial statements on a going concern basis. This is founded on comprehensive liquidity planning, on the basis of which the provision of sufficient financial resources for the Group, using existing credit lines and loans, has been safeguarded for the entire annual period. In this context, please refer to the details presented with regard to liquidity in Note 19 of the consolidated financial statements.

New International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) adopted a number of financial reporting standards and interpretations that became applicable for the first time to annual periods beginning on 1 January 2016 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:
Amendments to IAS 19, Employee Benefits Annual Improvements to IFRSs 2012-2014 Cycle: Improvements to Existing Standards

- Amendments to IFRS 11, Join Arrangements – Acquisition of Interests in Joint Operations
- Amendments to IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27, Separate Financial Statements – Applying the Equity Method to Separate Financial Statements
- Amendments to IAS 16, Property, Plant and Equipment, and IAS 41, Agriculture – Agriculture: Bearer Plants
- Amendments to IAS 1, Presentation of Financial Statements (Disclosure Initiative)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception

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

The following standards, amendments to standards and interpretations, which, with the exception of IFRS 16, 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 2017

Amendments to IAS 7, Statement of Cash Flows – Initiative to Improve Disclosure in Notes (EU endorsement expected in Q4 2016)

Amendments to IAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (EU endorsement expected in Q4 2016)

Mandatory application for reporting period as from 1 January 2018

- IFRS 2, Share-based Payment, Amendments: Classification and Measurement of Share-based Payment Transactions (awaiting endorsement by the EU)
- IFRS 4, Insurance Contracts, Amendments: Applying IFRS 9 „Financial Instruments“ with IFRS 4 „Insurance Contracts“ (awaiting endorsement by the EU)
- IFRS 9, Financial Instruments (EU endorsement on 22 November 2016)
- IFRS 15, Revenue from Contracts with Customers (EU endorsement on 22 September 2016)

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

- IAS 40, Investment Property: Amendments to Transfers of Investment Property (awaiting endorsement by the EU)
- IFRIC 22, Foreign Currency Transactions and Advance Consideration (awaiting endorsement by the EU)
- Annual Improvements to IFRS – Standards 2014 to 2016 Cycle (awaiting endorsement by the EU)

Mandatory application for reporting period as from 1 January 2019

- IFRS 16, Leases (replaces IAS 17, awaiting endorsement by the EU)
- As a result of this Standard, United Labels will be obliged to recognise as a right-of-use asset (categorised as intangible assets) those properties that had previously been accounted for on the basis of operating leases. Correspondingly, it will have to recognise a lease liability representing its obligation to make lease payments.
- IFRS 10/IAS28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (awaiting endorsement by the EU)

3. Basis of consolidation

Consolidated group

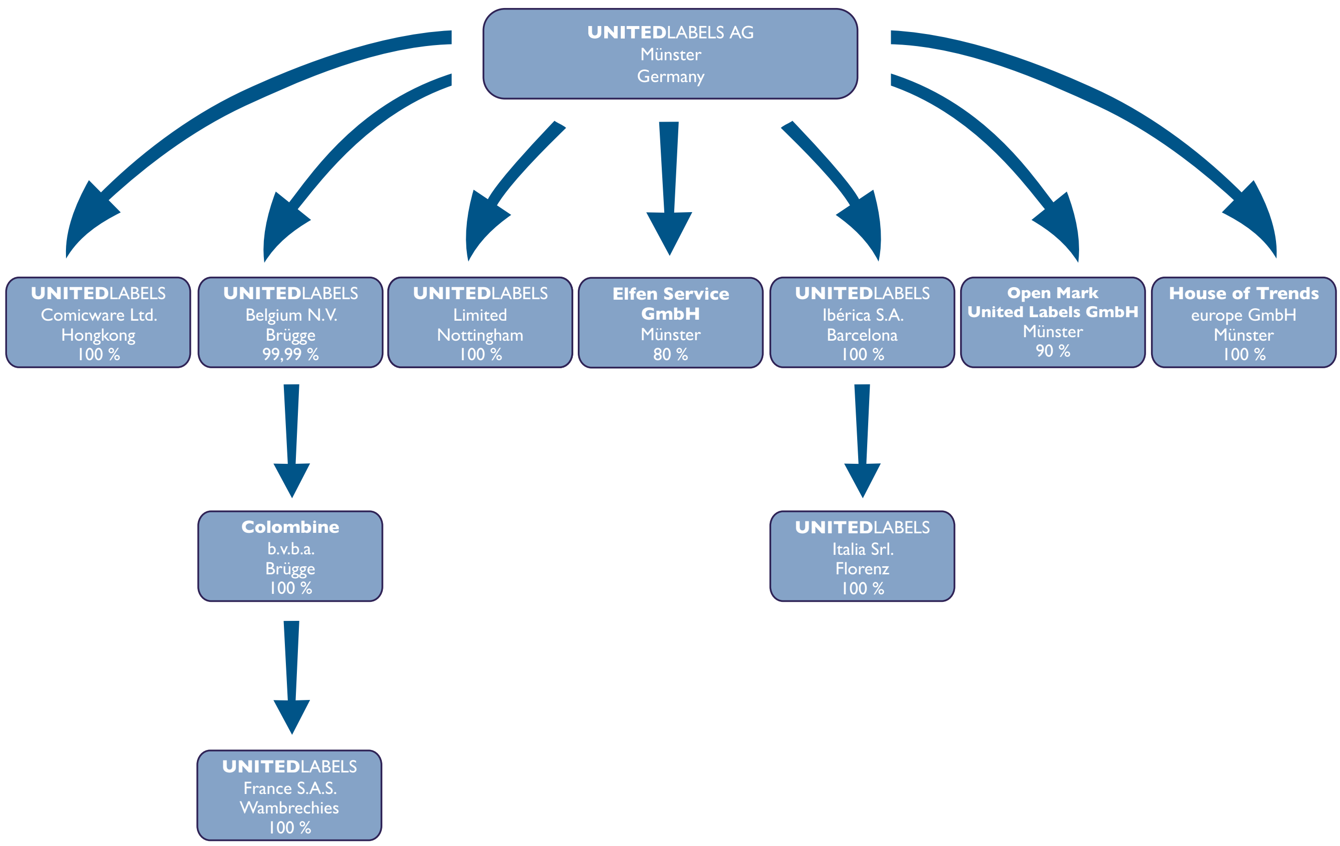
The entities included in the consolidated group are those over which the Group holds control as regards their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power 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.
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 2016, 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.-31.12.2016
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florenz, Italy	100.000 %	01.01.-31.12.2016
UNITEDLABELS Belgium N.V., Brügge, Belgium	99.999 %	01.01.-31.12.2016
as its wholly owned subsidiary		
Colombine b.v.b.a., Brügge, Belgium	100.000 %	01.01.-31.12.2016
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100.000 %	01.01.-31.12.2016
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100.000 %	01.01.-31.12.2016
UNITEDLABELS Comicware Ltd., Hongkong	100.000 %	01.01.-31.12.2016
UNITEDLABELS Polska Sp.o.o., Warschau, Poland	100.000 %	01.01.-31.12.2016
Open Mark United Labels GmbH, Münster	90.000 %	01.01.-31.12.2016
Elfen Service GmbH, Münster	80.000 %	01.01.-31.12.2016
House of Trends europe GmbH, Münster	100.000 %	01.01.-31.12.2016

UNITEDLABELS Polska Sp.o.o. was merged into **UNITED**LABELS Labels AG in May 2016.
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.
Additionally, **UNITED**LABELS Ibérica S.A., Spain, holds an interest of 0.001% 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.
Up to March 2016, **UNITED**LABELS Aktiengesellschaft held a 45% interest in Montesquieu Finances, France, with a carrying amount of zero. Montesquieu Finances was liquidated in 2016.
The annual financial statements and consolidated financial statements of **UNITED**LABELS AG are published in the Electronic Federal Gazette.

Entities included in the consolidated financial statements as at 31 December 2016



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**	
	2016 in € ,000	2015 in € ,000	2016 in € ,000	2015 in € ,000
Revenue	0	102	511	512
Profit for the year	13	-47	-240	-388
Profit/loss for the period attributable to non-controlling interests	1	-5	-48	-78
Effects of consolidation	-127	-127	0	0
Total comprehensive income	-114	-174	-240	-388
Comprehensive income attributable to non-controlling interests	-11	-17	-48	-78
Current assets	147	362	444	185
Non-current assets	0	0	189	403
Current liabilities	37	266	519	234
Non-current liabilities	0	0	550	550
Equity	110	96	-436	-196
Equity attributable to non-controlling interests	11	10	-87	-39
Effects of consolidation	29	29	-528	-528
Equity attributable to non-controlling interests after the effects of consolidation	40	39	-615	-567

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. 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.Against the backdrop of the amendments to IAS 16/IAS 38 regarding acceptable methods of depreciation and amortisation, United Labels will continue to apply this accounting policy, as there is a strong correlation between licence amortisation and sales revenue generated from licences.
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, 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 1.95% (prev. year: 2.7%) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5% (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 CEO Peter Boder. 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 2016 financial year was €1.2205 € / £ (prev. year: €1.3732 € / £), and the closing rate at 31 December 2016 was €1.1715 € / £ (prev. year: €1.3577 € / £). 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. At the end of 2016 the group had no derivative financial instruments active. 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.

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.
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 2017 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 license 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 €2,724 thousand (prev. year: €2,821 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 €45 thousand in non-current assets.

Fixed Assets Schedule

Fixed Assets Schedule for FY 2016

	Cost of purchase or conversion					
	Balance at 01.01.2016	monetary alignment	Acquisition	Reclassifications	Disposals	Balance at 31.12.2016
	€	€	€	€	€	€
I. Property and equipment						
1. Land and leasehold rights and buildings, as well as buildings on third-party land	3,765,937.93	0.00	0.00	0.00	0.00	3,765,937.93
2 Technical equipment and machinery	757,163.79	0.00	14,621.51	0.00	-43,121.69	728,663.61
3. Other plant, operating and office equipment, furniture and fixtures	2,421,497.75	0.00	276,731.75	0.00	-50,790.24	2,647,439.26
4. Advance payments and construction in progress	2,150.00	0.00	0.00	0.00	0.00	2,150.00
	6,946,749.47	**0.00**	**291,353.26**	**0.00**	**-93,911.93**	**7,144,190,.80**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	10,097,009.63	0.00	1,505,672.17	0.00	-589,510.30	11,013,171.50
2. Goodwill	7,234,875.99	0.00	0.00	0.00	0.00	7,234,875.99
	17,331,885.62	**0.00**	**1,505,672,.17**	**0,.00**	**-589,510.30**	**18,248,047.49**
	24,278,635.09	**0.00**	**1,797,025.43**	**0.00**	**-683,422.23**	**25,392,238.29**

	Accumulated depreciation/amortisation					Net Amounts	
	Balance at 01.01.2016	Reclassification	Additions	Disposals	Balance at 31.12.2016	Balance at 31.12.2016	Balance at 31.12.2015
	€		€	€	€	€	€
	920,511,03	0.00	99,843.43	0.00	1,020,354.46	2,745,583.47	2,845,426.90
	378,350.32	0.00	139,058.29	-40,150.04	477,258.57	251,405.04	378,813.47
	1,821,632.20	0.00	200,479.80	-50,639.90	1,971,472.10	675,967.16	599,865.55
	0.00	0.00	0.00	0.00	0.00	2,150.00	2,150.00
	3,120,493.55	**0.00**	**439,381.52**	**-90,789.94**	**3,469,085.13**	**3,675,105.67**	**3,826,255.92**
	6,321,849.12	0.00	2,152,149.10	-589,165.34	7,884,541.92	3,128,629.58	3,775,160.51
	1,577,579.43	0.00	0.00	0,.00	1,577,579.43	5,657,296.56	5,657,296.56
	7,899,428.55	**0.00**	**2,152,149.10**	**-589,165.34**	**9,462,121.35**	**8,785,926.14**	**9,432,457.07**
	11,019,922.10	**0.00**	**2,591,533.62**	**-679,955.28**	**12,931,206.48**	**12,461,031.81**	**13,258,712.99**

* of this total, a sum of €1,809,433.45 is attributable to amortisation/write-downs of usage rights, which are presented in the statement of comprehensive income separately as material expense. A sum of €342,424.65 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensive income together with depreciation/write-downs of property, plant and equipment (€781,806.21).

Fixed Assets Schedule

Fixed Assets Schedule for FY 2015

	Cost of purchase or conversion				
	Balance at 01.01.2015	Acquisition	Reclassification	Disposals	Balance at 31.12.2015
	€	€	€	€	€
I. Property and equipment					
1. Land and leasehold rights and buildings, as well as buildings on third-party	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 total, a sum of €2,327,296.28 is attributable to amortisation/write-downs of usage rights, which are presented in the statement of comprehensive income separately as material expense. A sum of €245,467.76 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensive income together with depreciation/write-downs of property, plant and equipment (€726,319.38).

Goodwill was calculated as follows:

	2016 € ,000	2015 € ,000
Balance at 01.01.	5,657	5,657
Additions	0	0
Balance 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 7.29% (Colombine und Open Mark **UNITED**LABELS GmbH) and 10.24% (Ibérica) as well as a growth rate of 1.0% (prev. year: 1.5%). 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. As regards United Labels Iberica, forecasting in connection with impairment testing is based on projected annual revenue growth of 2.0% p.a., a stable gross profit margin of 36% in 2016 and as from 2017 a stable EBITDA margin of 9.5% after 8.1% in 2016. As regards Colombine, the forecast drawn up on the basis of order backlog in March 2017 points to revenue growth of between 8% and 25%, an increase in the gross profit margin to 24% and a rise in the EBITDA margin to 20%. The inflation-induced growth rate at the end of the forecasting period was assumed to be 1.0% for both CGUs (prev. year: 1.5%). The discount rate, depending on goodwill, was 7.29% or 10.24% (prev. year: 7.68% or 10.16%) after taxes. The interest rate before taxes was 9.89% or 14.5% (prev. year: 10.42% or 11.83%). 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 2016, Montesquieu Finances, whose carrying amount had been zero, was liquidated and derecognised.

3. Deferred tax assets

The deferred tax assets in the amount of €1,940 thousand (prev. year: €2,007 thousand) comprise an amount of €1,098 thousand (prev. year: €1,234 thousand) for the carryforward of unused tax losses as well as an amount of €842 thousand (prev. year: €774 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 €80 thousand (prev. year: €187 thousand). Current deferred tax assets amounted to €452 thousand (prev. year: €169 thousand), while current deferred tax liabilities totalled €60 thousand (prev. year: €79 thousand).
The composition of deferred tax assets and liabilities as well as changes during the financial year were as follows:

	31.12.2016		31.12.2015		2016	2016	2015	2015
	Deferred Tax assets € ,000	Deferred Tax liabilities € ,000	Deferred Tax assets € ,000	Deferred Tax liabilities € ,000	Expense (-) Income (+) € ,000	Not affecting net income € ,000	Expense (-) Income (+) € ,000	Not affecting net income € ,000
Loss carried forward	1,098	0	1,234	0	-136	0	-2,142	0
Intangible assets	322	80	357	140	25	0	-15	0
Receivables from affiliated companies	0	0	0	32	32	0	0	0
Inventories	11	0	10	0	1	0	4	0
Receivables affiliated companies	4	0	5	0	-1	0	5	0
Other assets	0	0	0	9	9	0	14	0
Provisions for post-employment benefits	499	0	392	0	3	104	25	-31
Other provisions	0	0	2	0	-2	0	2	0
Bank borrowings	5	0	5	0	0	0	0	0
Trade payables	0	0	0	0	0	0	9	0
Payables to affiliated companies	0	0	2	2	0	0	-1	0
Other liabilities	1	0	0	4	5	0	-5	0
	1,940	**80**	**2,007**	**187**	**-64**	**104**	**-2,104**	**-31**

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. An amount of €7,500 thousand (prev. year: €7,030 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 €24,758 thousand (prev. year: 23,183 thousand) and €22,242 thousand (prev. year: €20,868 thousand) respectively. Additionally, no deferred taxes were recognised with regard to corporation tax loss carryforwards attributable to subsidiaries totalling €7,086 thousand (prev. year: €6,745 thousand). Of this amount, €3,936 thousand (prev. year: €3,822 thousand) is attributable to foreign operations. The positive temporary differences in relation to subsidiaries in the financial year 2016 amounted to €7 thousand (prev. year: €13 thousand).

4. Inventories

Of the total inventories amounting to €5,012 thousand (prev. year: €4,772 thousand), 60% (€3,009 thousand; prev. year 43%, €2,061 thousand) was attributable to Spain, while 40% (prev. year: 57%), i.e. €2,003 thousand, was attributable to Germany (prev. year: €2,711 thousand). The inventories of the German parent company (€1,886 thousand) and the Spanish subsidiary (€3,009 thousand) have been assigned to the financing banks as security.

5. Trade receivables

Trade receivables fell by €613 thousand year on year, from €3,939 thousand to €3,326 thousand. This item includes prepayments for inventories amounting to €12 thousand (prev. year: €23 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	2016 € '000	2015 € '000
Not due	2,201	3,546
Due		
due for 0 - 30 days	697	184
due for 31 - 60 days	236	5
due for 61 - 90 days	1	8
due for more than 90 days	191	196
	3,326	**3,939**

The maximum default risk, without taking into account existing credit insurance, stands at €3,326 thousand. In total, 89% of these receivables are covered by credit insurance. Therefore, in the event of a maximum default 89% of the receivables would be safeguarded by credit insurance.
The accumulated write-downs of receivables were €544 thousand (prev. year: €534 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 2016, receivables had to be written down by €7 thousand (prev. year: €6 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. 75% of the total receivables attributable to these two companies. At the end of the reporting period, receivables of €1,622 thousand 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 in connection with payment terms (discounts for early payment etc.) and possible credit notes attributable to the parent company until payment has been made by the customer. 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 2016. 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 €33 thousand (prev. year: €46 thousand), the associated liability stood at €35 thousand (prev. year: €48 thousand), interest income in respect of the previous year totalled €0 thousand (prev. year: interest expense €2 thousand) and accounting-related expense amounted to €0 (prev. year: €0 thousand).
The receivables of the German parent company (€893 thousand; prev. year: €466 thousand) and the Spanish subsidiary (€1,981 thousand; prev. year: €2,416 thousand) have been assigned to the financing banks as security.

6. Other assets

Other non-current assets include receivables from pledged reinsurance policies totalling €1.6 million (prev. year: €1.5 million).The current item mainly includes receivables from the factoring agency in Germany and Belgium amounting to €0.4 million (prev. year: €0.5 million).
In addition, prepaid expenses as non-financial assets, in the amount of €79 thousand (prev. year: €42 thousand), were recognised within this item. Non-impaired assets were as follows:

Maturity of receivables	**2016 € '000**	**2015 € '000**
Not due	2,482	2,314
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	46	312
	2,528	**2,626**

The maximum default risk, without taking into account existing credit insurance, stands at €902 thousand (prev. year: €1,138 thousand).

7. Cash and cash equivalents

Cash and cash equivalents declined from €1,311 thousand to €914 thousand in the financial year under review. Of this total, a sum of €777 thousand (prev. year: €930 thousand) is not at the disposal of the company.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31.12.2016			**31.12.2015**		
€ '000	**Gross value € '000**	**less impairment € '000**	**Net value € '000**	**Gross value € '000**	**less impairment € '000**	**Net value € '000**
trade receivables	3,870	544	3,326	4,473	534	3,939
Other assets	2,551	23	2,528	2,774	148	2,626

The net balance of losses and gains was €7 thousand. Please refer to the relevant section of the notes for further details concerning measurement.

9. Equity

As at 31 December 2016 share capital totalled €6,300 thousand, divided into 6.3 million no-par-value bearer shares („Stückaktien“ governed by German law).
The Annual General Meeting on 23 June 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).
At the Annual General Meeting of 2014 the company was 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 authorization 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 2016, 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, either once or in several stages in the period up to 18 August 2019. 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.
Revenue reserves declined by €221 thousand compared to the previous year. This is attributable to actuarial losses in connection with the valuation of pension provisions and the associated deferred taxes.
The Group‘s accumulated deficit developed as follows:

	2016 € ‘000	2015 € ‘000
Balance at 01.01.	-4,190	-4,848
Consolidated loss for the year	-1,776	-4,207
Loss attributable to shareholders	47	95
Transfers from revenue reserves	0	529
Transfers from capital reserves	0	4,241
Balance at 31.12.	**-5,919**	**-4,190**

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

Consolidated earnings per share	2016	2015
basic diluted	-0,27 € -0,27 €	-0,65 € -0,65 €
Weighted average shares outstanding		
basic diluted	6,300,000 pcs. 6,300,000 pcs	6,300,000 pcs 6,300,000 pcs

Consolidated earnings per share amounted to €-0.27 (prev. year: €-0.65), calculated by dividing the annual consolidated loss of €-1,729,364.84 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 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 €-595 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 €21 thousand.

10. Provisions for pensions

A defined benefit obligation exists for the sole member of the Management Board; this commitment is dependent on the final salary.
As in the previous year, the full benefit obligation amounting to €2,163 thousand (prev. year: €1,724 thousand) is non-funded but fully reinsured.
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	2016	2015
Interest rate	1.95%	2.70%
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:

Changed in defined benefit obligation	2016 €	2015 €
DBO at 01.01.	1,724,259	1,708,455
Service cost	65,402	67,468
Past service cost and curtailments	0	0
Interest cost	48,321	46,174
Actuarial gains and losses	324,912	-97,838
– of which from experience adjustments – of which from changes in actuarial assumptions	-52,995 377,907	-52,293 -45,545
DBO on 31.12.	**2,162,894**	**1,724,259**

As in previous years, there were no plan assets in the 2016 financial year.

The following table presents changes in pension provisions:

Change in provisions for pensions	**2016 €**	**2015 €**
Provisions for pensions at 01.01.	1,724,259	1,708,455
Net pension cost	113,723	113,642
Past service cost and curtailment	0	0
Remeasurement	324,912	-97,838
Pension provision on 31.12.	**2,162,894**	**1,724,259**

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	**2016 €**	**2015 €**
Service cost	65,402	67,468
Interest cost	48,321	46,174
Past service cost and curtailments	0	0
Amortisation of actuarial gains and losses	324,912	-97,838
Net pension cost	**438,635**	**15,804**

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

	31.12.2016 €	**31.12.2015 €**	**31.12.2014 €**	**31.12.2013 €**	**31.12.2012 €**
Present value of the obligation	2,162,894	1,724,259	1,708,455	2,476,713	2,493,135
Plan assets	0	0	0	0	0
Funded status	2,162,894	1,724,259	1,708,455	2,476,713	2,493,135
Experience adjustments	-52,995	-52,293	-15,510	-77,388	-52,213

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

Sensitivity analysis		**DBO as at 31.12.2016**
Valuation with interest rate	-0.50%	2,468,259
Valuation with interest rate	+0.5%	1,901,476
Valuation with pension trend	-0.50%	2,013,639
Valuation with pension trend	+0.5%	2,328,375
Valuation with rate of salary increase	-0.50%	2,049,677
Valuation with rate of salary increase	+0.5%	2,282,417
Valuation with underlying biometric data	- 1 Jahr	2,105,665
Valuation with underlying biometric data	+ 1 Jahr	2,218,807

The duration of the obligation is approx. 27 years. The expected service cost for 2017 is €79 thousand and the expected interest cost is €44 thousand.

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01.01.2016 € '000	**Reversed € '000**	**Used € '000**	**Reclassified € '000**	**Allocated € '000**	**Balance at 31.12.2016 € '000**
Non-current provisions:	**76**	**-76**	**0**	**0**	**0**	**0**
Provision for bonus	76	-76	0	0	0	0
Current provisions:	**122**	**0**	**-122**	**0**	**19**	**19**
Provision for contingent losses from goods returned	102	0	-102	0	0	0
Legal disputes	20	0	-20	0	19	19
Total provisions	**198**	**-76**	**-122**	**0**	**19**	**19**

The non-current provisions related 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, but was reversed again in 2016. The provision for contingent losses from goods returned is recognised insofar as customers have a right to return the goods and it is deemed probable that they will exercise this right. The amount of the provision is based in part on an assessment made by management or on available data relating to sales volumes. As at 31 December 2016 there were no outstanding returns. 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:

2016	Total amount	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term more than 5 years	of which secured	Type of collateral
	€ ‘000	€ ‘000	€ ‘000	€ ‘000	€ ‘000	
1. Bank borrowings	10,967	9,196	779	992	9,027	Land charges, receivables,
2. Trade and other payables	12,391	7,987	4,404	0	0	
	23,358	**17,183**	**5,183**	**992**	**9,027**	

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

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 December 2016 and 31 December 2015:

	Carrying amount	Cashflows 2017			Cashflows 2018			Cashflows 2019–2021			Cashflows 2022 ff.		
€ ‘000	31.12.2016	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	2,033	71	0	262	62	0	250	138	0	528	121	0	992
	Carrying amount	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 ff.		
€ ‘000	31.12.2015	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
	Carrying amount	Cashflows 2017			Cashflows 2018			Cashflows 2019–2021			Cashflows 2022 ff.		
€ ‘000	31.12.2016	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	2,633	2	72	760	1	49	619	1	29	1,254	0	0	0
	Carrying amount	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 ff.		
€ ‘000	31.12.2015	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	4,035	2	112	1,277	2	84	1,097	2	94	1,661	0	0	0
	Carrying amount	Cashflows 2017			Cashflows 2018			Cashflows 2019–2021			Cashflows 2022 ff.		
€ ‘000	31.12.2016	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	2,363	165	0	0	27	0	2,363	0	0	0	0	0	0
	Carrying amount	Cashflows 2016			Cashflows 2017			Cashflows 2018–2020			Cashflows 2021 ff.		
€ ‘000	31.12.2015	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	1,425	79	0	200	9	0	1,225	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%). There were no foreign exchange transactions at the end of the reporting period. In 2015, foreign exchange forward contracts had amounted to US$4,791 thousand in nominal terms, while an exchange option contract had 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 €1.8 million, which have been accounted for in the consolidated financial statements.

Other liabilities include €51 thousand (prev. year: €36 thousand) in liabilities relating to social security and €204 thousand (prev. year: €329) to tax liabilities. This item also includes €2,363 thousand (prev. year: €1,425 thousand) in loans payable to non-banking entities.

13. Financial instruments

The following table lists the carrying amounts, amounts recognised and fair values by measurement category for the respective financial liabilities:

in €'000	Carrying amount 31.12.2016	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31.12.2016
		Amortised cost	Cost	Fair Value recognized in equity	Fair Value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	914	914					914
Trade receivables	3,326	3,326					3,326
other assets	2,528	2,528					2,528
	FVPL						
Value buying option Montesquieu	0				0		
Currency Swap	0				0		
Liabilities	FLAC						FLAC
Trade payables	12,327	12,327					12,327
Finance lease liabilities according to IAS 17	64	64					64
Payables to banks	10,967	10,967					10,967
of which aggregated by measurement category according to IAS 39:							
Financial Assets at Fair Value through profit or loss (FVPL)	0				0		
Loans and Receivables (LaR)	6,768	6,768					6,768
Financial Liabilities Measured at Amortised Cost (FLAC)	23,358	23,358					23,358

Carrying amount 31.12.2015	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31.12.2015
	Amortised cost	Cost	Fair Value recognized in equity	Fair Value recognised in profit or loss		
LaR						LaR
1,311	1,311					1,311
3,939	3,939					3,939
2,584	2,584					2,584
FVPL						
0				0		
-12				-12		
FLAC						FLAC
14,093	14,093					14,093
73	73					73
9,027	9,027					9,027
-12				-12		
7,834	7,834					7,834
23,193	23,193					23,193

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 where required for the purpose of hedging against currency risks. No such hedging transactions were in place at the end of the reporting period.

14. Other financial obligations and contingent liabilities

Significant financial obligations are presented below::

	2016 € ,000	2015 € ,000
Orders to suppliers	2,007	3,906
Leasing agreements	121	105
Rental agreements	4,953	6,021
	7,151	**10,032**

Of these obligations, an amount of €3,319 thousand (prev. year: €5,203 thousand) is due within one year.

The company was not in the possession of collateral at the reporting date and furnished its financing bank 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 existing banking pool, receivables of **UNITED**LABELS AG and **UNITED**LABELS Ibérica not set aside for factoring purposes as well as inventories of the two aforementioned entities were provided as security.
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.
Reinsurance policies equivalent to an amount of up to €1,282 thousand have been pledged to financing banks. These reinsurance policies had previously been pledged to Mr. Boder. 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 €121 thousand (prev. year: €105 thousand).

Maturity within 1 year:	€40 thousand (prev. year: €45 thousand)
LMaturity 1-5 years:	€81 thousand (prev. year: €60 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 €31 thousand (previous year: €37 thousand).

UNITEDLABELS AG has 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 €56 thousand (prev. year: €72 thousand). The associated liabilities were €64 thousand (prev. year: €73 thousand) and correspond to the present value of the total obligation of €64 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 €2 thousand (prev. year: €1 thousand). Subsequent minimum lease payments are as follows:

Maturity up to 1 year:	€18 thousand (prev. year: €19 thousand)
Maturity 1-5 years:	€41 thousand (prev. year: €60 thousand)

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €4,953 thousand (prev. year: €6,021 thousand). Rental expense amounted to €1,783 thousand in 2016 (prev. year: €1,642 thousand). The 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 up to 1 year:	€1,202 thousand (prev. year: €1,266 thousand)
Maturity 1-5 years:	€2,642 thousand (prev. year: €3,462 thousand)
Maturity more than 5 years	€1,109 thousand (prev. year: €1,293 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 license rights for licences. Longer-term payment periods have been agreed in respect of several licence contracts.

Of the bank deposits as at the end of the reporting period, a total of €777 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 cannot be utilised for other purposes.

The cash outflows for income taxes paid and refunded amounted to €41 thousand (prev. year: €0 thousand), while those attributable to interest payments were €1,222 thousand (prev. year: €1,246 thousand). Interest received amounted to €33 thousand (prev. year: €19 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:

2016

€'000	Special Retail	Key Account	Unallocated Items	Group
Sales revenue	15,762	16,685		32,447
Segment Expenses	-13,340	-15,078	-1,803	-30,221
Depreciation/ amortisation	-1,342	-1,202	-47	-2,591
Segment result	**1,080**	**405**	**-1,850**	**-365**
Finance income				33
Finance cost				-1,366
Result from at-equity investment				0
Result from ordinary activities				**-1,698**
Taxes				-79
Consolidated loss				**-1,777**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	7,7	9,8	8,7	26,2
Segment liabilities	3,3	8,0	14,3	25,6
Capital expenditure	0,4	1,3	0,0	1,7

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

There were no segment revenues or expenses between the individual segments in the financial year under review. In accordance with IFRS 8.34, it should be noted that revenues attributable to a major customer within the Key Account segment amounted to €4,161 thousand, which represents more than 10% of the Group's total sales revenue. In the previous year, no customer had accounted for revenue representing 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.

Revenue	**2016 € ,000**	**2015 € ,000**
Germany	8,323	9,142
Iberian Peninsula	18,368	17,941
France	529	426
Rest of the World	5,227	2,873
Group	**32,447**	**30,382**

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

Total assets	**2016 € ,000€**	**2015 € ,000**
Germany	2,303	2,858
Iberian Peninsula	7,099	7,324
France	0	0
Rest of the World	3,059	3,059
Group	**12,461**	**13,259**

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

Investitionen	**2016 € ,000€**	**2015 € ,000**
Germany	519	2,418
Iberian Peninsula	1,278	845
France	0	0
Rest of the World	0	0
Group	**1,797**	**3,263**

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 on a case-by-case basis 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 put in place depending on the situation, it cannot be ruled out that long-term currency appreciation will result in an increase in the cost of sales. In the 2016 financial year, the average exchange rate was €1 = US$1.1069 (prev. year: €1 = US$1.1106). **UNITED**LABELS pays approx. 54% of the costs of goods sold in US dollars due to the fact that a large quantity of goods is sourced from the Far East. This volume amounts to €11.5 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. **UNITED**LABELS holds cartoon licence rights that are recognised in the statement of financial position at an amount of €2,867 thousand (prev. year: €3,277 thousand). In view of their guarantee amounts (up to €1.2 million), individual agreements are subject to close scrutiny. 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

As at 31 December 2016, no equivalent-maturity financing was in place for the company. In general terms, therefore, 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 particular, 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 or if the company fails to meet its revenue and earnings targets to a large extent. In this case, **UNITED**LABELS Aktiengesellschaft would have to extend existing sources of liquidity or find new sources of liquidity. Irrespective of the possibility that additional liquidity may be required and against the backdrop of the cost reduction and financing measures already executed or to be implemented in the future, 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.

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 2016, **UNITED**LABELS had access to the following borrowing facilities within the Group:

in € ,000	Available	Utilised	2016	2015
Current account	136	3,321	3,457	3,550
Long-term loans	0	1,771	1,771	1,903
Short-term loans	0	262	262	316
Letters of credit/Bills of exchange	1,661	5,654	7,315	5,765

Factoring-based funding provides further financial flexibility. The maximum possible drawing limit for **UNITED**LABELS AG and Colombine b.v.b.a., Belgium, is €3.5 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: 3.75% and 7.50%). 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 with regard to future transactions 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 2016, the largest customer accounted for 13% of total sales revenue, compared to 9% in the previous year. Furthermore, the carrying amounts of deferred taxes of €1.9 million (prev. year: €2.0 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. Revenue

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

	2016		2015	
	Revenue		Revenue	
	€ ,000	in %	€ ,000	in %
Sale of goods	32,252	99	30,370	100
Services	195	1	12	0
	32,447	**100**	**30,382**	**100**

2. Cost of materials

At 65.7%, the materials-expense ratio was largely unchanged on the prior-year figure (65.8%). 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 €19,982 thousand to €21,331 thousand. This was due to higher sales revenue.

3. Amortisation of license rights

Amortisation of license rights includes write-downs attributable to product-related licences. Year on year, they declined by €518 thousand, down from €2,327 thousand to €1,809 thousand. Expressed as a percentage of revenue, the ratio fell from 7.7% to 5.6%. The company buys pre-licensed products, sells products to end consumers and, to a larger extent, also sources non-licensed products. In 2016, depreciation/amortisation and write-downs included impairment losses of €23 thousand (prev. year: €374 thousand) for license/usage rights. In the previous year, this item included impairments in the form of risk provisioning with regard to current licence contracts of €350 thousand, as it could not be ruled out that the guaranteed amount would not be earned in full by the end of the contractual period. This impairment remained in place as at 31 December 2016.

4. Other operating income

This item mainly comprises income from currency translation differences in the amount of €136 thousand (prev. year: €294 thousand) and income from the reversal of provisions of €96 thousand (prev. year: €47 thousand). In the previous year, this item also included one-off income from the sale of the company site (with building) amounting to €1.2 million.

5. Staff costs

Staff costs fell by €311 thousand, down from €4,405 thousand to €4,094 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 €782 thousand in 2016 (prev. year: €762 thousand); of this total €682 thousand was attributable to depreciation/amortisation and €100 thousand to impairments.
The costs of the purchase of licence-specific license rights are recognised as intangible assets. Amortisation is performed according to the degree of usage and is presented as amortisation of license rights/royalties.

7. Other operating expenses

Other operating expenses include, in particular, distribution costs of €1,811 thousand (prev. year: €1,786 thousand) and rental expenses of €1,783 thousand (prev. year: €1,642 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 €33 thousand in the period under review (prev. year: €19 thousand). Finance cost includes interest expenses of €1,366 thousand (prev. year: €1,246 thousand) relating to long-term loans, the use of overdraft facilities, notes payable and factoring.

9. Income taxes

This item is composed of the following:

	2016 € ,000	2015 € ,000
Current tax expenses	14	-2
Deferred tax expense/income	65	2,103
Deferred tax expense/income	**79**	**2,101**

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

	2016 € ,000	2015 € ,000
Consolidated result before income taxes	-1697	-2,106
Applicable tax rate in %	31.93%	31.93%
Expected tax income/tax expense	-542	-672
Difference to foreign tax on income	-39	-12
Tax effect of non-deductible expenses	46	47
Tax effect of non-taxable income	0	-12
Impairment loss for deferred tax assets	31	1,938
Reversal of impairment losses for deferred tax assets	0	-5
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	-8	-101
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	591	724
Taxes attributable to other periods	0	-14
Effects of changes to the tax rate	0	208
Current tax expense/income	**79**	**2,101**

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

In the period up to the Annual General Meeting of 23 August 2016, the Supervisory Board included the following members:
Dipl.-Kaufmann Gert-Maria Freimuth, Chairman of the Board of Directors of MBB SE, Berlin (S),
Frank D. Rohmann, Managing Partner of Frank Rohmann Unternehmensentwicklung GmbH und Co. KG (Münster) and Managing Partner of Frank Rohmann Beteiligungsgesellschaft mbH (Münster), (Deputy Chairman)

Otto E. Umbach, Management Consultant, Hildesheim

Shareholders at the Annual General Meeting elected the following new Supervisory Board members:

Ralf Klein-Bölting, Managing Partner of NEXTBRAND GmbH, Hamburg (Chairman of the Supervisory Board),
Ulrich Späing, Growth Consultant, Rheine (Deputy Chairman)
Heinz Speet, Independent Management Consultant Retail, Haselünne

Supervisory Board compensation is set out in the company's Articles of Association. The fixed component of Supervisory Board compensation amounts to €40 thousand per annum. The Chairman of the Supervisory Board receives €20 thousand per annum, while the two other members of the Supervisory Board receive €10 thousand per annum. 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 receives double this amount for meetings attended. Total Supervisory Board compensation for the 2016 financial year was €60 thousand.
As at 31 December 2016, none of the Supervisory Board members in office held shares in the company.
The Management Board consisted of:
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:

Ralf Klein-Bölting:
Chairman of the Supervisory Board of GfK SE

Ulrich Späing:
Supervisory Board of PR IR Wachstum GmbH, Rheine
Supervisory Boar of farbtanke UG haftungsbeschränkt, Rheine

The Management Board consisted of:
Mr. Peter Boder, Diplom-Kaufmann, Münster (Chairman)

Mr. Albert Hirsch, Diplom-Kaufmann, Rinkerode (sole Managing Director of Elfen Service GmbH; Management Board member E-Commerce) until 30 April 2016. In total, the Management Board's compensation amounted to €277 thousand in the 2016 financial year (Mr. Boder: €217 thousand, prev. year: €216 thousand; Mr. Hirsch: €60 thousand, prev. year: €184 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 board 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.

In the event of premature termination of the contract of Mr. Boder, severance pay shall not exceed total compensation attributable to two financial years. In a notification issued by Mr. Peter Boder to **UNITED**LABELS AG on 19 December 2016 the following shareholdings were disclosed:

„I hereby inform the company that I hold 2,570,397 shares in **UNITED**LABELS AG as at the date of this notification.“ Since then, Mr. Boder has issued no notifications relating to the disposal of shares.

Determined on the basis of IAS 19 requirements, an amount of €48 thousand was allocated to interest expenses and €65 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 loss of €325 thousand, which was recognised directly in equity. The total amount of pension provisions recognised in connection with benefits accruing to a Management Board is €2,163 thousand (prev. year: €1,724 thousand).
From the age of 65, Management Board member Mr. Peter Boder is entitled to a monthly retirement pension of €12,219.40 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:

	2016	2015
Salaried staff	94	91
Hourly-paid employees	6	6
School-leaver trainees	4	2
	104	**99**

On average, 102 people were employed during the financial year under review (prev. year: 100).

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 2016, 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 Aktiengesellschaft 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 40.80 % interest in **UNITED**LABELS AG, 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 2016, the amount received was €80 thousand (prev. year: €78 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 1 April 2018), the interest rate having been set at 5% p.a., and an amount of €1,863 thousand (term up to 1 April 2018), 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 €2,200 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 €1,343 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 €116 thousand in the financial year under review (prev. year: €43 thousand). Additionally, a loan of €200 thousand granted to Open Mark United Labels GmbH was repaid in February 2016. Total interest accounted for in the consolidated financial statements in respect of Mr. Boder amounted to €117 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). In this context, the company pledged as collateral reinsurance policies of €782 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.
The **UNITED**LABELS Group uses available liquidity for the purpose of minimising interest payments throughout the Group. In addition, internal supply relations exist between the individual entities. At the end of the reporting period, loans to subsidiaries amounted to €519 thousand (prev. year: €519 thousand), while current receivables stood at €7,195 thousand (prev. year: €4,577 thousand). These amounts were eliminated as part of the consolidation of debts.

7. Events after the reporting period

There were no significant events to report subsequent to the end of the 2016 financial year.

UNITEDLABELS Aktiengesellschaft

CEO

Peter Boder

Responsibility Statement

ITo the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Münster, 20 March 2017

UNITEDLABELS Aktiengesellschaft

CEO

Peter Boder

F. Auditor's Report

Having concluded our audit, we hereby issue the following the following audit opinion in respect of the consolidated financial statements as well as the Group management report of United Labels Aktiengesellschaft, Münster, as at 31 December 2016.

We have audited the consolidated financial statements of United Labels Aktiengesellschaft, Münster, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2016. 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 standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a(1) HGB and give a true and fair view of the net assets, financial position and results of operations in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, complies with statutory regulations, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without affecting the unqualified audit opinion provided as part of this report, we draw attention to the risks that may jeopardise the future existence of the enterprise as a going concern, as outlined in the Group 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 restructuring and financing measures already executed and those yet to be implemented, is dependent on the preservation of existing lines of credit and on revenue and earnings targets stipulated within the company's budget being met to the largest extent possible.

Cologne, 20 March 2017
Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Driesch	Schulz-Danso
German Public Auditor	German Public Auditor

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period vom from 1 January to 31 December 2016

	2016 €	2015 €
1. Sales revenues	13,000,439.30	11,348,999.77
2. Cost of purchased goods	-9,634,667.64	-8,751,368.44
3. Amortisation of license rights	-656,303.03	-1,082,102.56
	2,709,468.63	**1,515,528.77**
4. Other operating income	276,291.95	1,966,575.74
5. Staff costs		
a) Wages and salaries	-1,819,000.22	-2,125,408.30
b) Social security, post-employment and other employee benefit costs	-264,563.82	-335,039.47
6. Amortization of intangible assets and tangible assets	-157,011.52	-230,923.35
7. Other operating expenses	-1,795,939.47	-2,217,517.63
	-1,050,754.45	**-1,426,784.24**
8. Other interest and similar income	28,812.98	15,903.92
9. Write-down of long-term financial assets	0.00	-974,383.14
10. Interest and other expenses	-604,125.38	-690,924.30
11. Taxes on income and profit	-27,853.33	-1,875,187.88
12. result after taxes	**-1,653,920.18**	**-4,951,375.64**
13. Other taxes	11,136.61	-11,571.61
17. Net loss	**-1,665,054.79**	**-4,962,947.25**
15. Profit carryforward from previous year	0.00	192,989.01
16. Transfers from the capital reserve	0.00	4,519,958.24
17. Transfer from other retained earnings	0.00	250,000.00
18. Net profit	**-1,665,054.79**	**0.00**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2016

ASSETS	31.12.2016 €	31.12.2015 €
A. Non-current		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	1,837,089,49	1,994,936,73
	1,837,089,49	**1,994,936,73**
II. Property. plant and equipment		
1. Land. land rights and buildings, including buildings on third-party land	2,745,583.47	2,845,426.90
2. Technical equipment and machinery	1,019.51	1,344.49
3. Other equipment, operating and office equipment	186,833.79	223,485.65
	2,933,436.77	**3,070,257.04**
III. Long-term financial assets		
1. Investments in affiliated companies	9,908,619.43	9,908,619.43
2. Loans to affiliated companies	398,050.00	419,000.00
	10,306,669.43	10,327,619.43
	15,077,195.69	**15,392,813.20**
B. Current assets		
I. Inventories		
1 Finished goods and merchandise	1,885,825.73	2,577,846.95
2. Prepayments	8,991.12	20,495.68
	1,894,816.85	**2,598,342.63**
II. Receivables and other assets		
1. Trade receivables	893,285.93	466,075.22
2. Receivables from affiliated companies	12,614.84	366,359.16
3. Receivables from et-equity investments	1,988,332.42	2,259,404.24
	2,894,233.19	**3,091,838.62**
III. Cash, bank deposits, cheques	**852,351.32**	**1,093,880.55**
	5,641,401.36	**6,784,061.80**
C. Prepaid expenses	**133,964.43**	**104,494.78**
D. Deferred Taxes	**222,807.86**	**250,661.19**
Assets, total	**21,075,369.34**	**22,532,030.97**

EQUITY AND LIABILITIES	31.12.2016 €	31.12.2015 €
A. Equity		
I. Issued capital	**6,300,000.00**	**6,300,000.00**
II.Capital reserves	**34,735.07**	**34,735.07**
IV. Accumulated loss	**-1,665,054.79**	**0.00**
	4,669,680.28	**6,334,735.07**
B. Provisions		
1. Provisions for pensions and similar obligations	1,297,691.00	1,276,441.00
2. Other provisions	1,267,611.03	1,639,108.69
	2,565,302.03	**2,915,549.69**
C. Liabilities		
1. Payables to banks	4,394,949.69	4,243,367.72
2. Prepayments	0.00	31,293.85
3. Trade payables	4,042,984.46	6,230,705.80
4. Trade payables to affiliated companys	3,446,604.34	1,696,781.30
5. Other liabilities	1,955,848.54	1,079,597.54
	13,840,387.03	**13,281,746.21**
Total equity	**21,075,369.34**	**22,532,030.97**
Contingent liabilities:	2,564,900.05	1,976,959.21

Supervisory Board

Ralf Klein-Bölting
Chairman of the Supervisory Board
Managing Partner of NEXTBRAND GmbH

Until 1997 Marketing Manager at Effem
1997 to 2003 Management Board Member Coffee, CMO, International Sales at Tchibo
2004 to 2009 General Representative for Marketing and Communication at Deutsche Bahn AG
2010 to 2013 Director Strategy, Marketing and E-Commerce at OTTO GmbH
Since 2014, Managing Partner of NEXTBRAND GmbH, Hamburg, and Chairman of the Supervisory Board of **UNITED**LABELS AG.

Ulrich Späing
Deputy Chairman of the Supervisory Board
Corporate Growth Consultant

From 1988 to 1999 Head of Corporate Communication/Branding/IR/PR at apetito AG, Rheine
2000 to 2002 General Manager Finance at Next GmbH, Rheine
2005 to 2008 Interim Head of Sales Support/Marketing & Prokurist at wedi GmbH, Emsdetten
Since 2008, Partner and Supervisory Board member of two companies: PR, IR Wachstum GmbH and farbtanke UG haftungsbeschränkt, both in Rheine.

Heinz Speet
Member of the Supervisory Board
Independent Management Consultant Retail

Up to 1990, Head of Corporate Education & Training at COOP, Bremen
1990 to 1994 Director Personnel and HR Development at Takko Moden, Telgte
1994 to 1998 General Manager Personnel and HR Development at KIK Textilien und Nonfood GmbH
1998 to 2015 Managing Partner of KIK Textilien und Nonfood GmbH

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.

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

IMPRINT

Published by:
UNITEDLABELS AG, Münster

Final editing: 27. April 2017

Legal Disclaimer

This report contains judgements and estimates as well as forward-looking statements that reflect the current views of the management of **UNITED**LABELS AG and its subsidiaries with respect to future events and expectations. Although these forward-looking statements, judgements and estimates are based on current plans, they may nevertheless be subject to risks and uncertainties that are often difficult to predict and are generally beyond the control of **UNITED**LABELS AG. 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**LABELS AG 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.

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

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

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

e-mail:
investorrelations@unitedlabels.com

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

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

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

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

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

UNITEDLABELS Comicware Ltd.
BLK B 10/F
Alexandra Industrial Building
27 Wing Hong Street
Lai Chi Kok
Hongkong
info-hk@unitedlabels.com

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

1987
Founding of Duke GmbH

1991
UNITEDLABELS 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 UNITEDLABELS Ibérica, S.A.

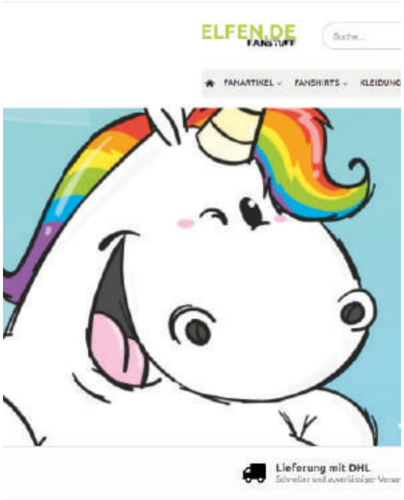
2000
· Neuer Markt, Frankfurt – IPO
· Acquisition of Colombine b.v.b.a. (Belgium)
· Acquisition of Jocky Team S.A. (Spain)

2006
· Opening of first airportshop in Barcelona

2007
· Launch of House of Trends europe GmbH

2011
· Founding of Elfen Service GmbH

2016
· Launch of the Diddl Collection
· diddl-shopping.de went online



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

UNITED®
LABELS
COMICWARE