

3-MONTHS' REPORT 2006

UNITEDLABELS AG



Letter to Shareholders



Peter M. Boder
Chairman of the Management Board

Dear **UNITEDLABELS AG** Shareholders, and Business Associates,

The **UNITEDLABELS** Group recorded an increase in revenue in the first three months of the 2006 financial year. Revenue grew by 9.6% to € 9.1 million in the period under review (Q1 2005: €8.3 million). The loss before interest and taxes amounted to €0.1 million (Q1 2005: EBIT of €0.1 million), while the loss after taxes totalled €0.2 million, compared with a break-even result in the same period a year ago. This was attributable mainly to start-up costs of €0.2 million incurred by our UK subsidiary **UNITEDLABELS** Ltd.

The Key Account segment recorded above-average revenue growth of 17.3%, taking the total to €6,579 thousand in the first quarter of 2006 (Q1 2005: €5,609 thousand). Within the Special Retail segment revenue fell slightly year on year to €2,528 thousand (Q1 2005: €2,694 thousand). Cash flow from operating activities amounted to €1.8 million in the period under review (Q1 2005: €2.4 million).

The level of incoming orders also developed well in the period under review, increasing by 17.6% to €12.7 million (Q1 2005: €10.8 million). Thus, as at March 31 orders in hand totalled €16.1 million, 10.3% higher than a year ago (Q1 2005: €14.6 million).

Following the incisive expansion of our distribution network, we are now represented in Europe's key markets for merchandise sold under licence. We have thus established a solid foundation that allows us to offer comicware products to consumers throughout Europe, spanning all distribution channels and irrespective of national borders or language barriers.

In the first quarter of 2006, **UNITEDLABELS AG** acquired the licence to the movie "Open Season". The exciting new licence theme is the debut production of recently established Sony Pictures Animation Studios and will complement **UNITEDLABELS'** movie licence portfolio. The company will be marketing licensed merchandise associated with "Open Season" within the areas of apparel, giftware and soft toys. In 2006, **UNITEDLABELS AG** is also distributing comicware products relating to the movie and television themes "Ice Age 2 – The Meltdown", "Over The Hedge", "Spider-Man" and "Little Red Tractor". Furthermore, our portfolio includes high-impact licences within the category of Entertainment/Character.

We would like to take this opportunity to thank you for the trust placed in our company,

A handwritten signature in blue ink, appearing to read 'P. M. Boder', written in a cursive, flowing style.

Peter M. Boder,
Chairman of the Management Board

Key Financials

	Q1 2006 (€ '000)	Q1 2005 (€ '000)
Revenue	9,107	8,304
EBITDA	22	265
EBIT	(124)	123
Profit from ordinary activities	(166)	51
Net profit	(187)	(11)
Cashflow	1,844	2,439
Earnings per share (€)	(0.04)	0.00
Number of employees	121	109

Sales and Earnings

Revenue increased by 9.6% year on year, from €8.3 million in Q1 2005 to €9.1 million in the first quarter of the current financial year. Growth within this area was driven mainly by higher revenue generated in Germany as well as additional sales in the UK and Italy. These two countries are currently being served by net subsidiaries established as recently as the second quarter of 2005.

The net loss for the period amounted to €0.2 million, after a break-even result in Q1 2005. As in earlier quarters, this was attributable to the company's UK subsidiary, which posted a new loss of €0.2 million in the first quarter.

The level of incoming orders increased by 17.6% to €12.7 million in the first quarter (Q1 2005: €10.8 million). As at March 31, 2006, orders in hand totalled €16.1 million. Compared with the previous year, this corresponds to an increase of 10.3% (Q1 2005: €14.6 million).

Segments

Revenue generated by the Special Retail segment amounted to €2,528 thousand in the first three months (Q1 2005: €2,694 thousand) and was thus slightly lower than in the first quarter of 2005. Segment expenses totalled €2,827 in the period under review (Q1 2005: €2,669 thousand), resulting in a segment loss of €299 thousand (Q1 2005: €25 thousand).

The Key Account segment recorded above-average revenue growth of 17.3%, taking the total to €6,579 thousand (Q1 2005: €5,609 thousand); segment expenses amounted to €6,258 thousand (Q1 2005: €5,512 thousand).

In total, the Key Account segment posted earnings of €176 thousand for the period under review (Q1 2005: €97 thousand). This figure includes administrative expenses and income of €808 thousand (Q1 2005: €876 thousand).

3-Months' Report



UNITEDLABELS – Germany



UNITEDLABELS – Spain



UNITEDLABELS – Belgium



UNITEDLABELS – France



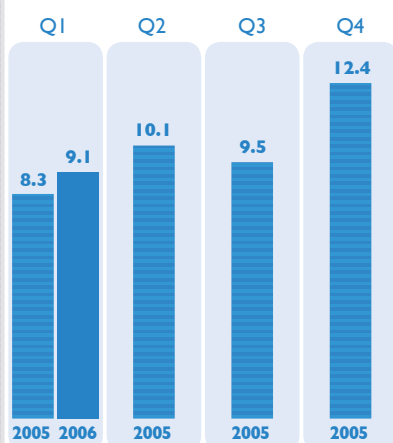
UNITEDLABELS – UK



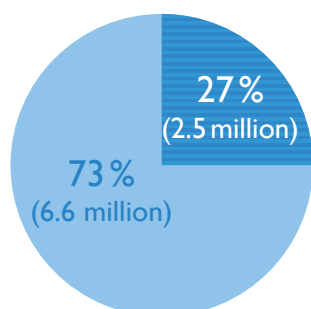
UNITEDLABELS – Hong Kong

3-Months' Report

Revenue performance in €m



Revenue breakdown for Q1 2006 Key Account and Special Retail in % (€)



■ Key Account
■ Special Retail

Balance sheet

Inventories were scaled back by €0.9 million to €8.4 million compared with the year-end 2005. At the same time, trade receivables fell to €8.8 million (FY 2005: €11.5 million). Cash rose from €3.5 million to €4.2 million.

Bank borrowings were reined back by €1.0 million to €4.2 million.

At March 31, 2006, the equity ratio for the **UNITEDLABELS** Group stood at a solid 74.9%.

Basis of preparation (IFRS/IAS) and statement of compliance

The financial statements for the quarter have been prepared in accordance with internationally accepted accounting standards, on the basis of the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB). Uniform accounting policies have been applied to the quarterly financial statements.

The financial statements are presented in euros.

Employees

In total, the headcount for the **UNITEDLABELS** Group stood at 121 at March 31, 2006 (Mar. 31, 2005: 109). At the end of the period under review, Germany had 62 members of staff, Spain 34, France 6, Belgium 7, England 10 and Italy 2.

Licences

The portfolio of licences held by the **UNITEDLABELSAG** Group at March 31, 2006, encompassed approx. 60 licence agreements (Dec. 31, 2005: 65 licence agreements), spanning a range of different categories and countries.

The licence portfolio is regularly extended to incorporate new themes with significant growth potential. Licences acquired in the first quarter of 2006 included the "Open Season" movie.

Share performance

The share price of **UNITEDLABELS** AG developed at a reduced pace at the beginning of 2006. Following a surge of 67% over the course of 2005, the company's shares began Xetra trading at €6.29 on January 2, 2006, and closed on €5.33 at the end of March. Thus, the share price fell by 15% in the period under review.

The main focus of our Investor Relations activities in the first three months of the current financial year was on providing shareholders with transparent information on a regular and timely basis. We also organised a number of one-to-one meetings in order to meet the ever-increasing level of interest shown by institutional investors and analysts.

Director's holdings

At March 31, 2006, **UNITEDLABELS** AG had a total of 4.2 million no-par value shares. At the end of the reporting period, the Management Board as well as the members of the Supervisory Board of **UNITEDLABELS** AG held the following shares and options:

Peter M. Boder held 2.63 million shares. The Chairman of the Supervisory Board Dr. Jens Hausmann held no shares; the members of the Supervisory Board Prof. Dr. Helmut Roland held 5,728 shares, while Michael Dehler held 441 shares.

As at March 31, 2006, there were no warrants and no valid stock option plan.

Annual General Meeting

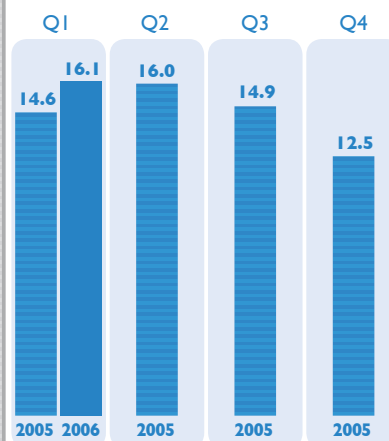
This year's Annual General Meeting of Shareholders takes place on May 23, 2006; the venue is Halle Münsterland. We look forward to seeing you in Münster and would be delighted to answer any questions you would like to put to us.

Outlook

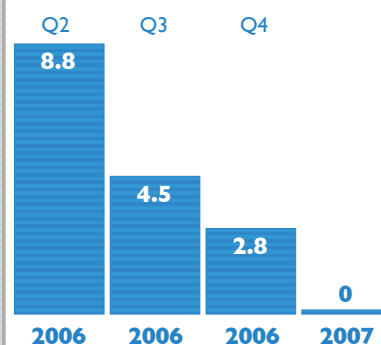
Operating within the Key Account and Special Retail segments, **UNITEDLABELS** AG will continue to focus on developing high-impact retail solutions tailored to customer requirements. Within the Key Account segment, we are committed to expanding our marketing activities and accelerating our business through more frequent and comprehensive product listings. Within the area of Special Retail, our main emphasis will be on achieving profitability by enhancing the level of product presence, optimising the overall range and implementing new licence concepts in the lifestyle category. We also aim to propel international growth upwards by increasing our share of shelf space in the respective countries.

3-Months' Report

Order backlog in €m



Breakdown of order backlog by delivery quarters



Results

Income Statement

	2006-01-01 2006-03-31 €'000	in % of revenue	2006-01-01 2006-03-31 €'000	2005-01-01 2005-03-31 €'000	in % of revenue	2005-01-01 2005-03-31 €'000
Revenue	9,107	100	9,107	8,304	100	8,304
Other operating income	128	1.4	128	26	0.3	26
Material costs	(5,944)	(65.3)	(5,944)	(5,191)	(62.5)	(5,191)
Staff costs	(1,538)	(16.9)	(1,538)	(1,263)	(15.2)	(1,263)
Depreciation	(146)	(1.6)	(146)	(142)	(1.7)	(142)
Other operating expenses	(1,731)	(19.0)	(1,731)	(1,611)	(19.4)	(1,611)
Operating profit/(loss)	(124)	(1.4)	(124)	123	1.5	123
Income from investments	0	0	0	0	0	0
Interest income/(expense)	(43)	(0.5)	(43)	(72)	(0.9)	(72)
Write-down of financial assets	0	0	0	0	0	0
Profit/(loss) before tax (and minority interests)	(166)	(1.8)	(166)	51	0.6	51
Income tax expense	(21)	(0.2)	(21)	(63)	(0.7)	(63)
Extraordinary items	0	0	0	0	0	0
Profit before minority interests	(187)	(2.1)	(187)	(11)	(0.1)	(11)
Net loss for the period	(187)	(2.1)	(187)	(11)	(0.1)	(11)

Consolidated earnings per share

basic	(0.04)	0.00
diluted	(0.04)	0.00

Weighted average number of shares outstanding

basic	4,200,000 pcs.	4,000,000 pcs.
diluted	4,200,000 pcs.	4,000,000 pcs.

Consolidated Statement of Changes in Equity

	Subscribed capital € '000	Capital reserves € '000	Revenue reserves € '000	Translation reserve € '000	Consolidated unappropriated surplus € '000	Total € '000
Balance at 31.12.2003	4,000	23,151	1,841	0	0	28,992
Consolidated net profit 2004	0	0	539	0	246	785
Balance at 31.12.2004	4,000	23,151	2,380	0	246	29,777
Consolidated net profit Q1 2005	0	0	0	0	(11)	(11)
Capital increase on Oct. 14, 2005	200	1,280	0	0	0	1,480
Share issuance costs of capital increase	0	(78)	0	0	0	(78)
Tax effect on share issuance costs of capital increase	0	31	0	0	0	31
Currency translation	0	0	0	(16)	0	(16)
Consolidated net profit 2005	0	0	503	0	267	770
Balance at 31.12.2005	4,200	24,384	2,883	(16)	513	31,964
Consolidated net profit Q1 2006	0	0	0	4	(187)	(183)
Balance at 31.03.2006	4,200	24,384	2,883	(12)	326	31,781

Consolidated Balance Sheet

Consolidated Balance Sheet as at 31 March 2006

ASSETS

	31.03.2006 €	31.12.2005 €
Current assets		
Cash and bank deposits	4,242,272.34	3,458,234.83
Trade receivables	8,767,714.02	11,528,411.90
Inventories	8,182,159.41	9,030,885.26
Prepayments for inventories	234,458.59	239,235.70
Tax receivables	649,113.25	608,884.29
Prepaid expenses	3,354,938.39	2,539,223.01
Other current assets	1,713,496.30	1,767,885.61
Total current assets	27,144,152.30	29,172,760.60
Non-current assets		
Property, plant and equipment	4,078,830.35	4,118,683.09
Intangible assets	262,679.41	296,344.78
Goodwill	7,583,216.45	7,583,216.45
Deferred tax assets	3,362,792.54	3,362,792.54
Total non-current assets	15,287,518.75	15,361,036.86
Total assets	42,431,671.04	44,533,797.46

Consolidated Balance Sheet as at 31 March 2006

Consolidated Balance Sheet

LIABILITIES AND EQUITY

	31.03.2006 €	31.12.2005 €
Current liabilities		
Short-term payables to banks	2,760,011.48	3,810,914.33
Trade payables	3,856,367.88	4,706,541.91
Current provisions	196,077.83	79,276.13
Tax liabilities	550,754.89	599,501.33
Other current liabilities	1,497,543.40	1,672,648.69
Total current liabilities	8,860,755.48	10,868,882.39
Non-current liabilities		
Provisions for pensions	322,667.68	292,867.68
Long-term payables to banks	1,467,363.18	1,407,775.42
Other non-current liabilities	0.00	0.00
Total non-current liabilities	1,790,030.86	1,700,643.10
Capital and reserves		
Issued capital	4,200,000.00	4,200,000.00
Capital reserves	24,384,570.63	24,384,570.63
Revenue reserves	2,883,209.63	2,883,209.63
Currency translation	(12,651.12)	(16,612.11)
Consolidated unappropriated surplus	325,755.56	513,103.82
Total capital and reserves	31,780,884.70	31,964,271.97
Total liabilities and equity	42,431,671.04	44,533,797.46

Cash Flows

Cashflow Statement

	Q1 2006 T€	Q1 2005 T€
Consolidated net loss for the year	(187)	(11)
Depreciation and amortisation of non-current assets	146	142
Change in provisions	147	102
Other non-cash expenses	0	(122)
Loss on the disposal of non-current assets	0	0
Changes in inventories, trade receivables and other assets not attributable to investing or financial activities	2,812	3,030
Changes in trade payables and other liabilities not attributable to investing or financial activities	(1,074)	(702)
Cashflow from operating activities	1,844	2,439
Proceeds from the disposal of property, plant and equipment	0	0
Payments for investments in non-current assets	(177)	(378)
Cashflow from investing activities	(177)	(378)
Proceeds from capital increases	0	0
Proceeds from financial loans/repayment of financial loans	(64)	(63)
Cashflow from financing activities	(64)	(63)
Net cash change in cash and cash equivalents	1,603	1,998
Currency translation	4	0
Cash and cash equivalents at the beginning of the period	3,458	3,697
Cash and cash equivalents	5,065	5,695
Gross debt bank	4,227	3,327
Net debt bank	(17)	(1,062)
Composition of cash and cash equivalents		
Cash in hand	5,065	5,695

UNITEDLABELS AG

Gildenstraße 6

48157 Münster

Germany

Tel.: +49 (0) 251 - 32 21 - 0

Fax: +49 (0) 251 - 32 21 - 999

info@unitedlabels.com

UNITEDLABELS Ibérica S.A.

Av. de la Généralitat, 29E

Pol. Ind. Fontana

08970 Sant Joan Despi

Barcelona

Spain

Tel.: +34 (0) 93 - 4 77 13 63

Fax: +34 (0) 93 - 4 77 32 60

unitedlabelsiberica@unitedlabels.es

UNITEDLABELS France SAS

ZAC du Moulin

Rue de Marquette

Batiment C n 10

59118 Wambrechies

France

Tel.: +33 (0) 328 - 33 44 01

Fax: +33 (0) 328 - 33 44 02

unitedlabelsfrance@unitedlabels.fr

UNITEDLABELS Ltd.

Innovate Office

Lake View Drive

Sherwood Park/Nottingham

NG15 0DA

United Kingdom

Tel.: +44 (0) 16 23 - 72 61 00

Fax: +44 (0) 16 23 - 72 93 60

unitedlabelsltd@unitedlabels.com

3-Months' Report-English version

The original version of this 3-Months' Report is in German. In the event that there are differences between the two versions, the German version shall prevail.

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 Belgium N.V.

Pathoekeweg 48

8000 Bruges

Belgium

Tel.: +32 (0) 50- 45 69 60

Fax: +32 (0) 50- 31 28 22

info@unitedlabels.be

UNITEDLABELS Comicware Ltd.

Unit 1501-2,

Valley Centre,

80-82 Morrison Hill Road,

Wanchai

Hong Kong

Tel.: +85 (0) 225 - 44 29 59

Fax: +85 (0) 225 - 44 22 52

jkam@unitedlabels.com

UNITEDLABELS Italia Srl.

Via Fratelli Bronzetti 12

50137 Florence

Italy

Tel.: +39 (0) 55 - 61 20 35 0

Fax: +39 (0) 55 - 61 20 57 9

info@unitedlabels.com

Addresses**Financial Calendar 2006****23 May**

6th Annual General Meeting in Münster

8 August

Publication of 6-Months' Report

7 November

Publication of 9-Months' Report

UNITEDLABELS AG

Investor-Relations-contact:

If you require further information on **UNITEDLABELS** or its financial results, please contact Ms. Stefanie Frey:

Tel.: +49 (0) 2 51 - 32 21 - 406

Fax: +49 (0) 2 51 - 32 21 - 960

sfrey@unitedlabels.com

investorrelations@unitedlabels.com

info@unitedlabels.com