

**Half Year Report**

**for the period  
from April 1, 2012 to September 30, 2012  
in Fiscal Year 2012 / 2013**

**Bastei Lübbe GmbH & Co. KG**

## Half Year Report

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**Balance sheet of Bastei Lübbe GmbH & Co. KG, Cologne**  
**at September 30, 2012**

<b><u>Assets</u></b>	Balance at Sep. 30, 2012 EUR	Balance at Sep. 30 2011 EUR
	<u>                    </u>	<u>                    </u>
<b>A. Fixed assets</b>		
I. Intangible fixed assets		
1. Industrial and similar rights and assets, and licenses in such rights and assets	575,954.10	778,926.71
2. Goodwill	8,089,972.71	538,128.49
3. Prepayments	113,032.57	0.00
	<u>8,778,959.38</u>	<u>1,317,055.20</u>
II. Tangible fixed assets		
1. Land, land rights and buildings including buildings on third-party land	474,471.43	220,612.64
2. Technical equipment and machinery	14,747.07	25,082.80
3. Other equipment, operating and office equipment	1,920,695.12	940,256.90
	<u>2,409,913.62</u>	<u>1,185,952.34</u>
III. Long-term financial assets		
1. Shares in affiliated companies	1,400,954.75	1,400,954.75
2. Other long-term equity investments	207,832.47	209,332.47
	<u>1,608,787.22</u>	<u>1,610,287.22</u>
	<u>12,797,660.22</u>	<u>4,113,294.76</u>
<b>B. Current assets</b>		
I. Inventories		
1. Manuscripts	14,588,730.63	13,054,950.36
2. Prepayments on manuscripts	4,533,603.30	4,224,176.60
3. Raw materials, consumables and supplies	596,688.87	199,428.29
4. Work in progress	520,393.77	243,005.00
5. Finished goods	16,467,435.27	16,027,262.97
6. Other prepayments	157,234.95	164,526.19
	<u>36,864,086.79</u>	<u>33,913,349.41</u>
II. Receivables and other assets		
1. Trade receivables	5,460,482.19	936,547.01
2. Receivables from partners	1,443,347.35	881,759.88
3. Receivables from affiliated companies	50,018.50	0.00
4. Receivables from related parties	0.00	2,820.69
5. Other assets	16,480,905.48	14,206,712.29
	<u>23,434,753.52</u>	<u>16,027,839.87</u>
III. Cash-in-hand, central bank balances, bank balances and checks	207,103.99	28,861.58
	<u>60,505,944.30</u>	<u>49,970,050.86</u>
<b>C. Prepaid expenses</b>	309,150.25	331,833.17
	<u>73,612,754.77</u>	<u>54,415,178.79</u>

## Equity and Liabilities

	Balance at Sep. 30, 2012 EUR	Balance at Sep. 30, 2011 EUR
<b>A. Equity</b>		
I. Capital shares of the limited partners	<u>1,533,875.65</u>	<u>1,533,875.65</u>
II. Reserves	<u>14,345,875.06</u>	<u>12,562,180.73</u>
III. Net retained profits		
1. Net income	965,275.04	3,104,341.81
2. Allocations to reserves	0.00	0.00
3. Credit to personal accounts of the partners	<u>-270,000.00</u>	<u>-270,000.00</u>
	<u>695,275.04</u>	<u>2,834,341.81</u>
	<u>16,575,025.75</u>	<u>16,930,398.19</u>
<b>B. Adjustments for capitalized treasury shares</b>	<u>55,000.00</u>	<u>55,000.00</u>
<b>C. Provisions</b>		
1. Provisions for taxes	938,919.00	1,819,044.00
2. Other provisions	<u>6,858,817.08</u>	<u>7,475,120.96</u>
	<u>7,797,736.08</u>	<u>9,294,164.96</u>
<b>D. Liabilities</b>		
1. Bonds	30,000,000.00	0.00
2. Liabilities to banks	2,000,821.86	15,290,778.61
3. Trade payables	13,820,405.02	10,751,621.91
4. Liabilities to related parties	127.55	0.00
5. Liabilities to partners	675,290.81	1,859,212.44
6. Other liabilities	2,688,347.70	234,002.68
- of which taxes: EUR 266,439.82 (previous year EUR 200,951.50)		
- of which relating to social security and similar obligations: EUR 822,21 (previous year EUR 0.00)		
	<u>49,184,992.94</u>	<u>28,135,615.64</u>
<b>E. Deferred income</b>	<u>0.00</u>	<u>0.00</u>
	<u>73,612,754.77</u>	<u>54,415,178.79</u>

**Income Statement**  
**of Bastei Lübbe GmbH & Co. KG, Cologne**  
**for the period April, 1 2012 to September 30, 2012**

	Balance at Sep. 30, 2012 EUR	Balance at Sep. 30, 2011 EUR
1. Sales	40,586,191.57	36,001,635.18
2. Increase or decrease in finished goods inventories and work in progress	-2,141,000.00	2,315,000.00
3. Other operating income	213,042.10	175,383.73
4. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	216,457.01	134,710.46
b) Cost of purchased services	<u>19,157,569.14</u>	<u>19,709,389.66</u>
	<u>19,374,026.15</u>	<u>19,844,100.12</u>
5. Personnel expenses		
a) Wages and salaries	6,030,160.10	4,722,488.39
b) Social security, post-employment and other employee benefit costs	<u>1,058,815.48</u>	<u>853,880.88</u>
	<u>7,088,975.58</u>	<u>5,576,369.27</u>
6. Amortization and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	644,057.71	351,373.72
7. Other operating expenses	10,432,267.71	8,957,728.42
8. Income from long-term equity investments	1,061,937.85	93,690.10
- of which from affiliated companies: EUR 1,029,720.12 (previous year EUR 73,690.10)		
9. Other interest and similar income	18,005.14	770.94
10. Interest and similar expenses	<u>1,052,265.92</u>	<u>273,585.27</u>
<b>11. Result from ordinary activities</b>	<u>1,146,583.59</u>	<u>3,583,323.15</u>
12. Extraordinary result	0.00	0.00
13. Taxes on income	169,444.75	444,000.00
14. Other taxes	<u>11,863.80</u>	<u>34,981.34</u>
<b>15. Net income</b>	<u><u>965,275.04</u></u>	<u><u>3,104,341.81</u></u>

**Notes to the Half Year Financial Statements of**  
**Bastei Lübbe GmbH & Co. KG, Cologne**  
**from April 1, 2012 to September 30, 2012**  
**in fiscal year 2012/2013**

**I. Accounting policies**

Items were recognized and measured in accordance with the provisions of the German Commercial Code for limited partnerships, as defined in § 264 a HGB.

The income statement was prepared using the total cost (nature of expense) format.

The recognition, measurement and depreciation/amortization methods that were used take into account all identifiable risks; they are described individually in the balance sheet disclosures.

The presentation, layout, recognition and measurement used in the half yearly financial statements are the same as those used in the annual financial statements.

**II. Balance sheet disclosures**

**Fixed assets**

**Tangible and intangible fixed assets**

Purchased intangible assets are carried at cost and amortized over a maximum of five years (software) or 15 years (publication rights). Because of the stability and sustainability of the business model, goodwill is amortized using the straight line method over a period of 15 years.

Tangible assets are carried at cost and reduced by depreciation based on their useful lives. They are written down for impairment if recognition at a lower amount is necessary.

Technical equipment and machinery is depreciated over a maximum of 10 years, while other equipment and office furniture is mainly depreciated over five years, and the fleet of vehicles over six years. As of January 1, 2011, additions to fixed assets are depreciated only using the straight-line method (whereas in the prior year, the declining balance method was partially used). The depreciation is prorated in the year of the addition. Use is made of the ability to switch from declining-balance to the straight-line method to the extent that the latter results in higher depreciation.

As of January 1, 2010, low-value items (up to EUR 410) are again written off in full at year end. Low-value items up to a value of EUR 60 are expensed. Until December 31, 2009, low-value items costing between EUR 150 and EUR 1,000 were carried at cost in a collective item that is written off every fiscal year at one-fifth of its cost.

## **Current assets**

### **Inventories**

Purchased manuscripts are measured at cost. The manuscripts are written down in connection with the sale of the books; appropriate allowances are also taken on the basis of sales expectations. Prepayments made on these manuscripts are measured at their nominal amount. Allowances are also taken on the prepayments.

Raw materials, consumables and supplies are measured at cost, less any discounts taken. Write-offs for inventory risks resulting from length of storage or reduced marketability were taken to an appropriate and sufficient extent.

The inventory of work in process and finished goods is measured at cost. These include the direct costs of materials and printing costs as well as fee expenses. The overhead costs (e.g. editing costs) are recognized by corresponding increases in the cost of printing. Sufficient reductions have been made on outstanding amounts of remitted publishing products that are included in the finished products, to account for reduced marketability.

Overstock was identified using a coverage analysis and appropriate deductions were taken. The process for coverage analysis was applied in accordance with the findings of the tax audit.

Other prepayments are carried at the nominal amount.

### **Receivables and other assets**

Receivables and other assets are generally recognized at their nominal values, although global write-downs were taken on trade receivables in addition to the necessary specific allowances. The global write-down is 5% for advertisement receivables related to Germany, and 3% each for all other German and foreign claims. Foreign currency receivables are carried at the exchange rate prevailing on the date of the transaction or at the exchange rate on the balance sheet date, if it is lower.

All receivables from the book segment were sold to Vereinigte Verlagsauslieferung arvato media GmbH (VVA), Gütersloh, pursuant to a factoring agreement. The claims against VVA under this agreement are shown under other assets.

There are long-term receivables in the amount of EUR 1,507,864.74

### **Other provisions**

Other provisions include refund provisions for merchandise that has been delivered but is expected to be returned, outstanding premiums owed to the employers' liability insurance association, outstanding authors' fees, annual financial statement costs, other HR-related amounts (severance pay, continued salary payments, outstanding vacation, additional compensation, management bonuses and obligations regarding partial employment for staff approaching retirement), not yet settled customer bonuses, future archiving costs and litigation costs. They cover all uncertain liabilities, losses and risks identifiable as of the balance sheet date, to the extent that they relate to the first half of the year.

## Liabilities

Liabilities are carried at their settlement amounts.

In October 2011 the company placed a bond with a volume of EUR 30 million on the "mid-size company" market of the Düsseldorf Stock Exchange.

Foreign currency liabilities are carried at the exchange rate prevailing on the date of the transaction or at the exchange rate on the balance sheet date, if it is lower.

## III. Income statement disclosures

### Sales

Sales are distributed among the segments Book, Non-book and Pulp Novels as follows:

	Book TEUR	Non-book TEUR	Licenses TEUR	Pulp novels TEUR	Total TEUR
net sales	31,849	4,202	1,762	4,030	41,843
discounts and rebates	-1,191	-66			-1,257
	30,658	4,136	1,762	4,030	40,586

### Other operating income

This includes:

- Sales to personnel	(11 TEUR)
- Income from exchange rate gains	(16 TEUR)
- Income from noncash benefits	(113 TEUR)
- Book gain on disposal of assets	(1 TEUR)
- Income from recovery of damages	(56 TEUR)
- Income from reversal of allowances on receivables	(1 TEUR)
- Other	(15 EUR)

### Cost of materials

Cost of materials includes not only the cost of raw materials, consumables and supplies and cost of purchased goods but also cost of purchased services in the form of fee expenses and printing costs.

### Cost of purchased services

Authors' fees are carried in accordance with the information from the most recent tax audit. The guaranteed fees are expensed for hardcovers and trade paperback (usually 50/50) when the hardcover or the paperback title is published, depending on the title's share of the guaranteed fee.



### **Personnel expenses**

Personnel expenses relate to wages and salaries, social security and in-kind benefits, as well as severance pay for employees who leave the company.

The social security costs include the employer's social security contribution and workers' compensation insurance.

### **Other operating expenses**

Other operating expenses include expenses for management, distribution, advertising, maintenance and rent, as well as non-operating items.

### **Income from long-term equity investments**

This income relates to distributions from investees received during the fiscal year. Of this amount, EUR 942 thousand was attributable to a distribution by Hartmut Räder Wohnzubehör GmbH & Co. KG in the course of the merger on July 1, 2012.

### **Interest and similar expenses**

These expenses primarily include the interest expense on the bond in the amount of EUR 1,013 thousand.

## **IV. Disclosures of contingent liabilities and other financial obligations**

### **Contingent liabilities**

#### **Liabilities from warranty agreements**

Bastei Lübbe GmbH & Co. KG has entered into a factoring agreement with VVA Vereinigte Verlagsauslieferung arvato media GmbH, Gütersloh, whereby it has guaranteed to VVA that it will take responsibility for all uncollectible receivables from customers.

#### **Other financial obligations**

The other financial obligations at September 30, 2012, consisted of the following:

	TEUR
Various lease agreements (2012 to 2021)	12,975
Various finance lease agreements (2011 to 2016)	2,029

**V. Other disclosures**

**Disclosure pursuant to § 285 Nr. 15 HGB**

The general partner is Bastei Lübbe Verwaltung GmbH, Köln. Its subscribed capital amounted to EUR 55,000 on September 30, 2012 (previous year: EUR 55,000).

**Employees**

The average number of employees was:

	<u>2012/13</u>	<u>2011/12</u>
Employees	226	179
	<u>226</u>	<u>179</u>

**Management**

Bastei Lübbe Verwaltungs GmbH, represented by its managing directors:

Stefan Lübbe, Publisher (CEO)  
 Thomas Schierack, Attorney  
 Klaus Kluge, Publishing director  
 Felix Rudloff, Publishing director (as of October 1, 2012)  
 Hartmut Räder, Businessman (as of July 1, 2012)

Cologne, December 6, 2012

Bastei Lübbe Verwaltungs GmbH  
 Management

Stefan Lübbe  
 (CEO)

Klaus Kluge

Felix Rudloff

Thomas Schierack

Hartmut Räder

**Management Report of Bastei Lübbe GmbH & Co. KG, Cologne**  
**for the Half Year Financial Statements from April 1, 2012 to September 30, 2012**  
**in fiscal year 2012/2013**

**I. Business Performance**

1. The Business

The business of Bastei Lübbe GmbH & Co. KG in the period from April 1, 2012 to September 30, 2012 consisted of the publishing and distribution of periodicals in the form of pulp novels and puzzle booklets and of fiction and nonfiction books and audio books. E-books and merchandising articles were also sold during the reporting period. Since July 1, 2012, the company has also been manufacturing and distributing gift items.

2. Business growth and market

According to the German Society for Consumer Research (GfK), the book industry in the Federal Republic of Germany and in Austria and Switzerland again experienced negative growth in the first half of 2012. This negative trend especially affected the retail book market. Sales by Internet booksellers and sales of e-books increased. This trend has existed since calendar year 2010.

3. Sales trend

The downward trend in the overall book market affected Bastei Lübbe GmbH & Co. KG in the first half of fiscal year 2012/2013. Although the sales of €40.5 million were €4.5 million higher than in the previous year, they also fell short of the targeted figure by approximately €3.5 million. The increase in sales is attributable to the fact that Räder GmbH & Co. KG was merged with and into Bastei Lübbe GmbH & Co. KG as of July 1, 2012, so that these sales are now attributable to Bastei Lübbe GmbH & Co. KG. Although the entire segment of books for adult readers was higher than in the previous year, it is below target, while the segment of books for children and teenagers was below last year's figure, but above target. The Audio and Bastei Entertainment (digital) segment was ahead of last year and above target. Growth in the Novels and Puzzle Series segment was on target.

**II. Position of the Company**

1. Financial Position

Total assets amounted to €73.6 million, approximately €2 million higher than the total at March 31, 2012. On the asset side, the intangible assets (goodwill) increased by €7.5 million, to €8.0 million as a result of the merger with Räder. On the other hand, the financial fixed assets (at March 31, 2012) fell by approximately €12 million to €1.4 million as a result of the merger of Räder GmbH & Co. KG with and into Bastei Lübbe GmbH & Co. KG on July 1, 2012. The receivables and other assets increased from March 31, 2012, by just under €7 million to €23.4 million. On the liabilities side, liabilities to banks, trade payables and other liabilities increased from March 31, 2012. The equity ratio increased somewhat, to 22.5%.

2. Earnings

In the first half of the fiscal year, the Company generated net income of €965 thousand. This is approximately €2.14 million less than the net income in the same period last year, and approximately €400 thousand below target. However, even though the net income is below target, it is not unsatisfactory.

In view of the decrease in sales and the less than positive market environment, the Company has revised its outlook for fiscal year 2012/2013. Gross revenue has been revised downward from €103 million to €96 million and EBIT from €10.5 million to €8.8 million. As a percentage of sales, the EBIT ratio therefore remains at 9.2%. Sales were particularly strong in October and November 2012, especially because with the new Ken Follett book "Winter der Welt" and the surprise hits from Eichborn, "Er ist wieder da" and "Greg 7," the company has top bestsellers (among the top five) ready for Christmas shoppers.

### **III. Other disclosures**

The partnership structure has not changed. In September 2012 Bastei Lübbe GmbH & Co. KG acquired a 50% stake in Präsenta Promotion International GmbH in Solingen, a full-service supplier in the field of advertising materials.

In December 2012 a new single-book agreement was entered into with Dan Brown. The fourth volume in the Langdon series is expected to be published in fiscal year 2013/2014.

### **IV. Future developments and risks of future development**

Even considering the unfavorable trend in the book industry, the company believes that it will achieve more than satisfactory results in the current fiscal year and particularly in the next few fiscal years. This is true because an agreement has been entered into for a new Dan Brown book that will probably be released in the coming fiscal year, and also because of the very positive trends in the digital area, where sales are considerably above expectations and much higher than in the previous year. In addition, digital content is now being offered internationally for the first time. As of a few weeks ago, content is being offered for the first time in English worldwide and in Mandarin for Chinese-speaking countries via the usual platforms. This area will be expanded in the coming years.

Cologne, December 11, 2012

Bastei Lübbe-Verwaltung-GmbH

Management

Stefan Lübbe (CEO)

Klaus Kluge

Felix Rudloff

Thomas Schierack

Hartmut Räder