

# 3-MONTHS' REPORT 2007

UNITEDLABELS AG



## Letter to Shareholders



**Peter M. Boder**

Chairman of the Management Board

### Dear **UNITEDLABELS AG** Shareholders, Ladies and Gentlemen,

The 2007 financial year began encouragingly for **UNITEDLABELS AG**. As in 2006, we managed to push revenues upward and enhance our earnings performance.

In the first quarter of 2007 Group revenue rose by 3.3% to € 9.4 million. Revenue growth was driven in particular by the positive performance of our Spanish subsidiary. Moreover, **UNITEDLABELS AG** lifted EBIT to € 0.2 million and posted a break-even profit after taxes of € 0.0 million.

We also recorded growth in our order intake in the first quarter, up by 7.1% to € 13.6 million. At March 31, 2007, orders in hand amounted to € 15.0 million. The equity ratio stood at 65.1%.

The Special Retail segment made a solid contribution to consolidated earnings in the first quarter. Within this segment, revenue grew to € 2.8 million (prev. year: € 2.5 million) and earnings improved to € 0.2 million (prev. year: minus € 0.3 million). The Key Account segment recorded revenue of € 6.6 million (prev. year: € 6.6 million) and earnings of € 1.1 million (prev. year: € 1.1 million), thus matching last year's performance.

The upward trend experienced by **UNITEDLABELS** shares continued into 2007. On March 30, 2007, our share price stood at € 5.68, having started from a base of € 4.94 on January 2, 2007. This represents an improvement of 15% at the end of the quarter.

Exactly one year after the groundbreaking ceremony, we officially opened the new logistics centre of **UNITEDLABELS AG** at the Münster site on April 20, 2007. The new facility will allow us to raise our efficiency levels and extend warehousing capacity to 5,800 pallet positions. The new logistics centre was completed in December 2006 after just nine months of construction. It also includes office premises, which were taken into service at the beginning of February 2007.

We remain committed to presenting an attractive, topical portfolio of licences. With this in mind, we added the Spider-Man 3 licence for Germany and Spain at the beginning of the year. Additionally, the SpongeBob SquarePants licence for Germany was extended to include new product groups within the area of giftware.

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

	Q1 2007 (€ '000)	Q1 2006 (€ '000)
<b>Revenue</b>	<b>9,385</b>	<b>9,107</b>
<b>EBITDA</b>	<b>357*</b>	<b>15*</b>
<b>EBIT</b>	<b>200</b>	<b>(131)</b>
<b>Profit before tax</b>	<b>106</b>	<b>(173)</b>
<b>Net profit/-loss</b>	<b>12</b>	<b>(187)</b>
<b>Cashflow from operating activities</b>	<b>486</b>	<b>3,333</b>
<b>Earnings per share (€)</b>	<b>0.00</b>	<b>(0.04)</b>
<b>Number of employees</b>	<b>122</b>	<b>121</b>

\* incl. amortisation of usufructuary rights



UNITEDLABELS – Germany



UNITEDLABELS – Spain



UNITEDLABELS – Belgium



UNITEDLABELS – France



UNITEDLABELS – UK



UNITEDLABELS – Hong Kong

### Revenue and Earnings

Revenue increased by 3.3% year on year, up from €9.1 million last year to €9.4 million in the period under review. Growth was driven in particular by UL Ibérica, which managed to propel revenue upwards on the back of a much improved performance at the traditional trade fair in Madrid in January.

Earnings before taxes amounted to €0.1 million, compared with a loss of €0.2 million in the same period a year ago. This was attributable chiefly to tangible improvements within the Special Retail segment.

At March 31, 2007, order backlog amounted to €15.0 million. This corresponds to a year-on-year decline of 6.8%. Order intake rose by 7.1% to €13.6 million in the first quarter of 2007 (prev. year: €12.7 million).

### Segments

Revenues generated within the Special Retail segment totalled €2,830 thousand in the first three months (prev. year: €2,528 thousand). Segment expenses amounted to €2,673 thousand in the same period (prev. year: €2,874 thousand), producing a segment result of €157 thousand (prev. year: minus €346 thousand). Thus, the Special Retail segment made a positive contribution to earnings as early as the first quarter.

The Key Account segment recorded revenue of €6,555 thousand (prev. year: €6,579 thousand), accompanied by segment expenses of €5,466 thousand (previous year: 5,490 thousand). On this basis, the segment result remained stable year on year at €1,089 thousand. Administrative expenses rose from €873 thousand in the first three months of 2006 to €1,047 thousand in the first quarter of 2007.

## 3-Months' Report

Thus, the breakdown by segment is as follows:

### Primary reporting format – Customer segments (unaudited)

**2006**

in € '000	Special	Retail	Key Account	Group
Sales revenues		2,830	6,555	9,385
Segment expenses		(2,345)	(4,699)	(7,044)
Depreciation/amortisation		(328)	(767)	(1,095)
<b>Segment result</b>	<b>157</b>		<b>1,089</b>	<b>1,246</b>
Administrative expenses				(987)
Depreciation administration				(60)
Financial result				(94)
<b>Result on ordinary activities</b>				<b>106</b>
Taxes				(94)
<b>Consolidated net profit/(loss)</b>				<b>12</b>
	Special	Retail	Key Account	Administration
Segment assets (in € '000)		14,538	21,509	15,313
Segment liabilities (in € '000)		4,680	8,654	4,572
				51,360
				17,906

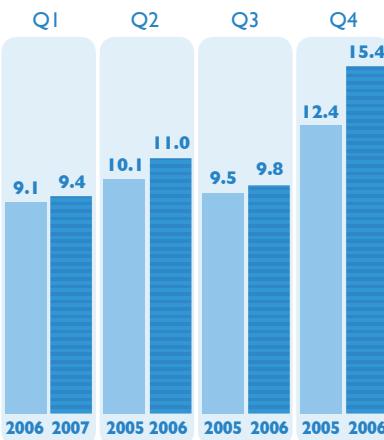
## 3-Months' Report

### 2005

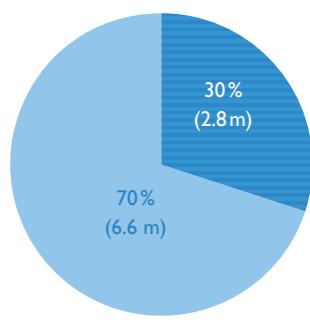
in € '000	Special Retail	Key Account	Group
Sales revenues	2,528	6,579	9,107
Segment expenses	(2,615)	(4,986)	(7,601)
Depreciation/amortisation	(259)	(504)	(763)
<b>Segment result</b>	<b>(346)</b>	<b>1,089</b>	<b>743</b>
Administrative expenses			(815)
Depreciation administration			(58)
Financial result			(43)
<b>Result on ordinary activities</b>			<b>(173)</b>
Taxes			(14)
<b>Consolidated net profit/(loss)</b>			<b>(187)</b>
	Special Retail	Key Account	Administration
Segment assets (in € '000)	11,441	15,599	15,392
Segment liabilities (in € '000)	1,181	4,133	5,337
			42,432
			10,651

## 3-Months' Report

### Past Sales performance (in €m)



### Breakdown of sales in the first 3 months 2007 for Key Accounts and Special Retail in % (€)



- Key Account
- Special Retail

### Secondary reporting format – Geographical segments (in € ,000) (unaudited)

Sales Revenue	I-3/2007	I-3/2006
Germany / Austria / Switzerland	3,984	4,395
Iberian Peninsula	2,238	1,906
France	1,474	835
Rest of the World	1,688	1,971
Group	9,384	9,107

Total assets	I-3/2007	I-3/2006
Germany / Austria / Switzerland	34,188	27,121
Iberian Peninsula	8,581	8,029
France	2,491	1,518
Rest of the World	6,100	5,764
Group	51,360	42,432

### Balance Sheet

Capital expenditure on the new logistics centre opened in Münster, Germany, amounted to €4.1 million in total. The new facility was financed by means of a long-term loan, which resulted in a rise in non-current bank borrowings from €2.4 million at the end of the last financial year to €3.7 million at March 31, 2007. The equity ratio rose slightly to 65.1%, up from 64.5% at the end of last year.

## 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).

Licences for the commercial use of cartoon/animation characters have been accounted for in intangible assets. In the first quarter of 2006 these items had been recognised as prepaid expenses.

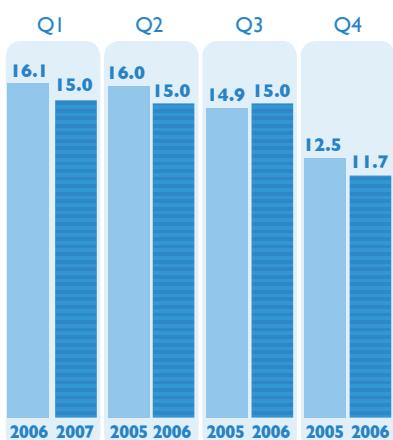
Likewise, future financial obligations arising from licence agreements have been capitalised, as well as being recognised simultaneously as trade payables. Former amortisation attributable to the licences was accounted for as cost of materials. In view of this, the Company has performed a reclassification as „amortisation of usufructuary rights“. The prior-year amounts have been adjusted accordingly. There is no change to the result.

Uniform accounting policies have been applied to the quarterly financial statements.

The financial statements are presented in euros.

## 3-Months' Report

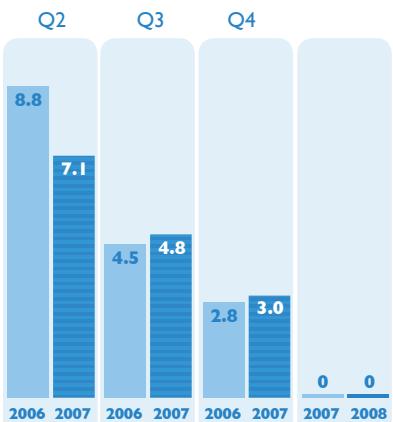
### Order backlog (in € m)



## Employees

In total, the **UNITEDLABELS** Group employed 122 people at the end of March 2007 (prev. year: 121). Of these, 64 were employed in Germany, 39 in Spain, 4 in France, 6 in Belgium, 7 in England and 2 in Italy.

### Breakdown of order backlog (in € m)



## Licences

As at March 31, 2007, the licence portfolio of **UNITEDLABELS** AG included approx. 67 licence agreements for the Group as a whole (December 31, 2006: 63 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 first quarter of 2007, new licences included Spider-Man 3, while the SpongeBob SquarePants licence was extended to include additional product groups within the giftware category.

## 3-Months' Report

### Share Performance

Yet again, **UNITEDLABELS** shares performed well in the first three months of 2007, reaching a price of € 5.68 at March 30, 2007. Starting from a base of € 4.94 on January 2, 2007, the stock rose by 15 % in the first quarter, thereby maintaining the forward momentum seen at the end of 2006.

The main focus of the company's Investor Relations work is on providing shareholders with information on a regular, transparent and timely basis. On May 16, 2007, **UNITEDLABELS** AG will present its business model at an analysts' meeting as part of the Third MKK Munich Capital Markets Conference.

### Annual General Meeting and Dividend Payment

This year's Annual General Meeting of Shareholders will take place on May 22, 2007, at Halle Münsterland, Münster/Germany. We look forward to welcoming you in Münster and answering any questions you might have.

For the first time, the Management Board will propose a dividend payment to the General Meeting of Shareholders – equivalent to € 840 thousand in total (€ 0.20 per share; prev. year: € 0.00 per share).

### Share buy-back

On December 12, 2006, in accordance with the mandate granted by the General Meeting of Shareholders of May 23, 2006, the Management Board of **UNITEDLABELS** AG announced its decision to reacquire, by the specified expiry date of the mandate, company shares in a value equivalent to up to € 500,000.

In the first quarter of 2007, **UNITEDLABELS** AG reacquired 18,166 shares at an average price of € 4.47 (total amount: € 81,280.83). This corresponds to 0.43 % of the shares outstanding. At March 31, 2007, **UNITEDLABELS** AG held 18,166 treasury shares. This corresponds to 0.43 % of the shares outstanding.

In accordance with the authorisation issued by the General Meeting of Shareholders on May 23, 2006, the shares are to be sold to interested institutional investors under exclusion of shareholder subscription rights.

### Directors' Holdings

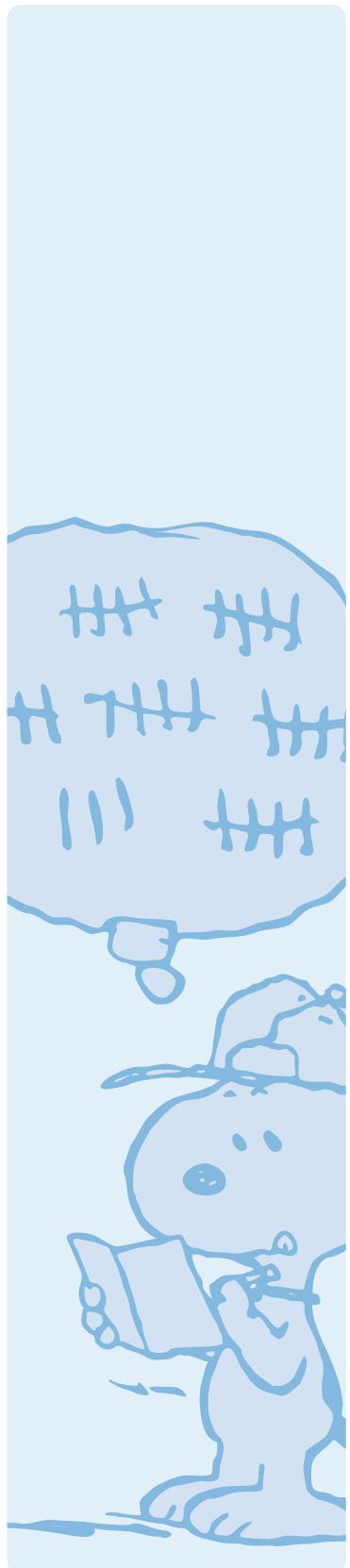
As at March 31, 2007, **UNITEDLABELS** AG had a total of 4.2 million shares. At March 31, 2007, the Management Board as well as the members of the Supervisory Board of **UNITEDLABELS** AG held the following shares and options: Peter M. Boder held 2.63 million shares; the Chairman of the Supervisory Board Dr. Jens Hausmann held no shares; the members of the Supervisory Board Prof. Dr. Helmut Roland and Michael Dehler held 5,728 and 441 shares respectively. As at March 31, 2007, no options had been granted and no valid share option plan was in place.

### Outlook

**UNITEDLABELS** AG plans to increase its enterprise value mainly on the basis of continued revenue growth as well as a steady improvement in earnings performance. The company is committed to expanding its German and international business, with the express purpose of attaining the financial goals it has set itself. Within this context, the Key Account segment is expected to generate the most significant level of growth.

The main focus for **UNITEDLABELS** AG will continue to be on marketing its concept solutions for large retailers and specialist traders. These solutions are seen as a unique selling proposition within the competitive arena. This approach will be supported by the integration of Mobile, DVD, Internet and TV advertising – the multimedia platforms introduced by the company in 2006. The new platforms will thus become an important component of the overall concept, the objective being to accelerate sales of licensed merchandise in a highly targeted manner.

Drawing on many years of experience in product marketing and sales, and building on a formidable strategic position in the European licence market, **UNITEDLABELS** AG is confident that it can generate further growth in the years to come.



## Results

### Consolidated Income Statement (IFRS)

for the period from 1 January to 31 March 2007 (unaudited)

	01.01.2007 31.03.2007	in % of revenue	01.01.2006 31.03.2006	in % of revenue	01.01.2007 31.03.2007	in % of revenue	01.01.2006 31.03.2006
	€		€		€		€
Sales revenues	9,384,915.90	100.0 %	9,106,911.45	100.0 %	9,384,915.90	100.0 %	9,106,911.45
Cost of materials	(4,905,260.90)	(52.3 %)	(5,270,455.88)	(57.9 %)	(4,905,260.90)	(52.3 %)	(5,270,455.88)
Amortisation of usufructuary rights	(996,847.58)	(10.6 %)	(673,197.47)	(7.4 %)	(996,847.58)	(10.6 %)	(673,197.47)
	(5,902,108.48)	(62.9 %)	(5,943,653.35)	(65.3 %)	(5,902,108.48)	(62.9 %)	(5,943,653.35)
	<b>3,482,807.42</b>	<b>37.1 %</b>	<b>3,163,258.10</b>	<b>34.7 %</b>	<b>3,482,807.42</b>	<b>37.1 %</b>	<b>3,163,258.10</b>
Other operating income	23,151.32	0.2 %	128,193.71	1.4 %	23,151.32	0.2 %	128,193.71
Personnel cost	(1,430,810.70)	(15.2 %)	(1,538,149.27)	(16.9 %)	(1,430,810.70)	(15.2 %)	(1,538,149.27)
Depreciation of intangible fixed assets and tangible assets (excl. amortisation of usufructuary rights)	(157,513.12)	(1.7 %)	(145,587.92)	(1.6 %)	(157,513.12)	(1.7 %)	(145,587.92)
Other business expenditure	(1,718,108.11)	(18.3 %)	(1,738,220.579)	(19.1 %)	(1,718,108.11)	(18.3 %)	(1,738,220.57)
<b>Profit from operations</b>	<b>199,526.81</b>	<b>2.1 %</b>	<b>(130,505.95)</b>	<b>(1.4 %)</b>	<b>199,526.81</b>	<b>2.1 %</b>	<b>(130,505.95)</b>
Finance income	30,245.05	0.3 %	36,527.08	0.4 %	30,245.05	0.3 %	36,527.08
Finance cost	(123,804.04)	(1.3 %)	(79,437.73)	(0.9 %)	(123,804.04)	(1.3 %)	(79,437.73)
<b>Financial result</b>	<b>(93,558.99)</b>	<b>(1.0 %)</b>	<b>(42,910.65)</b>	<b>(0.5 %)</b>	<b>(93,558.99)</b>	<b>(1.0 %)</b>	<b>(42,910.65)</b>
<b>Profit before tax</b>	<b>105,967.82</b>	<b>1.1 %</b>	<b>(173,416.60)</b>	<b>(1.9 %)</b>	<b>105,967.82</b>	<b>1.1 %</b>	<b>(173,416.60)</b>
Income tax expense	(93,949.46)	(1.0 %)	(13,931.65)	(0.2 %)	(93,949.46)	(1.0 %)	(13,931.65)
<b>Net profit/loss for the period</b>	<b>12,018.36</b>	<b>0.1 %</b>	<b>(187,348.25)</b>	<b>(2.1 %)</b>	<b>12,018.36</b>	<b>0.1 %</b>	<b>(187,348.25)</b>

#### Earnings per share

basic	0.00 €	(0.04 €)
diluted	0.00 €	(0.04 €)

#### Weighted average shares outstanding

basic	4,200,000 pieces	4,200,000 pieces
diluted	4,200,000 pieces	4,200,000 pieces

## Consolidated Statement of Changes in Equity (unaudited)

### Capital

	Subscribed capital	Capital reserves	Revenue reserves	Translation reserve	Consolidated unappropriated surplus	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Balance at 31.12.2004</b>	<b>4,000</b>	<b>23,151</b>	<b>2,380</b>	<b>0</b>	<b>246</b>	<b>29,777</b>
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
Overall result of the period	0	0	503	(16)	(267)	754
<b>Balance at 31.12.2005</b>	<b>4,200</b>	<b>24,384</b>	<b>2,883</b>	<b>(16)</b>	<b>513</b>	<b>31,964</b>
Consolidated net profit/loss Q I 2006	0	0	0	4	(187)	(183)
<b>Balance at 31.03.2006</b>	<b>4,200</b>	<b>24,384</b>	<b>2,883</b>	<b>(12)</b>	<b>326</b>	<b>31,781</b>
Currency translation	0	0	0	(4)	0	(4)
Consolidated net profit 2006	0	0	0	0	1,482	1,482
Overall result of the period	0	0	0	(4)	1,482	1,478
<b>Balance at 31.12.2006</b>	<b>4,200</b>	<b>24,384</b>	<b>2,883</b>	<b>(20)</b>	<b>1,995</b>	<b>33,442</b>
Consolidated net profit Q I 2007	0	0	0	0	12	12
<b>Balance at 31.03.2007</b>	<b>4,200</b>	<b>24,384</b>	<b>2,883</b>	<b>(20)</b>	<b>2,007</b>	<b>33,454</b>

## Consolidated Balance Sheet

## Consolidated Balance Sheet as at 31 March 2007 (unaudited)

### ASSETS

	<b>31.03.2007</b> €	<b>31.12.2006</b> €
<b>Non-current assets</b>		
Property, plant and equipment	6,488,509.43	6,413,344.33
Intangible assets	12,069,506.65	11,768,887.21
Deferred taxes	3,335,019.54	3,413,313.08
	<b>21,893,035.63</b>	<b>21,595,544.62</b>
<b>Current assets</b>		
Inventories	8,769,653.79	8,803,559.27
Trade and other receivables	12,436,119.58	15,533,383.40
Other current assets	4,321,256.75	1,432,274.68
Cash and cash equivalents	3,940,351.04	4,485,524.02
	<b>29,467,381.16</b>	<b>30,254,741.37</b>
<b>Total assets</b>	<b>51,360,416.79</b>	<b>51,850,285.99</b>

**Consolidated Balance Sheet**  
as at 31 March 2007 (unaudited)

**Consolidated  
Balance Sheet**

**EQUITY AND LIABILITIES**

	<b>31.03.2007</b> €	<b>31.12.2006</b> €
<b>Equity</b>		
<b>Capital and reserves attributable to equity holders of the parent entity</b>		
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	(20,762.75)	(20,762.75)
Consolidated unappropriated surplus	2,007,265.25	1,995,246.89
	<b>33,454,282.76</b>	<b>33,442,264.40</b>
<b>Non-current liabilities</b>		
Provisions for pensions	621,629.00	589,130.00
Financial liabilities	3,718,428.20	2,430,314.15
	<b>4,340,057.20</b>	<b>3,019,444.15</b>
<b>Current liabilities</b>		
Provisions	138,774.66	740,826.03
Current income tax liabilities	992,804.99	1,341,619.36
Financial liabilities	2,853,621.52	3,643,062.11
Trade and other payables	9,580,875.67	9,663,069.94
	<b>13,566,076.84</b>	<b>15,388,577.44</b>
<b>Total equity and liabilities</b>	<b>51,360,416.79</b>	<b>51,850,285.99</b>

## Cashflow Statement

## Cashflow Statement (unaudited)

	03.2007 € '000	03.2006 € '000
Consolidated net profit/loss for the period	12	(187)
Depreciation and amortisation of non-current assets	1,154	819
Change in provisions	(570)	147
Other non-cash expenses	78	0
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	242	3,628
Changes in trade payables and other liabilities not attributable to investing or financial activities	(431)	(1,074)
<b>Cashflow from operating activities</b>	<b>486</b>	<b>3,333</b>
Proceeds from disposal of property, plant and equipment	0	0
Payments for investments in non-current assets	(1,907)	(2,481)
<b>Cashflow from investing activities</b>	<b>(1,907)</b>	<b>(2,481)</b>
Proceeds from capital increases	0	0
Proceeds from financial loans	1,000	0
Repayment of financial loans	(125)	(64)
<b>Cashflow from financing activities</b>	<b>875</b>	<b>(64)</b>
Net cash change in cash and cash equivalents	(546)	788
Currency translation	0	(4)
Cash and cash equivalents at the beginning of the period	4,486	3,458
<b>Cash and cash equivalents</b>	<b>3,940</b>	<b>4,242</b>
Gross debt bank	6,572	4,227
Net debt bank	2,632	(15)
Composition of cash and cash equivalents:		
<b>Cash and cash equivalents</b>	<b>3,940</b>	<b>4,242</b>

## Addresses

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### 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](http://www.unitedlabels.com) in the section "Investor Relations – Financial Reports". Our press releases can be accessed at "Press – Press Releases".

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### Financial calendar 2007

#### May 16

Analyst conference  
Third MKK Munich Capital  
Markets Conference in Munich

#### May 22

7th Annual General Meeting in  
Münster

#### August 8

Publication of 6-Months' Report

#### November 6

Publication of 9-Months' Report

### UNITEDLABELS AG

Investor-Relations-contact:

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