

6-MONTHS' REPORT 2007

UNITEDLABELS AG



MATT
GROENING

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Letter to Shareholders



Peter M. Boder
CEO

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

The turnaround within our Special Retail segment is becoming increasingly tangible and sustained. As reported in our segment review, segment profit achieved within the area of Special Retail was €0.5 million in the first six months of the 2007 financial year, compared with a segment loss of €0.4 million in the same period a year ago. This positive performance is attributable mainly to renewed dynamism within the German specialty retail sector, which recorded revenue and earnings growth from licences such as „Die Wilden Kerle“ and „Bob the Builder“.

Revenue and earnings generated by our foreign subsidiaries in Spain, France, England and the Benelux region exceeded last year's figures. By contrast, one-off promotional business within the German Key Account segment was subdued, as a result of which the second quarter remained relatively sluggish at Group level.

Having said that, there is strong evidence to suggest that we will be able not only to plug the latest revenue shortfall but actually exceed this figure in the months ahead.

In particular, we can draw confidence from the fact that order backlog was propelled upwards to €18.8 million at the end of the quarter, thus outpacing last year's figure of €15.0 million by 25%.

Growth is to be driven by a number of new comicware licences. Among other licences, we have added Spiderman and Betty Boop to our portfolio. The latter is particularly well known and popular in France.

What is more, **UNITEDLABELS AG** remains very solid financially.

Overall, we have direct access to cash funds in the amount of €3.6 million. Additionally, current financial liabilities were scaled back by approx. €1.7 million compared with December 31, 2006.

We also hosted this year's General Meeting of Shareholders during the second quarter. Some 400 shareholders joined us at Halle Münsterland, where we presented details of the company's annual business performance. For the first time in the history of **UNITEDLABELS** a resolution for the payment of a dividend – amounting to €0.20 per share – was put forward and adopted. For further details on voting at the General Meeting, please feel free to visit our website at www.unitedlabels.com.

Thank you for placing your trust in our company.

A handwritten signature in blue ink, appearing to read 'P. M. Boder', written over a light blue horizontal line.

Peter M. Boder, CEO

Key Financials

	6 M 2007 (T€)	6 M 2006 (T€)
Revenue	18,728	20,105
EBITDA	554*	656*
EBIT	197	364
Profit before tax	33	276
Net profit/- loss	(144)	(107)
Cashflow from operating activities	3,403	6,320
Earnings per share (€)	(0.03)	(0.03)
Number of employees	125	118

* incl. amortisation of usufructuary rights

Revenue and Earnings

Whereas the Special Retail segment delivered a convincing performance in the second quarter, the Key Account segment, particularly in Germany, failed to push revenue upwards. In contrast to revenues of around €11 million generated in the second quarter of 2006, the Key Account segment achieved revenue of just €9.3 million in Q2 2007.

Correspondingly, earnings before taxes slumped to €33 thousand (prev. year: €276 thousand), despite an increase in gross profit from 34.8% to 37.1%. As was the case in the previous year, the post-tax result remained slightly below par at minus €144 thousand (prev. year: minus €107 thousand) due to potential tax expense in Germany.

Germany's corporate tax reform, which comes into effect on January 1, 2008, will have an impact on **UNITEDLABELS AG's** net profit for the financial year as a whole. As a result of this reform, the average tax burden will be scaled back from 39.85% to 30%. As the current amount of deferred taxes has been calculated on the basis of a tax rate of 39.85%, which continues to be applicable to this financial year, the precise effect of the reform cannot be determined until the annual financial statements have been prepared.

Segments

Revenue generated within the Special Retail segment amounted to €6,313 thousand in the first six months of the 2007 financial year (prev. year: €5,312 thousand), thus rising by 19% on last year's figure. This was attributable in particular to the reinvigorated performance of the German Special Retail segment of business. With segment expenses amounting to €5,136 thousand (prev. year: €5,181 thousand) and depreciation/amortisation totalling €709 thousand (prev. year: €520 thousand) within the Special Retail segment, the overall segment result was significantly above break-even, as was the case in the first quarter. While segment profit achieved by the Special Retail segment in the first quarter of 2007 had amounted to €157 thousand, it totalled €311 thousand in Q2 2007.

The Key Account segment recorded revenues of €12,414 thousand (prev. year: €14,794 thousand), with segment expenses totalling €9,274 thousand (prev. year: €10,862 thousand). To a certain extent, the lower level of orders in hand at the end of the first quarter had already foreshadowed a year-on-year decline in revenue over the course of the second quarter. This trend is attributable principally to Germany's Key Account market, an area in which the company failed to secure contracts in the same volumes achieved a year ago. Segment profit amounted to €1,892 thousand (prev. year: €2,555 thousand).

Administrative expenses rose from €1,686 thousand in the first six months of 2006 to €2,038 thousand in the first half of 2007.

6-Months' Report



UNITEDLABELS – Germany



UNITEDLABELS – Spain



UNITEDLABELS – Belgium



UNITEDLABELS – France



UNITEDLABELS – UK



UNITEDLABELS – Hong Kong

6-Months' Report

Thus, the breakdown by segment is as follows:

Primary reporting format – Customer segments (unaudited)

2007

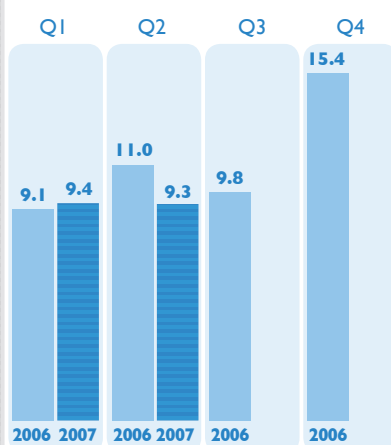
in € '000	Special Retail	Key Account	Group	
Sales revenues	6,313	12,414	18,727	
Segment expenses	(5,136)	(9,274)	(7,044)	
Depreciation/amortisation	(709)	(1,248)	(1,957)	
Segment result	468	1,892	2,360	
Administrative expenses			(2,038)	
Depreciation administration			(124)	
Financial result			(164)	
Result on ordinary activities			33	
Taxes			(176)	
Consolidated net profit/(loss)			(144)	
	Special Retail	Key Account	Administration	Group
Segment assets (in € '000)	14,081	20,013	15,067	49,161
Segment liabilities (in € '000)	4,837	8,485	3,381	16,702

2006

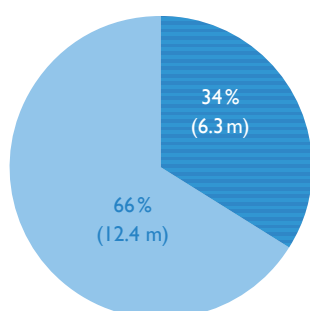
in € '000	Special Retail	Key Account	Group	
Sales revenues	5,312	14,794	20,106	
Segment expenses	(5,181)	(10,862)	(16,043)	
Depreciation/amortisation	(520)	(1,377)	(1,896)	
Segment result	(389)	2,555	2,167	
Administrative expenses			(1,686)	
Depreciation administration			(118)	
Financial result			(86)	
Result on ordinary activities			276	
Taxes			(384)	
Consolidated net profit/(loss)			(107)	
	Special Retail	Key Account	Administration	Group
Segment assets (in € '000)	11,928	15,919	14,996	42,843
Segment liabilities (in € '000)	2,517	5,765	2,699	10,981

6-Months' Report

Past Sales performance
(in € m)



Breakdown of sales in the
first 6 months 2007 for Key
Accounts and Special Retail
in % (€)



■ Key Account
■ Special Retail

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

Sales Revenue	I-6/2007	I-6/2006
Germany / Austria / Switzerland	8,431	11,487
Iberian Peninsula	5,068	4,287
France	2,365	1,672
Rest of the World	2,863	2,659
Group	18,727	20,105

Total assets	I-6/2007	I-6/2006
Germany / Austria / Switzerland	32,673	29,004
Iberian Peninsula	8,810	7,571
France	1,804	1,346
Rest of the World	5,874	4,921
Group	49,161	42,843

Balance Sheet

In May 2007, all shareholders received a dividend payment of €0.20 per share. This amount was taken from the Group's net retained earnings (i.e. the consolidated unappropriated surplus).

Non-current financial liabilities rose by €1.6 million due to the completion of a new logistics centre in Germany, which was financed fully by means of a long-term loan.

Current financial liabilities, which are mainly attributable to the Spanish subsidiary, were scaled back by €2.2 million with the help of operating cash flow.

At the end of the second quarter, deferred tax assets amounted to €3.3 million. This item will change as a result of the corporate tax reform, which comes into effect in Germany on January 1, 2008.

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 half 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.

Employees

At the end of June 2007, the **UNITEDLABELS** Group employed 125 (prev. year: 118) members of staff. Of these, 63 were employed in Germany, 43 in Spain, 5 in France, 6 in Belgium, 6 in England and 2 in Italy.

Licences

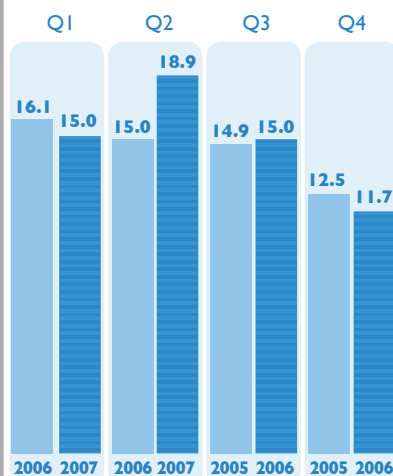
As at June 30, 2007, the licence portfolio of **UNITEDLABELS** AG included approx. 64 licence agreements for the Group as a whole (December 31, 2006: 63 licence agreements), covering a range of product categories and various countries.

The licence portfolio is regularly extended to incorporate new themes with significant growth potential. Licences added over the course of the second quarter include Betty Boop, Lazy Town, Bratz, Baby Emily Erdbeer, Hopla and Spiderman.

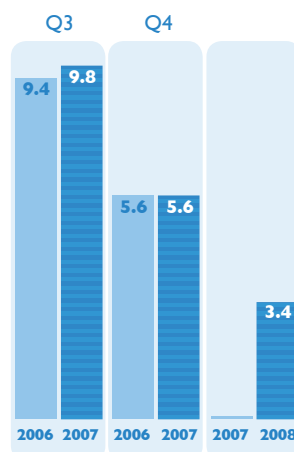
The highest revenue flows are currently associated with „The Simpsons“ and („Die Wilden Kerle“). Both licences have been an integral part of the **UNITEDLABELS** portfolio for a number years.

6-Months' Report

Order backlog (in € m)



Breakdown of order backlog (in € m)





Annual General Meeting and Dividend Payment

This year's Annual General Meeting of Shareholders took place on May 22, 2007, at Halle Münsterland, Münster/Germany. The CEO's informative presentation in front of around 400 shareholders was followed up with a discussion round and accompanied by a festive event programme.

For further details on voting, please visit our corporate website at www.unitedlabels.com.

For the first time in the history of **UNITEDLABELS AG** the Annual General Meeting of Shareholders passed a resolution – by a large majority – for the payment of a dividend of €0.20 per share.

Share buy-back

On June 1, 2007, in accordance with the mandate granted by the General Meeting of Shareholders of May 22, 2007, the Management Board of **UNITEDLABELSAG** announced its decision to reacquire, by the specified expiry date of the mandate, company shares in a value equivalent to a maximum of €500,000. The purchase of shares shall be executed via the stock exchange. The transaction will be handled by a bank. On the basis of the Company's current plans, the commissioned bank is to be free to decide on the precise date of the stock purchase autonomously and without any influence exerted by the Company. The purchase price per share shall in no case exceed or fall below 10% of the exchange price applicable at the time. In accordance with the authorisation issued by the General Meeting of Shareholders on May 22, 2007, the shares are to be sold to interested institutional investors under exclusion of shareholder subscription rights.

Directors' Holdings

As at June 30, 2007, **UNITEDLABELS AG** had a total of 4.2 million shares. At June 30, 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 June 30, 2007, no options had been granted and no valid share option plan was in place.

Responsibility Statement in accordance with Section 37y WpHG in conjunction with Section 37w (2) No. 3 WpHG

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group 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 for the remaining months of the financial year.

Outlook

UNITEDLABELSAG wants to be among those reaping the rewards of a strong German and pan-European economy. Our concepts and ideas within the area of Special Retail and Key Account segment are designed as solutions that deliver profitable value to operators within this field.

The main focus is on strengthening all our sites – in Germany, Spain, France, Belgium, Italy and the United Kingdom.

UNITEDLABELS continues to be supported by a product and licence portfolio that combines the essential themes and characters of relevance to the world of comicware. This is our most valuable competitive advantage, and we are determined to build on it in the future.

Launched in the summer of 2007, „The Simpsons“ movie surged to number one in the European film charts just after its premiere. In view of this, demand for „The Simpsons“ merchandise is expected to be particularly buoyant.

UNITEDLABELS was founded 20 years ago. Now, as it was at its inception, the company is committed to marketing comicware in a diverse range of merchandise categories and spanning all sales channels. This was and will continue to be the source of our success.



Results

Consolidated Income Statement (IFRS)

for the period from 1 January to 30 June 2007 (unaudited)

	01.01.2007 30.06.2007 €	in % of revenue	01.01.2006 30.06.2006 €	in % of revenue	01.04.2007 30.06.2007 €	in % of revenue	01.04.2006 30.06.2006 €
Sales revenues	18,727,774.19	100.0 %	20,104,790.89	100.0 %	9,342,858.29	100.0 %	10,997,879.44
Cost of materials	(10,046,633.11)	(53.6%)	(11,392,296.90)	(56.7%)	(5,141,372.22)	(55.0%)	(6,121,841.02)
Amortisation of usufructuary rights	(1,724,378.83)	(9.2%)	(1,722,930.46)	(8.6%)	(727,531.25)	(7.8%)	(1,049,732.99)
	6,956,762.25	37.1 %	6,989,563.53	34.8 %	3,473,954.82	37.2 %	3,826,305.43
Other operating income	49,564.11	0.3 %	207,842.75	1.0 %	26,412.79	0.3 %	79,649.04
Personnel cost	(2,913,240.42)	(15.6%)	(2,990,079.09)	(14.9%)	(1,482,429.72)	(15.9%)	(1,451,929.82)
Depreciation of intangible fixed assets and tangible assets (excl. amortisation of usufructuary rights)	(356,918.96)	(1.9%)	(291,767.65)	(1.5%)	(199,405.84)	(2.1%)	(146,179.73)
Other business expenditure	(3,538,673.88)	(18.9%)	(3,551,621.11)	(17.7%)	(1,820,565.77)	(19.5%)	(1,813,400.54)
Profit from operations	197,493.09	1.1 %	363,938.43	1.8 %	(2,033.72)	0.0 %	494,444.39
Finance income	79,217.13	0.4 %	70,352.22	0.3 %	48,972.08	0.5 %	33,825.13
Finance cost	(243,945.31)	(1.3%)	(158,006.63)	(0.8%)	(120,141.27)	(1.3%)	(78,568.90)
Financial result	(164,728.18)	(0.9%)	(87,654.41)	(0.4%)	(71,169.19)	(0.8%)	(44,743.76)
Profit before tax	32,764.91	0.2 %	276,284.02	1.4 %	(73,202.90)	(0.8%)	449,700.62
Income tax expense	(176,471.12)	(0.9%)	(383,426.33)	(1.9%)	(82,521.67)	(0.9%)	(369,494.67)
Net profit/loss for the period	(143,706.21)	(0.8%)	(107,142.31)	(0.5%)	(155,724.57)	(1.7%)	80,205.95

Earnings per share

basic	(0.03 €)	(0.03 €)
diluted	(0.03 €)	(0.03 €)
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 € '000	Capital reserves € '000	Revenue reserves € '000	Translation reserve € '000	Consolidated unappropriated surplus € '000	Total € '000
Balance at 31.12.2004	4,000	23,151	2,380	0	246	29,777
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
Balance at 31.12.2005	4,200	24,384	2,883	(16)	513	31,964
Consolidated net profit/loss Q II 2006	0	0	0	4	(107)	(103)
Balance at 30.06.2006	4,200	24,384	2,883	(12)	406	31,862
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
Balance at 31.12.2006	4,200	24,384	2,883	(20)	1,995	33,442
Dividend distribution	0	0	0	0	(840)	(840)
Consolidated net profit Q II 2007	0	0	0	0	(144)	(144)
Balance at 30.06.2007	4,200	24,384	2,883	(20)	1,011	32,458

Consolidated Balance Sheet

Consolidated Balance Sheet

as at 30 June 2007 (unaudited)

ASSETS

	30.06.2007 €	31.12.2006 €
Non-current assets		
Property, plant and equipment	6,507,002.17	6,413,344.33
Intangible assets	12,586,713.98	11,768,887.21
Deferred taxes	3,319,946.74	3,413,313.08
	22,413,662.89	21,595,544.62
Current assets		
Inventories	8,557,858.97	8,803,559.27
Trade and other receivables	10,938,062.92	15,533,383.40
Other current assets	3,609,810.54	1,432,274.68
Cash and cash equivalents	3,641,541.79	4,485,524.02
	26,747,274.21	30,254,741.37
Total assets	49,160,937.10	51,850,285.99

Consolidated Balance Sheet

as at 30 June 2007 (unaudited)

Consolidated Balance Sheet

EQUITY AND LIABILITIES

	30.06.2007 €	31.12.2006 €
Equity		
Capital and reserves attributable to equity holders of the parent entity		
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	1,011,540.68	1,995,246.89
	32,458,558.19	33,442,264.40
Non-current liabilities		
Provisions for pensions	654,128.01	589,130.00
Financial liabilities	4,076,951.18	2,430,314.15
	4,731,079.19	3,019,444.15
Current liabilities		
Provisions	423,347.54	740,826.03
Current income tax liabilities	1,382,476.48	1,341,619.36
Financial liabilities	1,429,866.30	3,643,062.11
Trade and other payables	8,735,609.39	9,663,069.94
	11,971,299.72	15,388,577.44
Total equity and liabilities	49,160,937.10	51,850,285.99

Cashflow Statement

Cashflow Statement (unaudited)

	06.2007 € '000	06.2006 € '000
Consolidated net profit/loss for the period	(144)	(107)
Depreciation and amortisation of non-current assets	2,081	2,015
Change in provisions	(252)	372
Other non-cash expenses	(93)	0
Loss on the disposal of non-current assets	34	0
Changes in inventories, trade receivables and other assets not attributable to investing or financial activities	2,663	3,524
Changes in trade payables and other liabilities not attributable to investing or financial activities	(887)	516
Cashflow from operating activities	3,403	6,320
Proceeds from disposal of property, plant and equipment	0	0
Payments for investments in non-current assets	(4,684)	(5,489)
Cashflow from investing activities	(4,684)	(5,489)
Proceeds from capital increases	0	0
Dividend distribution	(840)	0
Proceeds from financial loans	1,402	0
Repayment of financial loans	(125)	(64)
Cashflow from financing activities	437	(64)
Net cash change in cash and cash equivalents	(844)	767
Currency translation	0	(4)
Cash and cash equivalents at the beginning of the period	4,486	3,458
Cash and cash equivalents	3,642	4,221
Gross debt bank	5,507	2,743
Net debt bank	1,865	(1,478)
Composition of cash and cash equivalents:		
Cash and cash equivalents	3,642	4,221

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Financial calendar 2007

November 6

Publication of 9-Months' Report

12-14. November

„German Equity Forum,
Frankfurt am Main,
Analyst Conference“

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