

6-MONTHS' REPORT 2006

UNITEDLABELS AG



Letter to Shareholders



Peter M. Boder
Chairman of the Management Board

Dear UNITEDLABELS AG Shareholders, and Business Associates,

In the first six months, revenue generated by the **UNITEDLABELS** Group grew by an encouraging 8.6% to €20.1 million (prev. year: €18.5 million). EBIT also improved year on year, amounting to €0.4 million (prev. year: €0.3 million). Due to the reversal of deferred taxes, the post-tax loss stood at €0.1 million (prev. year: profit of €0.1 million). In the first half, cash flow from operating activities rose to €4.6 million (prev. year: €3.5 million). The second quarter also saw an increase in the level of incoming orders to €11.2 million (prev. year: €10.2 million).

The Key Account segment generated revenue of €14.8 million (prev. year: €13.7 million), which corresponds to an increase of 8.0%. Particularly Germany, a corporate base for many of Europe's leading wholesale and retail groups, recorded solid revenue growth. Thus, Germany is one of the most important markets for our company, offering outstanding prospects for the future. The Special Retail segment achieved revenue growth of 10.4%, taking its total for the period under review to €5.3 million (prev. year: €4.8 million). Having said this, the loss of €280 thousand recorded in this segment fell short of our expectations. As a result, **UNITEDLABELS** AG has decided to introduce a new structure in Germany by creating a "Premium Retail" segment as of autumn 2006. In pursuing its "Premium Retail" approach, the company will be focusing on top-flight customers within the specialist retail segment, an area to be served exclusively by field representatives based in Germany. In addition, all customers will continue to have access to the online shop, from where they can order comicware products direct from **UNITEDLABELS**.

Our new strategic focal points were outlined on 23 May 2006 as part of the General Meeting of Shareholders held in Münster. Alongside the distribution of comicware products across all sales channels, sales activities in all of Europe's key markets and a comprehensive product and licence portfolio, **UNITEDLABELS** AG will also be incorporating its products in multimedia marketing concepts. For this purpose, we will use the four distinct platforms Mobile, Home Entertainment, Internet and TV Advertising. Within this context, we will utilise mobile communication channels for entertainment features and competitions that are directly associated with the comicware merchandise being marketed.

In the first half we also extended the licence portfolio of **UNITEDLABELS**. In addition to licensed merchandise accompanying the highly successful movie "Die wilden Kerle" (The Wild Soccer Bunch) and the film "Open Season", from autumn 2006 onwards we will be marketing product lines featuring "Barbie". As from October 2006 **UNITEDLABELS** will also be selling giftware and socks featuring "Dora", an animated preschool TV series.

Thank you for placing your trust in our company.

A handwritten signature in blue ink, appearing to read "Peter M. Boder".

Peter M. Boder

Chairman of the Management Board

Key Financials

	HY 2006 (€ '000)	HY 2005 (€ '000)
Revenue	20,105	18,453
EBITDA	656	562
EBIT	364	279
Profit from ordinary activities	276	140
Net loss/profit	(107)	119
Cashflow from operating activities	4,597	3,499
Earnings per share (€)	(0.03)	0.03
Number of employees	118	122

6-Months' Report



UNITEDLABELS – Germany



UNITEDLABELS – Spain



UNITEDLABELS – Belgium



UNITEDLABELS – France



UNITEDLABELS – UK



UNITEDLABELS – Hong Kong

Sales and Earnings

Revenue increased by 8.6% year on year, up from €18.5 million last year to €20.1 million in the period under review. Growth was driven mainly by expansion within the German Key Account segment as well as by the subsidiaries in the United Kingdom and Italy.

At €0.4 million (prev. year: €0.3 million), EBIT was well above break-even.

Profits generated in Germany (€1.2 million) were substantial enough to offset the loss recorded in the UK (€0.5 million) in the period under review. German profits resulted in the reversal of deferred taxes totalling €0.4 million.

As a result, the Group recorded a consolidated net loss of €0.1 million.

At 30 June 2006, the order backlog stood at €15.0 million (prev. year: €16.0 million).

Thus, the level of orders in hand declined by 6%.

Segments

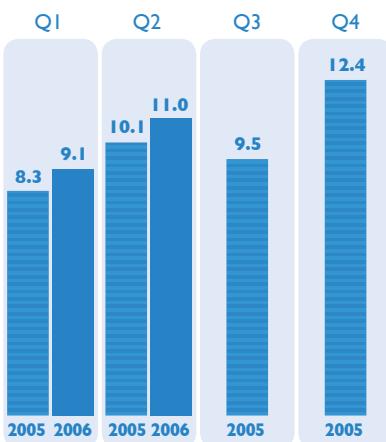
Revenues generated within the Special Retail segment totalled €5,312 thousand in the first six months (prev. year: €4,801 thousand). Segment expenses amounted to €5,592 in the same period (prev. year: €5,026 thousand), thus producing a segment result of minus €280 thousand (prev. year: minus €225 thousand).

The Key Account segment recorded revenues of €14,794 thousand (prev. year: €13,652 thousand), with segment expenses totalling €14,152 thousand (prev. year: €13,148 thousand). These include net administrative expenses of €1,978 thousand (prev. year: €2,099 thousand). Overall, the Key Account segment result was €642 thousand (prev. year: €504 thousand).

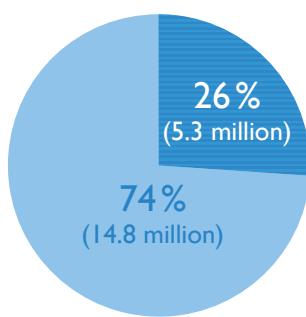
6-Months' Report

Balance sheet

Revenue performance in €m



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



- Key Account
- Special Retail

Inventories were scaled back by €1.3 million compared with the year-end of 2005, taking the total to €8.0 million for the period under review. In parallel, trade receivables were reduced to €7.8 million (prev. year: €11.5 million). Cash rose from €3.5 million to €4.2 million.

Bank borrowings decreased by €2.5 million to €2.7 million.

As at 30 June 2006, the equity ratio of the **UNITEDLABELS** Group stood at a solid 74.4%.

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

At the end of June 2006, the **UNITEDLABELS** Group employed 118 (prev. year: 122) members of staff. Of these, 59 were employed in Germany, 34 in Spain, 6 in France, 7 in Belgium, 10 in England and 2 in Italy.

Licences

As at 30 June 2006, the licence portfolio of **UNITEDLABELS** AG included approx. 66 licence agreements for the Group as a whole (31 December 2005: 65 licence agreements), covering a range of product categories and various countries. The licence portfolio is regularly extended to incorporate new themes with significant growth potential. In the second quarter of 2006, we acquired licences for "Barbie" and "Dora", among others.

Share performance

Overall, **UNITEDLABELS** AG's share performance remained tentative in the first half of 2006. After an impressive gain of 67% over the course of the previous year, the company's shares began Xetra trading on 2 January 2006 at €6.29 and closed at €4.01 on 30 June 2006. This corresponds to a decline of 36% compared with the beginning of the year. The main focus of our Investor Relations work is on providing shareholders with information on a regular, transparent and timely basis. This year, **UNITEDLABELS** AG will again be presenting the company and its strategy as part of an analysts' meeting to be held in November as part of the German Equity Forum in Frankfurt am Main.

Director's holdings

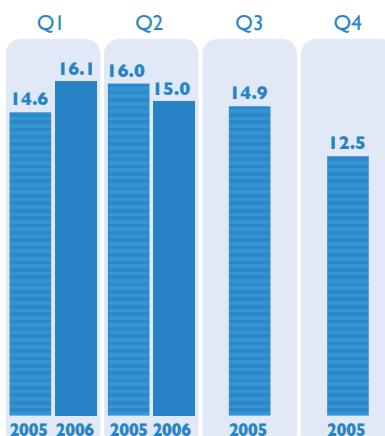
At June 30, 2006, **UNITEDLABELS** AG had a total of 4.2 million no-par value shares. At the end of the reporting period, the Management Board as well as the members of the Supervisory Board of **UNITEDLABELS** AG held the following shares and options:

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 June 30, 2006, there were no warrants and no valid stock option plan.

6-Months' Report

Order backlog in €m



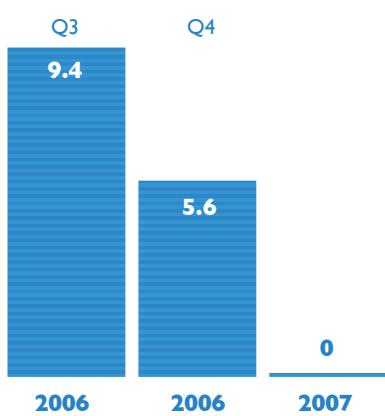
Annual General Meeting

On 23 May 2006 **UNITEDLABELS** AG held its sixth Annual General Meeting at Halle Münsterland, Münster. All items on the agenda that were put to the vote were passed by shareholders. The shareholder attendance figure at the point of voting was 69.35%, which corresponds to 2,912,615 shares.

Outlook

UNITEDLABELS AG will continue to focus on expanding its concept solutions for customers operating in the Key Account and Special Retail / Premium Retail segments. The new strategic emphasis will be on raising awareness of our comicware products via multimedia marketing concepts. For this purpose, **UNITEDLABELS** AG will be utilising four different platforms: Mobile, Home Entertainment, Internet and TV Advertising. Integrating these new media within our marketing concepts is seen as essential when it comes to leveraging the company's growth potential.

Breakdown of order backlog by delivery quarters



Results

Income Statement

	2006-01-01	in % of	2006-04-01	2005-01-01	in % of	2005-04-01
	2006-06-30	revenue	2006-06-30	2005-06-30	revenue	2005-06-30
	€'000		€'000	€'000		€'000
Revenue	20,105	100	10,998	18,453	100	10,149
Other operating income	208	1.0	80	65	0.4	39
Material costs	(13,115)	(65.2)	(7,171)	(11,961)	(64.8)	(6,770)
Staff costs	(2,990)	(14.9)	(1,452)	(2,703)	(14.7)	(1,440)
Depreciation	(292)	(1.5)	(146)	(283)	(1.5)	(141)
Other operating expenses	(3,552)	(17.7)	(1,821)	(3,291)	(17.8)	(1,680)
Operating profit/(loss)	364	1.8	488	279	1.5	156
Income from investments	0	0	0	0	0	0
Interest income/(expense)	(88)	(0.4)	(45)	(139)	(0.8)	(67)
Write-down of financial assets	0	0	0	0	0	0
Profit/(loss) before tax (and minority interests)	276	1.4	443	140	0.8	89
Income tax expense	(383)	(1.9)	(362)	(21)	(0.1)	42
Extraordinary items	0	0	0	0	0	0
Profit before minority interests	(107)	(0.5)	81	119	0.6	131
Net profit/(loss) for the period	(107)	(0.5)	81	119	0.6	131

Consolidated earnings per share

basic	(0.03)	0.03
diluted	(0.03)	0.03
Weighted average number of shares outstanding		
basic	4,200,000 pcs.	4,000,000 pcs.
diluted	4,200,000 pcs.	4,000,000 pcs.

Capital

Consolidated Statement of Changes in Equity

	Issued Capital	Capital reserves	Revenue reserves	Translation reserve	Consoli- dated unappro- priated surplus	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 31.12.2003	4,000	23,151	1,841	0	0	28,992
Consolidated net profit/(loss) 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/(loss) Q1 2005	0	0	0	0	119	119
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	(107)	(103)
Balance at 30.06.2006	4,200	24,384	2,883	(12)	406	31,862

Consolidated Balance Sheet

Consolidated Balance Sheet as at 30 June 2006

ASSETS

	2006-06-30 €'000	2005-12-31 €'000
Current assets		
Cash and bank deposits	4,220,703.16	3,458,234.83
Trade receivables	7,805,417.98	11,528,411.90
Inventories	7,641,274.24	9,030,885.26
Prepayments for inventories	367,956.51	239,235.70
Tax receivables	320,887.17	608,884.29
Prepaid expenses	3,656,364.74	2,539,223.01
Other current assets	2,768,355.32	1,767,885.61
Total current assets	26,780,959.12	29,172,760.60
Non-current assets		
Property, plant and equipment	5,079,042.20	4,118,683.09
Intangible assets	398,914.02	296,344.78
Goodwill	7,583,216.45	7,583,216.45
Deferred tax assets	3,000,385.87	3,362,792.54
Total non-current assets	16,061,558.54	15,361,036.86
Total assets	42,842,517.67	44,533,797.46

Consolidated Balance Sheet as at 30 June 2006

Consolidated Balance Sheet

EQUITY AND LIABILITIES

	2006-06-30 €'000	2005-12-31 €'000
Current liabilities		
Short-term payables to banks	1,266,877.44	3,810,914.33
Trade payables	4,098,017.22	4,706,541.91
Current provisions	387,335.99	79,276.13
Tax liabilities	610,753.31	599,501.33
Other current liabilities	2,785,916.82	1,672,648.69
Total current liabilities	9,148,900.78	10,868,882.39
Non-current liabilities		
Provisions for pensions	356,867.68	292,867.68
Long-term payables to banks	1,475,658.56	1,407,775.42
Other non-current liabilities	0.00	0.00
Total non-current liabilities	1,832,526.24	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	405,961.51	513,103.82
Total capital and reserves	31,861,090.65	31,964,271.97
Total liabilities and equity	42,842,517.67	44,533,797.46

Cash Flows

Consolidated Statement of Cash Flows

	2006-01-01 2006-06-30	€'000	2005-01-01 2005-06-30	€'000
Profit/(loss) before tax	276		140	
Net profit/(loss) for the period	(107)		119	
Depreciation and amortisation of non-current assets	292		283	
Foreign exchange gains/(losses)	0		0	
Change in long-term provisions	64		48	
Other non-cash income	0		(133)	
Cashflow	249		317	
Change in mid- and short-term provisions	308		(140)	
Changes in inventories, trade receivables and other assets	3,524		3,643	
Changes in trade payables and other liabilities	516		(320)	
Net cash from/(used in) operating activities	4,597		3,499	
Proceeds from the disposal of non-current assets	0		0	
Payments for investments in property, plant and equipment	(1,578)		(531)	
Net cash from/(used in) investing activities	(1,578)		(531)	
Repayment of loans	(64)		(64)	
Net cash from/(used in) financing activities	(64)		(64)	
Net increase/(decrease) in cash and cash equivalents	2,955		2,904	
Currency adjustment	4		0	
Cash and cash equivalents at beginning of period	(133)		(513)	
Cash and cash equivalents at end of period	2,826		2,391	

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6-Months' Report-English version

The original version of this 6-Months' Report is in German. In the event that there are differences between the two versions, the German version shall prevail.

Our annual report, quarterly reports, etc. can be downloaded from our coporate website (www.unitedlabels.com) at "Investor Relations – Financial Reports". Our press releases can be accessed at "Press – Press Releases".

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Financial Calender 2006

8 August

Publication of Interim Report
for the First Six Months

7 November

Publication of Interim Report
for the First Nine Months

27 November

German Equity Forum,
Frankfurt am Main,
Analyst Conference

UNITEDLABELS AG

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