

JAMES BOWEN

# Bob und wie er die Welt sieht

Neue Abenteuer mit dem Streuner



Mit  
schönen  
Fotos

Business report  
2013/2014

BASTEI  
LÜBBE

## Overview of key performance indicators for the 2013/2014 financial year (IFRS)

	2013/2014	2012/2013	Change in %
<b>Company in €k</b>			
Revenue	107,534	98,330	9.4%
EBIT	14,918	11,967	24.7%
EBIT margin	13.9%	12.2%	14.0%
Net profit for the period	9,074	7,922	14.5%
<b>Segments in €k</b>			
Revenue			
Books	85,790	79,132	8.4%
Novels and puzzle magazines	10,249	8,656	18.4%
Non-books	11,495	10,542	9.0%
EBIT			
Books	14,575	9,771	49.2%
Novels and puzzle magazines	1,120	1,062	5.5%
Non-books	-777	1,134	-168.5%
<b>Financial and assets position in €k</b>			
Balance sheet total	108,147	88,770	21.8%
Equity	52,064	26,829	94.1%
Equity ratio	48.1%	30.2%	59.3%
<b>Share-related indicators in €</b>			
Earnings per share (in €) *	0.68	0.60	13.3%
Dividend per share (in €) **	0.28	-	-
Year-end price (in €)	7.46	-	-
Number of employees	288	242	18.0%

\* Basis: 13.3 million shares

\*\* Proposal, given that the Annual General Meeting has yet to decide on the dividends

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A handwritten signature in blue ink, appearing to read 'F. Rudloff'.

Felix Rudloff

A handwritten signature in blue ink, appearing to read 'Th. Schierack'.

Thomas Schierack

A handwritten signature in blue ink, appearing to read 'Klaus Kluge'.

Klaus Kluge

## 1. Letter from the Executive Board to the shareholders

Dear Shareholders,

As Executive Board members we would like to take this opportunity to warmly welcome you to the “Bastei-Lübbe Family” circle. A successful and exciting financial year is now behind us, the highlights of which were most certainly the transformation of Bastei Lübbe GmbH & Co. KG into Bastei Lübbe AG and our subsequent stock market listing including a capital increase in October 2013. Following a resolution at the Annual General Meeting held on 10 September 2013, the share capital of the company was increased from its then level of EUR 10 million to EUR 13.3 million by issuing up to 3.3 million new shares. The subscription right of existing shareholders was excluded from the process. Despite a challenging market environment, all 3.3 million shares were placed at EUR 7.50, resulting in gross issuing proceeds of EUR 24.75 million. The full amount of the capital increase was registered in the commercial register on 4 October 2013. Our Company has been listed on the Prime Standard of the Frankfurt Stock Exchange since 8 October 2013.

Our Company's largest shareholder is the publisher Stefan Lübbe, who holds 5.2 million shares. This equates to 39.10% of the share capital. Following our becoming a listed company, Lübbe Beteiligungs-GmbH reduced its stake in Bastei Lübbe AG to 3.0 million shares (22.56%). After the reporting date, a further scheduled reduction in participation to 12.78% took place in May and June 2014. No further sale of shares on the part of Lübbe Beteiligungs-GmbH is currently envisaged. The Executive Board and Supervisory Board currently hold approximately 2.26% of the share capital, and their confidence in Bastei Lübbe shares has been evidenced by insider purchases within the last financial year.

We can look back on a successful 2013/2014 financial year with regard to operations. With an increase in revenue from EUR 98.3 million to EUR 107.5 million, the positive trend from previous years has continued. This pleasing development extended across all three segments, the most notable successes being the hard cover best-sellers “Inferno” by Dan Brown and “Gregs Tagebuch 8: Echt übel” (Diary of a Wimpy Kid: Hard Luck) by Jeff Kinney. Turnover in the books segment rose from EUR 79.1 million to EUR 85.8 million, turnover in the novels and puzzle magazines segment increased from EUR 8.7 million to EUR 10.2 million, and turnover in the non-books segment grew from EUR 10.5 million to EUR 11.5 million. Development of digital turnover was particularly encouraging: It increased from EUR 9.0 million in the same period of the previous year by 73.3% to EUR 15.5 million, reaching a share of 18.1% in the turnover for the books segment (previous year: 11.3%). We exceeded our own earnings target with a disproportionately high EBIT increase, namely from EUR 12.0 million to EUR 14.9 million. The EBITDA margin improved accordingly, from 12.1 percent to 13.9 percent.

The balance sheet total came in at EUR 108.1 million as per the balance sheet date of 31 March 2014, compared to EUR 88.8 million as per 31 March 2013. This rise mainly resulted from the capital increase carried out over the course of our becoming a listed company in October 2013. Equity increased in the last financial year from EUR 26.8 million to EUR 52.1 million, with the equity ratio rising accordingly from 30.2% to 48.1%. Operative cash flow was EUR 11.1 million in 2013/2014, compared with EUR 1.6 million in the previous year. Our Company's considerably improved financial situation following our becoming a listed company was also rewarded by the Creditreform rating agency. In December 2013, Creditreform Rating AG upgraded Bastei Lübbe AG to the investment grade BBB+ during a follow-up rating, prior to which our creditworthiness had stood at the lower grade of BBB. This improved rating reflects the successful development of our publishing house over recent years.

As we became a listed company, we announced a shareholder-friendly, long-term dividend policy. Given the successful progress of business in the 2013/2014 financial year, the Executive Board and Supervisory Board will



propose at the Annual General Meeting on 17 September 2014 that a dividend of EUR 0.28 per share should be paid out. This corresponds to a total payout of EUR 3,710 million, and to an attractive dividend yield of more than 3.7% in relation to the 2013/2014 year-end price. We would also like to allocate 40% to 50% of our distributable net profit to our shareholders in future. This is contingent such dividend payouts being compatible with long-term, sustainable business development.

We founded a 100% subsidiary in Hong Kong (Bastei Lübbe International Limited) during the reporting period which will be responsible for Chinese operations. In addition, we took up a 25% holding in the newly founded Medienproduktionsgesellschaft HPR Bild & Ton GmbH, Cologne, in February 2014. In cooperation with majority shareholder HPR Künstler & Medien GmbH, we want to help this new company develop stage and author formats, event shows and fictional formats, and thus make a new range of staging and marketing possibilities accessible to our authors. This holding marks a further step towards the consistent achievement of the 360-degree approach, which forms the foundation for a multimedia publishing house across all windows.

Having started out as a German-language trade book publisher, Bastei Lübbe is on its way to becoming an international media company. The share of digital products in the overall turnover has doubled almost on an annual basis in recent years. Incorporating turnover from digital audio, the digital share in the overall turnover equates to more than 14.5%. We plan to continually expand this area. Our two most recent majority holdings, Daedalic Entertainment GmbH and BookRix GmbH & Co. KG, which we acquired after the reporting date in May 2014, will also play a major role in this process in the mid-term. Our holding in Daedalic Entertainment, a multiple award-winning publisher and developer of computer games, represents an expansion of the business segment and another consistent step in the implementation of our multimedia growth strategy. The Hamburg-based company plans to increase its turnover from approx. EUR 6 million in 2013 to approx. EUR 14 million by 2015, as well as achieving EBIT growth of more than EUR 2 million. As an operator of one of the largest self-publishing platforms in Germany, BookRix has huge growth potential, and has now also established itself in the US. With its eBooks, community features and services for authors, today BookRix reaches more than 560,000 users on its own platform, with more than 4,000 new registered users and roughly 1,000 new eBooks being added every month. BookRix also supplies 60 of the biggest online stores, including market leaders such as Amazon and iTunes. The interplay between traditional publishing and the recent self-publishing trend offers us a lot of synergies. Our two major holdings bring us one big step closer to reaching our strategic goal of establishing Bastei Lübbe as a global multimedia publishing house active across all windows.

We expect long-term growth in the international digital sector over the next few years. Our content is already available in German and English, and some can be accessed in Mandarin. We plan to include Portuguese and Spanish as additional languages. As part of our internationalisation initiative, we are aiming to establish joint ventures with local partners both in China and the US. The goal of these joint ventures is to strengthen local sales, and especially to ensure that national and international content is being developed and written in these countries. In this respect, the clear strategy for the next few years is to exploit more digital international content. In addition to producing content ourselves, another focal point is the national and international acquisition of comprehensive rights, where possible global rights, particularly for digital international exploitation.

We expect the current financial year to see moderate year-on-year growth in turnover and EBIT. According to our forecast, the books segment, and here in particular the digital sector, will function as growth drivers. While we expect stable business for the novels and puzzle magazines segment, the non-books segment is also likely to experience moderate growth. Foreign turnover, particularly from the intended joint ventures with China and America, is not expected to be reaped until the financial year 2015/2016. The resulting launch costs will however negatively impact earnings for the current financial year.

The first quarter of the 2014/2015 financial year will not be able to match that of the same quarter in the previous year in terms of turnover and earnings. In the first quarter of 2013/2014, we received a high contribution to turnover and earnings from Dan Brown's bestseller "Inferno", published in May 2013, which single-handedly delivered approx. EUR 9 million in revenue. Bastei Lübbe has not published a comparable bestseller in the first quarter of 2014/2015. According to our estimations, however, this absent turnover in the first quarter will be overcompensated in 2014/2015 as a whole by expected higher revenue in the second and third quarters. Thus over the course of the year we expect the new book by bestselling author Ken Follett in particular to make a significant contribution to turnover and earnings. The third part of Follett's trilogy will be published under the title "Kinder der Freiheit" (Edge of Eternity) in the second quarter of 2014/2015.

Despite this good outlook, the 2014/2015 financial year will be a year for expansion, in which we will push forward with our goal of becoming an international media house and in particular with digital internationalisation. In order to reach our ambitious goals, we will also be investing in our personnel – both in Germany as well as in China and the US. In the current financial year, particular focus will furthermore be placed on internal developments, but also on the previously mentioned purchase of content that can be exploited digitally and on a global scale. The resulting turnover is likely to accrue at the earliest in the fourth quarter of 2014/2015, but more likely not until the next financial year. The same applies to the synergy effects and cooperation with our new majority holdings Daedalic Entertainment and BookRix. We expect these investments to have a long-term positive impact on the economic development of our Company over the next few years.

As yet we cannot be satisfied with the price of Bastei Lübbe shares from the first few months of stock market listing – despite a slight increase in price compared to when our shares were first listed. Analysts at Warburg Research, DZ Bank and Close Brothers Seydler Research see the fair value of our shares at between EUR 11.20 and EUR 11.50, which is far above the current share price. The open and transparent dialogue with capital-market operators is part of our company strategy, which is geared towards long-term growth. We will be actively seeking dialogue with private investors, institutional investors and journalists in the current financial year also, as well as presenting Bastei Lübbe AG at various investor conferences and roadshows. Our first Annual General Meeting following the stock market listing will represent a key milestone in the current financial year. We would be delighted to welcome you to our head offices in Cologne on 17 September 2014.

Dear Shareholders, Clients and Business Partners of Bastei Lübbe, we would like to take this opportunity to thank you for your constructive dialogue and loyal support during the 2013/2014 financial year. We also extend particular thanks to our employees for their involvement and commitment. We are more determined than ever to generate sustainable added value for our clients, our employees and you, our shareholders. Together we have the power to successfully continue on the path on which we have embarked.

Cologne, 16 June 2014

Thomas Schierack

Klaus Kluge

Felix Rudloff

## 2. Highlights of the financial year 2013/2014



To celebrate the publication of his new thriller *INFERNO*, star US author Dan Brown visits his German publisher in Cologne for the first time at the end of May 2013. He answers the many questions from media representatives and looks forward to meeting his German fans, of course attracting sell-out crowds.



Bastei Lübbe celebrates its 60th anniversary and invites around 1,000 guests to Cologne's DOCK ONE to celebrate the occasion. Authors, actors, illustrators, booksellers, journalists and friends of the Company, and even the Mayor of Cologne Jürgen Roters, cheerfully celebrate until the early hours and enjoy the perfect weather with the publishers, the Executive Board and the entire Lübbe team. The highlight is the performance of Cologne cult band BLÄCK FÖÖS.





On 13 September 2013, Bastei Lübbe opens its Siebter Himmel ("Seventh Heaven") concept store in Cologne's Belgian Quarter.



Bastei Lübbe is listed on the stock market on 8 October – Greg, the cast of Der Bergdoktor (German-Austrian medical drama television series) and Jerry Cotton, who has just driven up in his car.



US author Jeff Kinney, creator of DIARY OF A WIMPY KID (German title: GREGS TAGEBÜCHER), visits Germany in December 2013 to celebrate the publication of Book 8 "Echt übel!" (Diary of a Wimpy Kid: Hard Luck), signing for fans of all ages, and is surprised by German publisher Bastei Lübbe with a karaoke party.



Top German thriller novelist Sebastian Fitzek publishes his first book with Bastei Lübbe. He came up with a special plan for the publication of his thriller NOAH: Together with the band Buffer Underrun, he goes on tour for the first ever novel soundtrack reading. The premiere takes place on 16 January 2014.



We are represented at the Frankfurt and Leipzig Book Fairs by numerous authors, as every year, and – as you can see – the Räder stand has become a sort of central point for all the books.



### 3. Bastei Lübbe on the capital market

#### Stock market listing and price development of Bastei-Lübbe shares

Bastei Lübbe AG shares have been listed in the Prime Standard quality segment of the regulated market of the Frankfurt Stock Exchange with the highest duties of transparency since 8 October 2013. In the course of our stock market listing, 4,000,000 shares were successfully placed at a subscription price of EUR 7.50 despite a difficult market environment. After starting out on the market at a price of EUR 7.40, share prices reached a high of EUR 7.90 on 11 November 2013. The shares were at their lowest point on 12 December 2013, when they stood at EUR 7.19. They ended the financial year on 31 March 2014 at a price of EUR 7.46. Thus the price of Bastei-Lübbe shares in the 2013/2014 financial year showed a slight 0.8 percent rise compared to when they were first listed.

The average daily trade volume of Bastei Lübbe shares (Xetra and Frankfurt Stock Exchange floor trading) in the 2013/2014 trading year ran to 26,856 shares. Based on 13,300,000 shares and a closing price of EUR 7.46, Bastei Lübbe AG's market capitalisation stood at approx. EUR 99.2 million as per 31 March 2014.

#### Shareholder structure

Our largest shareholder is the publisher Stefan Lübbe with a 39.09 percent stake in the business. On 31 March 2014, Lübbe Beteiligungs GmbH held 22.56 percent of shares in Bastei Lübbe AG; at the end of the financial year, this stake was reduced to 12.78 percent. Birgit Lübbe holds 3.75 percent of the shares. The Executive Board and Supervisory Board have a 2.26 percent stake in the share capital of Bastei Lübbe AG. The remaining 42.20 percent are in free float.

#### Investor Relations

The open and transparent dialogue with capital-market operators is part of Bastei Lübbe AG's company strategy, which is geared towards long-term growth. Over the course of a two-week roadshow celebrating our becoming a listed company, we held talks with both groups and individual investors in numerous European cities to explain about the Group and its equity background.

Our first "Investors' Day" was held in the publishing house of Bastei Lübbe AG on 18 February 2014. More than 70 private and institutional investors as well as journalists took the opportunity to get a first-hand impression of the future strategy of the media company. Not only did the Executive Board present the existing status quo and current business figures, it also looked ahead to the future.

The Executive Board of Bastei Lübbe AG has furthermore actively sought discussion with the editorial teams of financial and business media in the past financial year. Various individual discussions and interviews have taken place with national media. Bastei Lübbe AG has also presented itself at roadshows in London, Geneva and Frankfurt, as well as at the investor conference held by Close Brothers Seydler Bank AG and the German Equity Forum of the German Stock Exchange.

In addition to further roadshows and conferences in the 2014/2015 financial year, the first annual press conference since our stock market listing will take place on 30 June 2014. Besides a presentation of the 2013/2014 annual financial statements, investors, analysts and journalists will have the opportunity to obtain first-hand information about Bastei Lübbe AG's further strategic development.

The first Annual General Meeting of Bastei Lübbe AG following the stock market listing, to take place at the Head Offices of Bastei Lübbe AG on 17 September 2014, will represent a key milestone in the 2014/2015 financial year.

Close Brothers Seydler Bank AG and Warburg Research both published research studies on the Company in the reporting year. These studies recommend issued buy recommendations for Bastei Lübbe shares of up to EUR 11.50. In follow-up to the reporting year, DZ Bank published a research study recommending a target price of EUR 11.20. The full research studies are available for download on the homepage of Bastei Lübbe AG at [http://www.luebbe.de/Investor-Relations/\\_investor\\_research\\_de](http://www.luebbe.de/Investor-Relations/_investor_research_de).

Shares in Bastei Lübbe AG belong to the strictly regulated Prime Standard segment of the Frankfurt Stock Exchange. Close Brothers Seydler Bank AG is our designated sponsor. Potential investors can obtain further information from the Investor Relations section of the homepage at <http://www.luebbe.de/Investor-Relations>

### **Dividend Proposal for the 2013/2014 Financial Year**

Bastei Lübbe AG would like to allocate 40% to 50% of its distributable net profit to shareholders in future. This is contingent on such dividend payouts being compatible with long-term, sustainable business development.

The 2013/2014 financial year, just ended, reflects the positive commercial development of Bastei Lübbe AG. The Executive Board and Supervisory Board would like to allow Company shareholders to be part of this development, and are proposing to make dividend payouts of EUR 0.28 per share at the Annual General Meeting on 17 September 2014. This corresponds to a total payout of EUR 3,710,000. The 2013/2014 annual financial statements of Bastei Lübbe AG showed a net profit of EUR 9,032,714. The remaining amount of EUR 5,322,714 will be carried forward to the next accounting period.

### **Share information**

Total number of shares:	13,300,000 (units)
Value of share capital:	13,300,000.00 euros
ISIN:	DE000A1X3YY0
WKN:	A1X 3YY
Code:	BST Börse: Frankfurt
Market segment:	Regulated market (Prime Standard)
Designated Sponsor:	Close Brothers Seydler Bank AG





Andrea Camilleri  
DIE TAGE  
DES ZWEIFELS

Commissario Montalbano  
träumt von der Liebe

## 4. Corporate Governance

### 4.1 Report from the Executive Board on the 2013/2014 financial year



**Dr. Friedrich Wehrle**

Dear Shareholders,

The 2013/2014 financial year was a landmark year in the history of Bastei Lübbe. By resolution to change the legal form at the shareholders' meeting of 9 July 2013, Bastei Lübbe GmbH & Co. was converted to Bastei Lübbe AG. This change of form was registered in the Commercial Register at Cologne Local Court on 14 August 2013 under HRB 79249. The Annual General Meeting held on 10 September 2013 resolved to increase Bastei Lübbe's share capital by up to EUR 3.3 million, from EUR 10 million to EUR 13.3 million, by issuing up to 3.3 million new shares. The subscription rights of former shareholders of Bastei Lübbe AG were excluded from the process. The full amount of the capital increase was recorded in the Commercial Register of Cologne Local

Court on 4 October 2013 under HRB 79249. Bastei Lübbe AG has been listed on the Prime Standard of the Frankfurt Stock Exchange since 8 October 2013. Thus one of the leading German publishing houses has managed to successfully go public in a challenging market environment. On behalf of the Supervisory Board, I would like to extend a warm welcome to all shareholders of Bastei Lübbe AG. We look forward to a regular dialogue with you.

In the following report, the Supervisory Board provides an overview of its activities in the previous financial year and the results of the audit carried out on the 2013/2014 annual financial statements. In the reporting year, the Supervisory Board diligently performed the duties incumbent upon it by virtue of the law, the Articles of Association and the rules of procedure.

A variety of issues were discussed in detail in the 2013/2014 financial year. We fully and regularly advised the Executive Board on Company management, as well as supporting and supervising them in their duty. We were always involved in a timely and appropriate fashion in any decisions that were fundamental for the Company or in which the Supervisory Board had to be included by law or under the Articles of Association. Written and oral reports from the Executive Board to the Supervisory Board formed the basis for this involvement. The Executive Board kept us informed on a regular basis and in a timely and comprehensive fashion of the performance of the business, earnings and financial position and employment situation, as well as the Company's future plans and further strategic development. Any deviations from the plans were fully explained to the Supervisory Board. The risk situation and risk management were always carefully taken into account in this process.

The Supervisory Board received regular documents from the Executive Board for preparation. Beyond the routinely scheduled meetings, the Chair of the Supervisory Board worked closely with the Executive Board, discussing major events and pending decisions with the Board.

The Executive Board also informed the Supervisory Board promptly, comprehensively and in writing in between the routine meetings about business transactions that were of major importance for the Company. The Supervisory Board conscientiously monitored the Executive Board, and confirms that the latter acted in a lawful, regular and economically sound manner.

## Meetings of the Supervisory Board and main issues considered by the Supervisory Board

The supervisory body held a total of four physical meetings in the 2013/2014 financial year, all attended by all members of the Supervisory Board. Meetings of the Supervisory Board took place in Cologne on 10 September 2013,

20 November 2013, 10 December 2013 and 10 February 2014. Where necessary, the Supervisory Board adopted resolutions in writing.

At the meeting held on 10 September 2013, the Executive Board reported to the Supervisory Board on the 2012/2013 annual financial statements. The Supervisory Board discussed this report in detail. The business situation and outlook for the current year were also discussed. The Executive Board also reported on measures taken for the IPO, as well as on business development for the first quarter of 2013/2014 and the months of July and August 2013. At the meeting held on 10 September 2013, the Supervisory Board approved the annual financial statements of the Company as per 31 March 2013, having carried out a thorough examination.

The most important advisory topics for the previous financial year included:

- current development of the business in the 2013/2014 financial year,
- presentation of Company liquidity,
- investment planning,
- planning and budget for 2014/2015,
- scheduling for the 2014/2015 financial year and planning of the first Annual General Meeting as a publicly-listed company,
- future development and strategy of the Company and its segments,
- personnel planning,
- internationalisation with regard to China
- the 2014/2015 autumn programme
- and activities on the capital market.

## Composition of the Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe AG is made up of three members. After becoming a public limited company, the Supervisory Board was made up of the following members:

- Dr. Friedrich Wehrle, Chair
- Prof. Dr. Michael Nelles, Vice Chair
- Prof. Dr. Gordian Hasselblatt

## German Corporate Governance Code

The Supervisory Board dealt with the contents of the German Corporate Governance Code. At the meeting held on 10 September 2013, the Supervisory Board decided on specific objectives with respect to its composition according to the recommendations of the Code. The Executive Board and the Supervisory Board adopted a resolution on 10 September 2013 to issue a limited declaration of compliance pursuant to section 161 of the Companies Act (Aktien-gesetz - AktG), according to which the Company has complied with the recommendations of the German Corporate Governance Code in the version dated 13 May 2013, with the exception of numbers 4.2.3, 4.2.4, 5.1.2 and 5.3, since 8 October 2013, the date of the initial public offering of its shares. This declaration of compliance was made permanently available to shareholders on the Company website. (Further explanations on Corporate Governance can be found in the "Corporate Governance Report" from page 18 onwards).

## Audit of the 2013/2014 Annual Financial Statements

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, has audited the annual financial statements prepared by the Executive Board in accordance with IFRS regulations as well as the Company's Management Report for the 2013/2014 financial year and given its unqualified audit opinion thereof. The documents referred to, the proposal of the Executive Board regarding the appropriation of the net profit and the audit report of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, were submitted to the members of the Supervisory Board in good time. They were dealt with in detail at the Meeting of the Supervisory Board held on 16 June 2014, at which the Executive Board explained the annual financial statements and the Management Report, as well as the proposal for the appropriation of net profit and the annual auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, provided a detailed report on the results of the audit. Comprehensive answers were given for all questions from the Executive Board and annual auditor during the meeting. After making its own examination of the annual financial statements, the Management Report and the proposal from the Executive Board with regard to the appropriation of net profit, the Supervisory Board had no reason to raise any objection to the annual financial statements and the Management Report. The Supervisory Board agreed in its estimation of the situation of the Company with the estimation of the Executive Board, and approved the annual financial statements for the 2013/2014 financial year, which are therefore adopted. The Executive Board's proposal for the appropriation of profit was also reviewed with a view to the Company's present and expected future financial situation. Following discussions, the Supervisory Board approved the proposal of the Executive Board on the appropriation of net profit.

The dependence report according to section 312 AktG for the 2013/2014 financial year was forwarded to the members of the Supervisory Board together with the audit report well before the Meeting of the Supervisory Board. The dependence report was audited by the auditor and issued with the following certificate dated 13 June 2014 pursuant to section 313(3) AktG:

Following our audit, which we performed in accordance with professional standards, we confirm that:

1. the report is free of factual misrepresentations and
2. in the legal transactions mentioned in the report, under the circumstances known at the time when they were undertaken, the consideration paid by the Company was not unreasonably high.

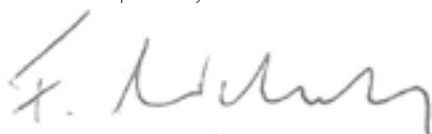
At the balance sheet meeting, the annual auditor reported on the essential results of the audit and was also available to answer questions from Supervisory Board members. Following careful scrutiny of the dependence report for completeness and accuracy, the Supervisory Board reached the conclusion that no objections could be raised against the declaration on relations with affiliated companies submitted by the Executive Board at the end of the report. The Supervisory Board approved the result of the audit carried out by the annual auditor.

## Thanks from the Supervisory Board

The Supervisory Board would like to thank the Executive Board and all Company employees as well as employee representative bodies for their high level of commitment in the 2013/2014 financial year. The Supervisory Board thanks shareholders of Bastei Lübbe AG for the trust that they have placed in the Board and in the Company as a whole.

Cologne, 17 June 2014

For the Supervisory Board



Dr. Friedrich Wehrle/Chair of the Supervisory Board

## 4.2. Corporate Governance Report

### Corporate Governance – Guidelines for Business

Corporate governance means managing our company in a responsible manner. It encompasses the entire management and supervisory system of a Company. This includes its organisation, values, business principles and guidelines and internal and external control and monitoring mechanisms. The aim of good and transparent Corporate Governance is to establish responsible management and control of a company that is geared towards growth. This objective is embedded in framework conditions contained in Corporate Governance Code, among other documents.

The German Federal Government originally adopted the German Corporate Governance Code on 26 February 2002. Generally speaking it is updated on a yearly basis, most recently on 13 May 2013. The Code sets out the essential legal regulations and rules for managing and supervising listed companies in Germany, and features nationally and internationally recognised standards for proper and responsible corporate management.

Transparent corporate governance helps to foster the trust of national and international investors, financial markets, clients and other business partners, employees and the public in Bastei Lübbe AG. We publish further information on our corporate governance practices on the Internet at [http://www.luebbe.de/Investor-Relations/\\_investor\\_directors\\_dealings\\_de](http://www.luebbe.de/Investor-Relations/_investor_directors_dealings_de). Our declarations of compliance with the Code, Articles of Association as well as a summary of directors' dealings are also downloadable at this address.

We further provide information about the work of the Supervisory Board in our Corporate Governance statement. The Corporate Governance statement, together with the Corporate Governance Report, are also accessible on the Internet at <http://www.luebbe.de/Investor-Relations>.

### Shareholdings and Reportable Transactions

Apart from the regulations governing securities, achieving the optimum transparency in directors' dealings is a fundamental part of corporate governance regulations.

According to section 15 of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), the members of the Executive Board, the Supervisory Board and other persons with insider knowledge, and their close associates/relatives, are obliged to disclose any share purchases or disposals in Bastei Lübbe AG where such transactions exceed a total annual value of EUR 5,000. The Europe-wide publication requirement and all other reportable transactions are detailed on our website in the Investor Relations/Directors' Dealings area.

Where any bodies, managers or their close associates/relatives have conducted share transactions during the reporting period, these transactions met the normal market standards. There are no known conflicts of interest.

The following directors' dealing transactions were disclosed in the reporting year:



### Details of the persons subject to the disclosure requirement

Surname:	Wehrle	Schierack	Kluge	Schierack
First name:	Dr. Friedrich	Thomas	Klaus	Thomas
Company:	Bastei Lübbe AG	Bastei Lübbe AG	Bastei Lübbe AG	
Function:	Administrative or	Management	Management	Management
Supervisory Body	Body	Body	Body	

### Information about the reportable transaction

Description of the financial instrument:	share ISIN/WKN of the financial instrument: DE000A1X3YYO	share ISIN/WKN of the financial instrument: DE000A1X3YYO	share ISIN/WKN of the financial instrument: DE000A1X3YYO	share ISIN/WKN of the financial instrument: DE000A1X3YYO
Transaction type:	Purchase	Purchase	Purchase	Purchase
Date:	24/01/2014	12/12/2013	14/11/2013	24/10/2013
Price:	7.45	7.299658181	7.82	7.5206 (average)
Currency:	EUR	EUR	EUR	EUR
Number of shares:	2,500	2,750	3,000	6,903
Total volume:	18,625.00	20,074.06	23,482.00	52,437.80
Place:	XETRA Frankfurt	XETRA Frankfurt	XETRA Frankfurt	XETRA Frankfurt

### Statement of compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz - AktG):

Statement of compliance of the Executive Board and Supervisory Board of Bastei Lübbe AG pursuant to section 161 AktG on the recommendations of the "Government Commission on the German Corporate Governance Code".

### The Executive Board and Supervisory Board of Bastei Lübbe AG declare that:

The recommendations of the "Government Commission on the German Corporate Governance Code" (in the version dated 13 May 2013) announced by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) have been followed and continue to be followed by Bastei Lübbe AG with the following exceptions:

Contrary to the recommendation in 4.2.3 of the GCGC, remuneration as a whole and with regard to its variable remuneration elements is not subject to limits on the amount of asset ceilings. There is also no provision for payments to Executive Board members to not be permitted to exceed the value of two annual salaries (severance payment cap) in the event of prior termination of Executive Board mandates including ancillary benefits. The reason for this is that neither a limit on the amount of asset ceilings for variable remuneration nor the agreement of a severance payment cap were achievable in negotiations, particularly given that previous management services had been provided to the general partner of Bastei Lübbe GmbH & Co KG. When concluding future contracts with new Executive Board members, Bastei Lübbe AG intends to place limits on the amount of asset ceilings for variable remuneration.

The disclosure by name of the distribution of the total remuneration of each member of the Executive Board, broken down into fixed and variable remuneration components, as provided for under 4.2.4 DCGC, will not take place as this was resolved otherwise by the Annual General Meeting with the requisite three-quarters majority. The same applies to promises of benefits that are granted to a member of the Executive Board in the event of prior or scheduled termination of Executive Board mandates or that are modified during the financial year.

No. 5.1.2 of the GCGC provides that the Supervisory Board should particularly aim to attain an appropriate consideration of women in the composition of the Executive Board. There are currently no women on the Executive Board of Bastei Lübbe AG as the Executive Board is made up of members of the former Management of Bastei Lübbe GmbH & Co. KG. When appointing Executive Board members in future, the Supervisory Board intends to give preference to equally qualified women.

The initial term of appointment of five years should also not be the rule. The Executive Board members of Bastei Lübbe AG have been appointed for five years. The reason for this is that a shorter employment term could not be achieved in the negotiations, particularly given that previous management services had been provided to the general partner of Bastei Lübbe GmbH & Co. KG. When appointing Executive Board members in future, it will be verified whether a shorter employment term is conducive to reaching targets.

Committees as provided for in Paragraph 5.3 GCGC were not formed as the Supervisory Board currently only consists of three members. If the Supervisory Board is enlarged in future, a decision will be made with regard to the formation of committees.

ARTO PAASILINNA



Vorstands-  
sitzung im  
*Paradies*

ROMAN



■■■■■  
BASTEI  
LÜBBE

## 5. Management Report

### 5.1 Fundamentals of the Company

#### The Company and its operations

Bastei Lübbe is a media company in the form of a trade book publisher. Within the scope of its business activities, Bastei Lübbe publishes books, audiobooks, eBooks and other digital products in the genres of fiction and popular science, as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe also include the licensing of rights and the development, production and sale of gifts, decorative items and merchandise.

Bastei Lübbe breaks down its business activities into three segments: “books”, “non-books” and “novel booklets and puzzle magazines”. The books segment includes all print, audio and eBook products that can be considered books. This also includes digital series. The books segment sells products for various labels, mainly in hard-cover, paperback, pocket book, audio (digital and physical) and eBook formats. The non-books segment includes gift items in particular, which are sold under the Räder label, as well as merchandise and similar products. The novel booklet and puzzle magazines segment includes physical novel booklets and puzzle magazines.

In the reporting period, Bastei Lübbe held shares in the non-consolidated companies Moravská Bastei MOBA, s.r.o., Brno (Czech Republic), (90%), Bastei Media GmbH, Erfurt (100%), plus a 50 percent stake in PRÄSENTA PROMOTION INTERNATIONAL GmbH, Solingen, a 100 percent stake in Bastei International Limited in Hong Kong, a 25 percent stake in HPR Bild & Ton GmbH, Cologne, and a 100 percent stake in Siebter Himmel Bastei Lübbe GmbH (bookshop in Cologne).

Bastei Lübbe AG also holds a smaller stake in various book and press distribution companies, which each make up less than 5 percent of the respective subscribed capital.

Bastei Lübbe AG was listed on the stock market on 8 October 2013. It has since been listed in the Prime Standard quality segment of the regulated market of the Frankfurt Stock Exchange. By way of capital increase, the Company successfully placed 3,300,000 shares at a subscription price of EUR 7.50. On the first day of trading, shares were listed at EUR 7.40 and ended the financial year on 31 March 2014 at a price of EUR 7.46. Thus shares in the 2013/2014 financial year showed a slight 0.8 percent rise compared to when they were first listed. The average trading volume was 26,856 shares. The market capitalisation of Bastei Lübbe AG stood at approx. EUR 99.2 million on 31 March 2014.

#### Share information

Total number of shares:	13,300,000 (units)
Value of share capital:	13,300,000.00 euros
ISIN:	DE000A1X3YY0
WKN:	A1X 3YY
Code:	BST Börse: Frankfurt
Market segment:	Regulated market (Prime Standard)
Designated Sponsor:	Close Brothers Seydler Bank AG

## Corporate steering

As a public limited company under German law, Bastei Lübbe AG has a dual management and supervisory structure. The Executive Board is made up of three members: Thomas Schierack (CEO and CFO), Klaus Kluge (Chief Marketing Officer [CMO]) and Felix Rudloff (Chief Content Officer [CCO]). The Executive Board reports regularly to the Supervisory Board. The reports mainly deal with business policies and structures, current business activities and potential acquisitions. The Supervisory Board is informed of all events that could have a serious impact on the future of Bastei Lübbe AG.

The Supervisory Board appoints the members of the Executive Board and monitors and advises the Executive Board on company management. The three members of the Supervisory Board represent the shareholders. Shareholder representatives are selected at the Annual General Meeting. The Supervisory Board consists of the following three members: Dr. Friedrich Wehrle (Chair of the Supervisory Board), Prof. Dr. Michael Nelles (Vice Chair of the Supervisory Board), and Prof. Dr. Gordian Hasselblatt.

The Executive Board and Supervisory Board take various corporate steering measures. Firstly, the purchase of rights (book and others) is subject to the obligation of prior calculation of the relevant right. It is imperative that this prior calculation should, as a safeguard, lead to an EBIT of at least 8 percent, so that the right may actually be purchased. This advance calculation is available to the Executive Board. One year following the exploitation of the relevant right, a post-calculation will take place with regard to said rights, which is also made available to the Executive Board and discussed with the employees in question.

The Company also uses a segment- and department-based reporting system. Monthly performance-target analyses are carried out in relation to the previous year and plan. The Executive Board receives this information on a monthly basis.

## Strategy and business segments

Having started out as a German-language trade book publisher, Bastei Lübbe is well on its way to becoming an international media company. Strategic emphasis for the next few years will be placed on the books segment, particularly in the digital sector. This segment's share in the total turnover of Bastei Lübbe is close to 80 percent. Growth potential is considered to lie both in physical books, but particularly in the digital sector.

The share of digital products as a part of overall turnover has doubled almost on an annual basis in recent years. Incorporating turnover from digital audio, the digital share in overall turnover equates to more than 14.5 percent. We plan to continually expand this area.

Turnover from print media in the DACH area will either stagnate or fall slightly according to the estimations of industry experts. Any decline in sales in the print media area should be compensated by further top authors joining the DACH area of Bastei Lübbe AG and by the expected growth in the digital sector. Overall, our international strategy is attracting increased international attention to our publishing house. This gives Bastei Lübbe the opportunity to add more top authors to its base in future.

The Executive Board of Bastei Lübbe expects to see sustainable growth over the next few years in the digital sector, and particularly in the international digital sector. Bastei Lübbe products are currently available in German, English and Mandarin. We plan to include Portuguese and Spanish as additional languages. We also plan to expand our English and Mandarin products by establishing joint ventures with local partners in China and the USA. The goal of the joint ventures is to promote local sales, but in particular to also ensure that national and international content is being developed and written in these countries. In this respect, the clear strategy



for the next few years is to exploit even more international digital content. In addition to producing content ourselves, another focal point is the national and international acquisition of comprehensive rights, where possible global rights, particularly for international digital exploitation.

Having its own nationally and internationally exploitable rights will then allow Bastei Lübbe to enter into B2B transactions, in other words it will allow us to sell our own content to business customers (e.g. airlines, car manufacturers, retirement and long-term care homes).

The novel booklet and puzzle magazine segment has been extremely stable for several years now, and is expected to move at a similar level in future. Along with another competitor, Bastei Lübbe is an outright market leader in the novel booklet sector. Bastei Lübbe is among the Top 5 publishers of puzzle magazines. Making additional purchases could be a sensible move in terms of increasing efficiency and strengthening market position.

The non-books segment will be subject to limited growth opportunity over the next few years. Following the scheduled change of top-level management in this segment as per 31 December 2013, we now need to put the product range to the test. We have also pushed forward with foreign business in recent months.

## 5.2 Economic report

As a trade publishing house, Bastei Lübbe is predominantly active in Germany but also to an extent in other German-speaking European countries. At EUR 18.1 million, the share of foreign business in Bastei Lübbe's overall turnover for the 2013/2014 financial year stood at 16.8 percent (incl. turnover from Amazon digital and Apple, invoiced from Luxembourg). The planned internationalisation of the digital media sector aims to increase the share of foreign business, focusing on English, Spanish and Mandarin.

### Economic conditions

Following the economic slowdown of recent years, the global economy began to show signs of recovery in 2013. Global uncertainty on the financial markets receded in the last twelve months despite the conflict in Ukraine. The growth rates of individual regions varied greatly, however. According to the International Monetary Fund, the global economy grew by approx. 2.9 percent in the reporting period 2013, compared to 3.2 percent in the previous year. Earlier IMF expert forecasts had however predicted higher growth. The World Bank estimates that the global economy grew by roughly 2.4 percent in 2013 year-on-year.

Emerging markets once more contributed to this moderate positive development. With GDP growth of 7.6 percent, China was yet again the driver of global economic growth. Positive signals are also gradually coming from the industrialised nations. Trends within the Eurozone however remain weak. With a year-on-year GDP decline of 0.4 percent, the recession in the Eurozone continued in 2013. The peripheral countries Greece and Spain were particularly affected by this development. Experts suggest that the credit crunch in these countries is the cause of this negative trend. These two countries also had the highest unemployment rates in the Eurozone, with more than 25 percent of people unemployed, which also has a negative impact on consumer spending. Italy and Cyprus are other EU countries that remain in deep recession.

Despite budget debates, the USA reported a positive economic performance according to the International Monetary Fund. GDP growth in the largest global economy stood at around 1.6 percent year-on-year. According to the annual economic report by the German Federal Government, the German economy grew by 0.4 percent

in 2013. German exports to countries outside of the Eurozone in particular reported positive growth. Domestic demand, however, fell slightly in the reporting period. The German unemployment rate stood at 6.9 percent in 2013, almost mirroring that of the previous year.

## **Industry environment in the segments of Bastei Lübbe AG's business activities**

### **Books segment**

Thanks to improved retail sales, the German book market is starting to recover. Following predominantly negative development over the last few years, in-store book sales grew by 0.9 percent in 2013 according to the German Publishers and Booksellers Association. Thus this downward trend has been stopped in its tracks. Diversity of business models and high-quality services have been rewarded by customers. Campaigns such as *Vorsicht Buch!* (Watch out, a book!) also contributed to this moderately positive trend. The entire private consumer market, which also encompasses e-commerce, department stores and railway station bookshops, stagnated at the previous year's level, however. Declining online sales in particular led to this negative development. Experts of the German Publishers and Booksellers Association, however, expect the German book market to stabilise.

Self-help reference works were one of the most commonly bought retail book products in Germany in 2013. Turnover from hobby, sport and cooking books grew by 5.8 percent in this period year-on-year. Interest in travel literature was also higher than average. Turnover for this product group increased by 3.9 percent in the reporting period compared with the previous year. Non-fiction books were also on-trend at the end of the reporting period. Fiction sales, however, suffered a slight drop in the last year. Traditionally the strongest domestic in-store product group, experts estimate that turnover in this segment decreased by 1.7 percent compared to 2012.

Audiobook sales were at a high level, growing by 6 percent in 2013 compared to the previous year. Hardcovers and softcover titles were also right on trend, reporting growth of 2.1 percent in the reporting period. Sales revenue from paperbacks however fell by 2.6 percent. Among the various formats, online sales of hardbacks (with both hard covers and soft covers) continue to contribute the largest share of turnover. This is followed by paperbacks and audiobooks.

The various methods of distribution on the book market can be split into the main areas of retail book sales, direct sales from the publisher, online sales and other sales. Although retail sales have experienced considerable turnover decline in recent years, this remains the most important form of book distribution in Germany. Retail sales experienced a reversal of this negative trend in 2013, and in fact reported growth in sales. The main reasons for this are personal contact, individual advice, the in-store shopping experience and the purchase of non-available items. Despite experiencing a slowdown in sales in 2013, the Internet remained the third-strongest distribution channel for the book market according to estimations. This method of distribution had reported the strongest growth in recent years.

### **Non-books segment**

The German market for gifts has been a growth area for several years despite a certain economic affinity. According to the Cologne Institute for Retail Research, Germans spend over EUR 10 billion on gifts each year. Average personal expenditure on gifts is also rising. According to a representative survey by the German Consumer Research Organisation (Gesellschaft für Konsumforschung - GfK), every German above 14 years of age spends around EUR 400 per year in gifts. This equates to a total annual German gift expenditure of around

EUR 27 billion. New Internet applications such as mobile shopping are amplifying this trend.

According to experts, the most important segment for the gifts market as a whole in Germany is “living and deco”. This comprises living/table accessories, office accessories and writing culture, seasonal decorations and party decorations, and represents a total share of more than 50 percent. Wellness and cosmetics products are also on-trend. Depending on the event, technology is one of the preferred gifts according to the industry association BITKOM.

With a 50 percent stake in PRÄSENTA PROMOTION INTERNATIONAL GmbH, Bastei Lübbe is active in the advertising materials industry. According to a study commissioned by the Association of Advertising and Business, turnover for promotional materials increased from EUR 2.8 billion in 2004 to EUR 3.5 billion in 2011. At EUR 3.4 billion in 2013, it was only slightly below the previous year’s level. While small companies reduced their expenditure on advertising materials slightly in the past year, positive trends were recorded for large enterprises.

With regard to the income of advertising media, promotional materials ranked second, behind the television segment. Around 76 percent of all German companies with more than 50 employees make use of promotional materials to communicate with their customers. A study has revealed that recognition, image profiling and a positive contribution to the brand are the main reasons for using advertising materials. Thus price is not the primary motive for the companies surveyed. Function, coherence with the relevant company and the quality of products also play a key role. This opens up opportunities for service-providers who focus less on quantity and more on offering high-quality products at attractive prices.

### **Novel booklets and puzzle magazines segment**

According to the Association of German Newspaper Publishers, this segment consists almost entirely of reading material for the end customer. The products in this area generate almost no advertising revenue, and therefore live on circulation revenue. The Association predicts that the share of novels, comics and puzzle books equates to around 10 percent of the total turnover from retail sales. A large range of magazines are on offer. However, studies show that most end customers tend to buy several novel booklets or puzzle magazines in one purchase. A wide range, clear presentation of products and individual retail advice are key prerequisites for customers making such multiple purchases.

According to the Association of German Book, Newspaper and Magazine Wholesalers, a total of roughly 2.2 billion press and press-like products were sold at ca. 116,000 retail press outlets in Germany in 2013. This equates to a turnover of more than EUR 2.3 billion. Novel booklets and puzzle books represent one of the comparably smaller segments of the press sales market. This is evidenced by intensive predatory pricing, which continued to be intensive in 2013.

Information sources vary with regard to the number of puzzle magazines available on the German market. According to dnv, Magazin für Presse-Marketing und -Verkauf, around 260 different titles are currently available in the puzzle books segment. Just 30 percent of these have been on the market for 8 years or more. Brands, and brand loyalty, have been shown to play a considerable role in this area in recent years. The Pressereport magazine claims that having a strong print brand as a base is conducive to puzzle magazine sales.

Unlike the puzzle magazine market, which is characterised by new providers and strong predatory pricing, a Media Control study has shown that the classic novel booklet segment only has one large market player besides Bastei Lübbe. Having a devoted readership is key for this segment. Multiple purchases are also a common occurrence. Positive image and strong customer loyalty are hence also crucial in this segment.

Bastei Lübbe is the leading German supplier of men's novel booklets. Around 20 percent of the turnover is achieved from railway station bookshops and foreign sales. Traditional retail press sales also play a considerable role for the Company. Austria and Switzerland are additional key markets for Bastei Lübbe. We also supply novel booklets in other European countries during the holiday and seasonal periods.

The main target group for the novel booklet and puzzle magazine sector is the over 50s. Despite rapid technological development, digital media are still not widely used in this segment. They do however represent an important tool for retaining existing customers and reaching potential new ones.

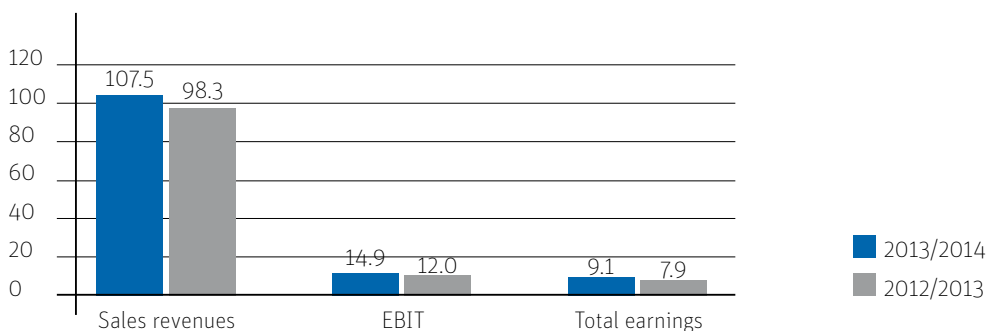
## 5.3 Business development

### General statement by the Executive Board

The 2013/2014 financial year was a very successful one for Bastei Lübbe, ending once again with considerable profits. The positive developments of recent years continued. Turnover increased from EUR 98.3 million to EUR 107.5 million.

### Financial performance

The development of EBIT during the report period was equally gratifying, rising from EUR 12.0 million to EUR 14.9 million. Total earnings increased from EUR 7.9 million to EUR 9.1 million, taking into account the fact that total earnings in the previous year only incurred trade tax, and not corporation tax.



This positive development was spread across all three segments. Turnover in the books segment rose from EUR 79.1 million to EUR 85.8 million; turnover in the novels and puzzle magazines segment increased from EUR 8.7 million to EUR 10.2 million, and turnover in the non-books segment grew from EUR 10.5 million to EUR 11.5 million.

In addition to the impact of the first full recognition of revenue of the Companies merged in the previous year, this positive development in turnover can also be attributed to the successful marketing of authors such as Dan Brown, Jeff Kinney, Sebastian Fitzek and Timur Vermes, among others.

The improved cost of materials ratio (the ratio of material expenses to revenue) also contributed positively to the development of earnings. Authors' fees thus developed proportionately to the development in turnover. This improvement in the overall ratio can be attributed in particular to miscellaneous material costs in the area of printing costs and other related services that were bought in.

Personnel expenses rose to around EUR 4.0 million. This resulted from a rise in the number of employees by 44. In addition, this item has included expenses for the Executive Board since our becoming a public limited company. In the previous year, management costs were passed on by our general partner and recorded as other operating expenses.

Other operating expenses (incl. the extraordinary costs incurred in the course of stock market listing) rose to EUR 1.8 million. These can be attributed in part to our listing on the stock market; however, there were also revenue-driven additional expenses in the distribution sector.

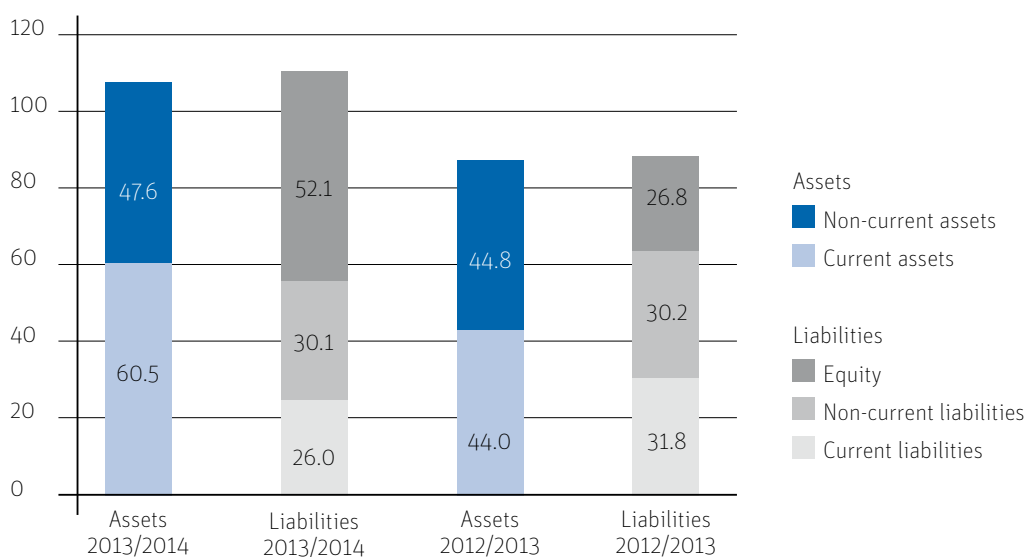
The EBIT for the books segment stands at EUR 14.6 million (previous year: EUR 9.8 million), the EBIT for the novel booklets and puzzle magazine segment stands at EUR 1.1 million (previous year: EUR 1.1 million), and that for the non-books segment stands at EUR 777,000 (previous year: EUR 1.1 million).

The poor EBIT for the non-books segment was the result of a scheduled depreciation but also caused by restructuring costs in relation to the departure of previous management and a reduction in the number of representatives.

Compared to the EBIT, the annual result rose at a lower rate with EUR 9.1 million (+EUR 1.1 million). This can be attributed to the higher tax ratio given our change in legal form.

### Assets and financial position

The balance sheet total at the reporting date of 31 March 2014 stood at EUR 108.1 million, a EUR 19.4 million increase compared to the previous year. This significant rise mainly resulted from the capital increase carried out over the course of our becoming a listed company in October 2013.



With regard to assets, long-term assets remained roughly unchanged at EUR 47.6 million compared to the previous year (EUR 44.8 million). Short-term assets however increased from EUR 44.0 million to EUR 60.5 million. This increase arose in the areas of financial assets, now at EUR 15.1 million (previous year: EUR 4.0 million) and cash and cash equivalents now at EUR 12.2 million compared to EUR 79,000 in the previous year.

In terms of liabilities, equity rose from EUR 26.8 million to EUR 52.1 million. The equity ratio now stands at 48.1 percent compared to 30.2 percent in the previous year. Long-term liabilities remained stable at EUR 30.1 million (previous year: EUR 30.2 million). This relates to the bond that will become due in October 2016. Short-term liabilities have dropped from EUR 31.8 million to EUR 26.0 million. This reduction is particularly the result of financial liabilities falling from EUR 9.5 million to EUR 4.0 million due to a reduction in bank liabilities.



Bastei Lübbe founded a 100% subsidiary in Hong Kong (Bastei Lübbe International Limited) during the reporting period which will be responsible for Chinese operations. We also acquired a 25 percent stake in the newly founded HPR Bild & Ton GmbH.

### **Liquidity and financing**

Bastei Lübbe's financial resources comprise cash on hand, cash at banks and bank overdrafts.

In addition to equity, the Company is financed by a loan of more than EUR 30 million, which remains payable until October 2016. Liabilities to banks have been reduced from EUR 6.16 million to zero. The portfolio of securities has correspondingly risen from zero to EUR 10 million and cash and cash equivalents from EUR 79,000 to EUR 12.2 million.

Bastei Lübbe possesses a stable financial and liquidity structure and is in a position to fulfil its payment obligations at any time.

Both the liquidity position and earnings/assets and the financial position have continued to develop positively overall. This has led Creditreform Rating AG to upgrade the Company's rating to BBB+.

## **5.4 Non-financial performance indicators**

### **Employees**

In the 2013/2014 financial year, Bastei Lübbe employed an average of 288 employees compared to 242 in the previous 2012/2013 financial year. These figures do not include employees of the non-consolidated Czech subsidiary Moravská Bastei MOBA, s.r.o., Brno (Czech Republic) or our other holdings Bastei Media GmbH and PRÄSENTA PROMOTION INTERNATIONAL GmbH.

Around 2/3 of employees are female and 1/3 are male. In terms of age structure, almost 20 percent of the employees are under 30, 29 percent are between 30 and 39, 24 percent are between 40 and 49 and 20 percent are between 50 and 59. 20 employees left the company in the reporting period and 64 new employees were hired.

Our employees form the foundation Bastei Lübbe AG's success. We take an individual approach to our training activities, promoting employees' strengths and giving them support. Thus employees are given the opportunity to discuss individual development prospects and further training at annual meetings. The majority of our employees have years of industrial experience. Key members of staff share in our business success by way of bonuses.

### **Sustainability**

For us, sustainability refers to the successful combination of economic success with environmentally compatible and socially balanced behaviour. We are well aware of our responsibility towards future generations.

An integral part of our corporate strategy is to make sparing use of resources. When purchasing paper and printing, we attach great importance to the consideration of our sustainability strategy.

### **Social responsibility**

As a media company we are also well aware of our high social responsibility. We reach four million readers every year with our novel booklets, puzzle magazines, books and eBooks. The content we distribute thus has an impact on our readers' opinions. When selecting our range, down to the individual title, we take our social responsibility into account. With our non-fiction books in particular we try to stimulate social and political dialogue.

We also donate to non-profit organisations, particularly in the children's sector, in an attempt to do justice to this requirement profile. The Ursula Lübke Foundation, associated with the Lübke family, supports this effort in particular through children's literature projects and so on.

## Procurement

Amongst other things, long-term supplier relationships are key to the economic success of Bastei Lübbe. This applies to the most frequently outsourced service areas such as delivery, printing, paper procurement, etc. Bastei Lübbe mainly works with two leading German printing houses for its printing services. Framework agreements extending over several years have been concluded with both of these companies. The same applies to deliveries. In the non-books segment we have numerous contracts with suppliers and manufacturers in Asia. Here employees of Bastei Lübbe are informed at least once annually about local working conditions and have representatives in Asia who check these working conditions during the year.

## Research and development

As a publishing house, Bastei Lübbe AG does not generally carry out basic research.

## 5.5. Supplementary report

As per 16/05/2014, Bastei Lübbe has a 51 percent stake in Hamburg-based Daedalic Entertainment GmbH. The sellers were former partners, who remain shareholders with a combined 49 percent stake in the Company. Daedalic Entertainment GmbH is well-known for its award-winning adventure- and story-based computer games. The Company is one of the best game developers and publishers in Germany. In 2009 and again last year, the game maker was elected "Studio of the Year". In the 2013 financial year, Daedalic Entertainment GmbH achieved an EBIT margin of just over 10 percent with turnover of around EUR 6 million. By 2015, the Hamburg-based company plans to increase its turnover from approx. EUR 14 million in 2013 to approx. EUR 14 million as well as achieving EBIT growth of more than EUR 2 million. Holding a stake in Daedalic Entertainment GmbH enables Bastei Lübbe to considerably expand its national and international ranges, particularly in the digital sector. Besides eBooks, enhanced eBooks, digital audio and combinations of these products (read & listen), we are now able to offer games.

We acquired a majority stake in Munich-based BookRix GmbH & Co. KG on 22 May 2014. BookRix GmbH & Co. KG is one of the largest self-publishing platforms in Germany with huge growth potential. It already reaches around 560,000 users via its own eBook platform, and more than 4,000 new users register every month. BookRix supplies digital content to almost all online stores, including market leaders such as Amazon and iTunes. Around 1,000 new eBooks are currently published on the platform each month. Our stake in BookRix represents a strategic move to generate own content. For the moment we do not expect to achieve large EBIT increases.

By investing in both of these digital companies, Bastei Lübbe is consistently following its path with regard to the expansion of its high-growth digital sector and increased internationalisation.

On 2 June 2014 two voting right notifications were issued and submitted to the Federal Financial Supervisory Authority (BaFin) and the Business Register.

### **Bastei Lübbe AG: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), intended for Europe-wide distribution**

Lübke Beteiligungs-GmbH, 51063 Köln, Germany, informed us on 30 May 2014 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had exceeded the threshold of 20

percent of the voting shares on 27 May 2014 and now amounted to 18.80 percent (corresponding to 2,500,000 voting shares).

**Bastei Lübbe AG: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandels-gesetz - WpHG), intended for Europe-wide distribution**

Lübbe Beteiligungs-GmbH, 51063 Köln, Germany, informed us on 2 June 2014 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had gone below the threshold of 15 percent of the voting shares on 2 June 2014 and now amounted to 12.78 percent (corresponding to 1,700,000 voting shares).

No further events have occurred since the balance sheet date that are of material importance for Bastei Lübbe AG and might result in a change in opinion regarding the company's position.

## 5.6. Risk and opportunity report

### 5.6.1. Risk Management

The primary objective of Bastei Lübbe AG is to expand revenue and to increase the EBIT in particular, as well as achieving sustainable positive earnings to increase the value of the Company. As an internationally active Company, we are exposed to a variety of business opportunities as well as risks. Bastei Lübbe AG aims to achieve a balanced opportunity/risk ratio, regularly analysing and monitoring the opportunities and risks of business activities as well as taking appropriate action where necessary.

### 5.6.2 Organisation of the opportunity and risk management system

The risk management system identifies individual risks and prepares them in a transparent manner. Suitable steering measures and suitable preventive action are then included in the decision-making and business processes and the continual adaptation, further development and optimisation of these measures assured. The Executive Board and management are responsible for identifying and handling existing and potential key risks comprehensively and as soon as possible. Clear-cut, appropriate risks as well as controllable risks are entered into deliberately where a reasonable rate of return is to be expected. Risks are insured against where possible. Suitable countermeasures are taken for all other risks, and adherence to these measures regularly monitored. The steering measures and risk situations are revised and updated on request but at a minimum twice annually.

Overall risk management is the responsibility of the Executive Board. The Executive Board defines the risk policy and decides on the risks to be borne as well as the steering measures.

Where risks emerge that have a large impact on the risk situation of the Company, the Executive Board is informed immediately. The Executive Board regularly informs the Supervisory Board about risk management.

### 5.6.3 Description of major individual risks

Risk assessments analyse the following fields in particular, as they relate directly to the financial, asset and earnings situation of the Company:

**Undesirable economic development due to a lack of programme material:**

Bastei Lübbe plans content within a timeframe of 18 to 24 months. This applies to the books segment, both for physical as well as digital products. This also applies to the novel booklets and puzzle magazine segment, as well as to the non-books segment. Should gaps exist in terms of content, these should become apparent in the early planning stages. Lists are compiled on a monthly basis and made available the management and Executive Board.

### **Undesirable economic development due to too low turnover:**

The Company has a department- and segment-based reporting system, which is discussed in monthly meetings held between the Executive Board and commercial managers. Undesirable developments with regard to turnover, liquidity, etc., can be offset in the short term by taking suitable action.

### **Undesirable economic development due to the payment of excessive guarantees:**

When purchasing rights it is common for authors to be promised a guaranteed payment. With top authors this amount can go into the millions. The balance sheet clearly shows that the manuscript inventory for example (stock of prepaid authors' fees) stands at nearly EUR 26.2 million in the reporting year. Bastei Lübbe conducts follow-up calculations for all titles and series. These follow-up calculations show whether the guaranteed payments made paid to authors were adequate or too high. If guaranteed payments were too high, appropriate measures are taken such as negotiations with authors when renewing book contracts, etc., in order to avoid economic losses in future.

### **Inability to deliver can lead to losses in turnover:**

Particularly with hit titles it is essential that they make the bestseller list. It is therefore important that these titles can be delivered. Inability to deliver can lead to titles going out of print and therefore not being sold. The Company works with two main printing houses who have agreed framework agreements that obligate them to basically reprint books in the shortest time possible (five days) and to send them to a central delivery point. Availability meetings are also held every week which, based on sales from recent weeks, months and days as well as remaining warehouse stock, allow us to determine exactly when we will no longer be able to deliver, so that we can place printing orders in good time. The Executive Board is informed about the appropriate measures in these meetings.

### **IT risks:**

Bastei Lübbe has its own IT department. It also outsources important tasks. Outsourcing central tasks and thereby being able to remain at least partially capable of operating without internal IT structures for a certain time considerably reduces the direct economic risk. Particularly notable here are our central delivery point with its debtor management, which uses traditionally accessible banking for incoming and outgoing payments, as well as the outsourced services of the accounting and payroll department.

### **Industry/market-related risks:**

With regard to industry and market-related risks, it must be noted that the further technical development of the media, particularly in terms of the Internet, will also contribute towards sustainable change, particularly for trade book publishers. A key element of Bastei Lübbe's strategic development is to try to anticipate the resulting changes and – sometimes together with advisers – develop models of success geared towards the future. This is why Bastei Lübbe is focusing more strongly on the marketing of its own content and acquiring its own national and international rights. The basic prerequisite for the success of this strategy is that our content continues to be consumed. If fundamental changes to the reading behaviour or purchasing behaviour of digital content in particular were to occur, this would threaten the Bastei Lübbe business model. The same would apply even if fundamental consumer behaviour did not change but if Bastei Lübbe were not in a position to filter out the right content for customers. There is a surplus of content and rights in this area. It will also be a challenge to discover with the right tools what content is being consumed by which consumers in which countries.

### **Partner dependency:**

We continue to be dependent on certain key partners in terms of authors, but also of consumers. Our work with major clients such as Amazon in particular is currently being put to the test as a result of unjustified demands with

regard to the conditions of business. Developments in the USA are being closely followed, where certain publishers are currently being discriminated against by Amazon. Sanctions of this kind could have a detrimental effect on Bastei Lübbe, particularly in the digital sector. Nevertheless, it has been agreed not to grant any major client conditions that necessarily and permanently lead to reduced business performance.

#### **Tax risks:**

It must be taken into account in the digital sector that a large number of sales come from companies based in Luxembourg. European legal provisions only subject these transactions to 3 percent VAT. This preferential treatment is set to run out on 31 December 2014. As of 2015, digital turnover will be charged at the tax rate (VAT) prevailing in the recipient's country. This would currently be 19 percent for Germany. However there is talk of setting the VAT for eBooks in line with that of physical books, i.e. at 7 percent. Bastei Lübbe has accounting for this in its planning by adapting turnover growth in the eBooks sector accordingly.

#### **General privacy rights:**

Bastei Lübbe products can infringe on the privacy rights and other individual rights of third parties, which can lead to injunctions and damage claims being filed. In turn this would then have long-term effects on business development. Bastei Lübbe aims to reduce this risk by training proofreaders to look out for critical content and having lawyers cross-check critical content before publication.

#### **Piracy:**

As with the film and music industry, the books industry expresses concern about the possibility of downloading illegally from the Internet. Bastei Lübbe has commissioned a law practice specialised in this area to follow copyright infringements on the Internet. In principle, the economic risk for Bastei Lübbe can be deemed as being in line with the market.

#### **Currency risks:**

Bastei Lübbe AG acquires licences from the USA and other countries. It also produces non-book products in Asia. Where necessary, appropriate hedging measures are taken.

#### **Risk related to the use of financial instruments:**

Currency forward transactions with runtime options are entered into to limit the risk of cash flow in other currencies – currently only purchases made in US dollars – for the non-books segment.

Interest rate change risks are countered by suitable instruments from the derivatives market where necessary (e.g. exchange of fixed for variable interest rates). This is not currently necessary, however, as the Company has not taken out any relevant loans.

#### **Opportunities:**

Digital internationalisation will enable Bastei Lübbe to enter new markets. New markets in this instance means Anglo-American markets in particular, where predatory pricing is common, but also the Mandarin-speaking region, which will be a completely new market. This would increase the number of potential new consumers more than fifteen-fold. However, this is contingent both on people in these countries wanting to read digital content and on Bastei Lübbe finding the right content for them.



## 5.7. Forecast

### Economic conditions

According to experts at the World Bank and the International Monetary Fund, the global economy should continue to grow at a rapid pace in 2014/2015. Economists report that available indicators point towards positive developments for the global economy in the coming years. The predicted economic recovery remains fragile, however. Continuing structural problems in the Eurozone and in some developing countries come with inherent risks. Further budget discussions or a lack of agreement between Republicans and Democrats in the US could have a negative impact on the global economy. A worsening of the national debt situation in leading industrial nations can also slow down global economic recovery. Political conflicts such as the current crisis in Ukraine also have the potential to foster greater uncertainty on the financial markets.

The International Monetary Fund predicts global economic growth of 3.6 percent for 2014. This is set to increase to as much as 3.9 percent in 2015. The World Bank has predicted global GDP to grow by 3.2 percent this year compared to 2013. China remains a key growth driver for the global economy. GDP for the People's Republic is set to increase by 7.5 percent this year. Improved figures in the industrial nations also contribute to this positive trend. Economists predict that the developed nations will be important drivers of growth for the global economy in the coming years.

A majority of experts are optimistic with regard to the Eurozone. Economic performance in the Eurozone is expected to grow by around 1.0 percent compared to 2013. Initial recovery signs are being seen in Spain in particular following recent years' recession. According to current IMF predictions, the country's GDP is set to grow by 0.8 percent in 2014. Economic development in the Eurozone however remains varied. Much will depend on the future development of countries that have come under pressure.

In their economic forecasts, IMF economists predict GDP growth of 1.6 percent for Germany in the current year. This positive trend should continue in 2015, with growth of around 1.4 percent. Experts predict that the unemployment rate in Germany will remain fairly constant. The GfK consumer confidence index is also showing positive developments. It has been rising for several months and reached a level of 8.5 points in May 2014.

### Future industry situation

#### Books segment

According to experts, the following factors will have a significant impact on turnover from the books market in the future: Demographic change in Germany and the transformation of printed books to digital media. An example of the latter is the rapid development of eBooks.

According to PwC expert estimations, demographic change will exert a serious impact on the German book market in several ways. On the one hand, the frequent reader group of the over 40s is growing. However, turnover from school and revision books is falling due to the shrinking pupil population. Another influential factor is the rapid development of digital media. Their increasing importance will have a profound impact on the books segment in the coming years. This development is mainly supported by the rapid market introduction of new end devices, which is increasing competition among manufacturers, and leads to a fall in prices in most cases. An increasing number of readers are now able to afford fast, modern devices. Thanks to modern Internet infrastructure, you can also download new books on-the-go and recommend them with just a few clicks.

Intensity of use is also rising in the digital sector. An average of 2.8 eBooks were purchased annually in 2011, while PwC reports that this average figure was as high as 3.8 in 2012. eBook buyers purchased an average of 6.4

digital books in 2013. According to GfK, turnover for eBooks in Germany rose by 60 percent to EUR 163 million year-on-year. A total of about 22 million eBooks were bought in Germany in 2013. GfK experts predict that every second euro spent on books will come from online purchases by 2020. The share from retail booksellers will continue to fall, however, and will be around 42 percent by 2020.

The expansion of the digital sector is forecast to overcompensate for the sales decline experienced by traditional sales channels. This is the case for fiction in particular. According to a PwC forecast, turnover in this segment from printed books will continue to fall on an annual basis until 2016. It will rise disproportionately in the eBook segment, however. Thus a cumulated annual turnover increase of 1.0 percent is expected for the non-fiction segment until 2016. According to PwC estimations, the share of eBooks in this product group in the overall turnover should increase in Germany to 15 percent by 2016 from 4 percent currently.

According to data collected by GfK, the aforementioned trends are not simply about cannibalising printed books. Offering digital products allows companies to gain new customers.

### **Non-books segment**

According to experts, the German market for gifts remains a growth market. A study by the Institut für Handelsforschung in Cologne (IFH Cologne) revealed that this segment had developed more positively than average over recent years. It has established itself as an important customer magnet for retailers. According to a study carried out by the Institut für Demoskopie Allensbach, published in "Die Welt", 87 percent of Germans like to give presents. Nine percent of study participants take little or no joy in giving presents.

This segment is also an international growth segment, despite a certain economic dependency. Experts in Russia expect increasing demand for higher-quality, more expensive goods in future. Market observers predict both qualitative and quantitative growth in this segment. Demand for unique gifts in particular is on the up. The establishment of Western traditions in Russia has also transformed the seasonal goods market. Christmas and New Year generate attractive business in Russia. Around 15 percent of all Christmas gifts are imported from Europe according to experts at Leipziger Messe International GmbH.

With its stake in PRÄSENTA PROMOTION INTERNATIONAL GmbH, Bastei Lübbe is also active in the promotional materials industry. Many companies see promotional materials as a key way of increasing recognition, profiling their image and promoting customer loyalty. A study carried out by the DIMA market research institute has revealed that promotional materials are popular and frequently used. This suggests a stable development in the current year also. According to data from the international network for promotional products PSI, we can expect to see significant increases in the industry. Over half of the foreign promotional product distributors surveyed in a study expected increasing sales.

### **Novel booklets and puzzle magazines segment**

An estimated 12 million people or so in Germany enjoy solving crossword puzzles. According to data from the Deutscher Rätselverlag (German Puzzle Association), there are currently around 400 German puzzle magazines. Experts claim that the main reason so many people buy these products is to test their own knowledge, vocabulary and memory. Keeping mentally fit and competing against others are further reasons for the popularity of puzzle magazines. Solving crosswords is an interesting pastime for older people in particular. Given that the German population is becoming older, forecasts for the further development of this industry are positive.

According to a Media Control study, Bastei Lübbe is one of the leading publishers of novel booklets in Germany. The Company has also expanded its core readership in this segment over the last few years. A further relevant

aspect is customers making multiple purchases. Thanks to its international diversification, Bastei Lübbe is also less dependent on trends on individual markets.

Key target groups for novel booklets are also readers aged over 50. The demographic situation in Germany and Europe also holds opportunities for stable future development.

### Forecast and outlook

Bastei Lübbe anticipates that it will be able to produce consolidated financial statements for the current financial year (2014/2015). Taking this consolidation into account, turnover will show moderate growth. While this growth is partly the result of this initial consolidation, it is also due to the books and non-books segments, while turnover in the novel booklet and puzzle magazines segment is expected to be at the same level as the previous year. Turnover as a whole, and from the books segment in particular, mainly comes from the digital sector, whose percentage increase has however decreased this year compared to the previous financial year. Foreign turnover, particularly from the envisaged joint ventures with China and America, is not expected to be reaped until the financial year 2015/2016. The resulting launch costs will however negatively impact earnings for the current financial year.

On the whole, Bastei Lübbe anticipates EBIT to return to the previous year's level. While the costs of the initial public offering are no longer being incurred, Bastei Lübbe is investing in the digital sector (personnel and technology) and in both of its envisaged joint ventures. The resulting startup expenses reduce EBIT. Further possible investments are not currently included in the planning.

Bastei Lübbe's turnover and earnings for the first quarter of the 2014/2015 financial year are expected to be below those of the same quarter of the previous year, as a high contribution to turnover and earnings in the first quarter of 2013/2014 was achieved by the publication of Dan Brown's bestseller "Inferno" in May 2013. This represented EUR 9 million in revenue. Bastei Lübbe has not published a comparable bestseller in 2014/2015. According to the estimations of the Executive Board, however, this absent turnover in the first quarter will be overcompensated in 2014/2015 as a whole by revenue in the second and third quarter. Considerably better contributions to turnover and earnings are expected from bestselling author Ken Follett's new book in particular, the third part of whose Century trilogy will be published in the second quarter of 2014/2015 under the title "Kinder der Freiheit" (German title).

The 2014/2015 financial year will be a year for expansion. We will push forward with our goal of becoming an international media house and in particular with digital internationalisation. We will need to invest in manpower - in Germany as well as in China and the USA. Bastei Lübbe will also be investing heavily in self-development this year, as well as in the purchase of content that can be exploited digitally and on a global scale. The resulting turnover is likely to start to accrue in the fourth quarter of 2014/2015 at the earliest, but more likely not until the next financial year. The same applies to the synergy effects and cooperation with our shareholders Daedalic Entertainment and BookRix GmbH & Co. KG. Significant impacts of this are also expected to be seen in the 2015/2016 financial year at the earliest.

The online and browser games segment is a growth market. This incorporates the categories online and browser games, as well as virtual bonus content. Online games are played mainly or exclusively via the Internet. Prior program installation is necessary in most cases. Browser games are played directly in a web browser or on social networks - without needing to acquire special gaming software. Virtual bonus content refers to charged in-game transactions that are offered in addition to the games. With this in mind, our stake in Daedalic Entertainment GmbH ought to have a long-term positive impact on the Company's economic development over the next few years.

In addition, Bastei Lübbe plans to market content to business customers, such as airlines, car manufacturers, and retirement and long-term care homes. This is lucrative additional business as the content is generally already available and does not need to be developed.

The Executive Board anticipates positive developments all in all for the current and upcoming financial years.

## **5.8 Report on the internal controlling and risk management system with regard to accounting**

The aim of the internal controlling system at Bastei Lübbe AG is to safeguard the Company's assets. Checking adherence to internal requirements (particularly turnover and EBIT), legal provisions and sound reporting and accounting procedures are measures connected with the ICS. The control activities performed to ensure the accuracy of accounting are relative to all segments of the Company.

Examples of certain control processes:

- Four-eye principle for reporting and as part of closing processes,
- monthly reporting related to overall turnover, turnover by segment and earnings, including performance-target comparisons and references to previous years,
- organisational measures in connection with access permission to accounting and financial systems.

Despite these efforts, neither the internal controlling system nor the opportunity and risk management system can guarantee total certainty with regard to the achievement of the related objectives. As with all discretionary decisions, those taken with regard to the implementation of appropriate systems can be fundamentally flawed. Controls may not be functional in individual cases due to errors or mistakes, or changes to situational variables may not be recognised until a later stage despite appropriate observation. The same applies to intentional acts of damage caused by individuals.

## **5.9. Disclosures under section 289(4) HGB**

### **Composition of subscribed capital**

The registered capital comprises EUR 13,300,000 and is divided into a total of 13,300.00 no-par value shares with a notional share of EUR 1.00 per share. Each share entitles its holder to one vote according to section 22(1) of the Articles of Association of Bastei Lübbe AG.

### **Direct or indirect shareholdings in the capital that exceed 10 percent of voting rights**

According to the available voting right notifications, only Mr Stefan Lübbe, Cologne, held more than 10 percent of voting rights directly or indirectly at the balance sheet date. See also the information on notifications published in accordance with section 20(6) AktG and section 26(1) WpHG (section 160(1) No. 8 in the Notes).

### **Appointment and removal of members of the Executive Board**

The Supervisory Board is responsible for determining the number of members of the Executive Board, their appointment and removal and the conclusion, amendment and termination of employment contracts with Executive Board members. The Supervisory Board may appoint an Executive Board member as Chair or spokesperson for the Executive Board, and may appoint a further member as Vice Chair or spokesperson. The Supervisory Board may furthermore assign one or all members of the Executive Board sole power of represen-

tation. The Supervisory Board may allow one or all Executive Board member to conclude legal transactions with themselves as legal representatives of a third party (exemption from the restriction contained in section 181, 2nd alternative, of the German Civil Code [BGB]).

### **Amending the Articles of Association**

The Annual General Meeting is responsible for any amendments to the Articles of Association (section 179(1) sentence 1 AktG). According to section 8 of the Articles of Association of Bastei Lübbe AG, the Supervisory Board is entitled to make changes to the Articles of Association that only relate to the wording.

### **Powers of the Executive Board to issue or buyback shares**

The following resolution was adopted at the Annual General Meeting on 10/09/2013:

1. Pursuant to section 71(1) No. 8 AktG, the Company shall be entitled until 1 September 2018, except for the purpose of trading in own shares, to acquire its own shares up to a maximum of 10% of the share capital. The equivalent amount for the acquisition of these shares may not fall short of or exceed the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally comparable successor system) during the respective proceeding ten stock market days by more than 5 percent. This authorisation may be exercised in full or in part amounts on one or more occasions.

The authorisation hereby granted will automatically expire without the need for an explicit rescission upon the entry into force of a new authorisation with regard to the purchase of own shares pursuant to section 7(1) No. 1 AktG. Notwithstanding the above, the authorisation hereby granted will expire at the latest at midnight on 1 September 2018.

2. The Executive Board is permitted, with the permission of the Supervisory Board, to use its own shares for any permissible purpose with the exception of trading in own shares, particularly to effect a sale of acquired own shares in full via the stock market or in another manner, in full or in part via the stock market or by offer to all the shareholders if the acquired own shares are being sold at a price that does not fall below the stock market price of the Company's shares of the same class at the time of sale by more than 5 percent. This authorisation is limited to a maximum total of 10 percent of the Company's share capital. The applicable stock purchase price within the meaning of the aforementioned regulation shall be the average of the opening and closing prices of the Company's shares in XETRA trading (or any functionally comparable successor system) during the respective ten stock market days proceeding the sale of the share.
3. The Executive Board is furthermore permitted, with the consent of the Supervisory Board, to call in its own shares in full or in part without further Annual General Meeting resolutions.
4. The Executive Board is also permitted, with the consent of the Supervisory Board, to use its own shares as (partial) compensation in the context of company mergers or to acquire companies, shares in companies or individual business units of a company. The value (price) at which shares in the Company may be used according to the authorisation referred to in this paragraphs may not go more than 5 per cent under the stock market price of Company shares of the same unit class at the time of sale. The applicable stock market price within the meaning of the aforementioned regulation shall be the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally comparable successor system) during the respective ten stock market days proceeding the sale of the share.



5. The subscription right of the shareholders is excluded from the implementation of the measures beyond the stock exchange listed above under b) and d). The authorisations referred to in b) to d) above may be exercised in full or in part.

### **Material agreements which would come into effect in the event of a change of control as a result of a takeover bid**

Guidelines in this regard only exist for issued bonds. In the event of a change of control, each bond creditor is entitled to demand repayment from the issuer or, at the option of the issuer, the purchase of his own bearer bonds by the issuer (or, on its request, by a third party) at the early redemption amount (put) (as defined below) in full or in part (put option). Such an exercise of the put option is however only effective if bond creditors of bearer bonds with a nominal value of at least 50 percent of the total nominal value of the sum of the bearer bonds still outstanding at this point have made use of the put option within the repayment period (as defined below).

A change of control within the meaning of the bond terms and conditions is deemed to occur in any of the following cases:

- a) the issuer becomes aware that an individual not currently belonging to the indirect or direct circle of shareholders, or persons acting in concert within the meaning of section 2(5) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz - WpÜG) (in each case a "buyer") have directly or indirectly become the legal or beneficial owner of more than 50 percent of the voting rights of the issuer, whereby a party who has acquired the voting rights directly or indirectly as a family member within the meaning of section 15 of the German Tax Code (Abgabenordnung - AO) or on the basis of testamentary disposition is not deemed to be the buyer;

or

- b) the merger of the issuer with a third party (any individual other than a subsidiary of the issuer, whereby a party who has acquired voting rights directly or indirectly as a family member within the meaning of section 15 AO or on the basis of testamentary disposition is not deemed to be a third party, or into a third party (as defined below) or the merger of a third party with or into the issuer, or the sale of all or substantially all the assets (consolidated) of the issuer to a third person. This does not apply to mergers or sales in connection with legal transactions, following which (i) in the event of a merger the (former) owners of 100 percent of the voting rights of the issuer shall hold at least the majority of voting rights to the acquiring legal successor directly or indirectly after such a merger and (ii) in the event of the sale of all or substantially all the assets the acquiring legal entity is or becomes a subsidiary of the issuer.

## **5.10. Declaration on management in accordance with section 289a HGB**

The Executive Board of Bastei Lübbe AG has issued a declaration on management in accordance with section 289a HGB and made this generally available on the website of Bastei Lübbe AG at [http://www.luebbe.de/Investor-Relations/\\_investor\\_unternehmensfuehrung\\_de](http://www.luebbe.de/Investor-Relations/_investor_unternehmensfuehrung_de).

### **Declaration on management in accordance with section 289a HGB**

Good corporate governance forms the foundation for responsible management. The Executive Board and Supervisory Board are therefore raising the bar in order to bring the management and supervision of the Company in line with national and international standards. To achieve this, it is essential that the Executive Board and the Supervisory Board communicate efficiently by way of open and transparent corporate communication.

The declaration on management pursuant to section 289a HGB contains a Statement of Compliance with the recommendations of the German Corporate Governance Code, as well as further information on corporate governance practices and a description of the working methods of the Executive and Supervisory Boards.

The reporting elements of the management declaration according to section 289a HGB are also available on the website of Bastei Lübbe AG in the "Investor Relations" area.

### **Statement of compliance pursuant to section 161 AktG**

Statement of compliance of the Executive Board and the Supervisory Board of Bastei Lübbe AG pursuant to section 161 AktG on the recommendations of the "Government Commission on the German Corporate Governance Code"

The Executive Board and Supervisory Board of Bastei Lübbe AG declare that:

The recommendations of the "Government Commission on the German Corporate Governance Code" (in the version dated 13 May 2013) announced by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) have been followed and continue to be followed by Bastei Lübbe AG with the following exceptions:

Contrary to the recommendation in 4.2.3 of the GCGC, remuneration as a whole and with regard to its variable remuneration elements is not subject to limits on the amount of asset ceilings. There is also no provision for payments to Executive Board members to not be permitted to exceed the value of two annual salaries, including ancillary benefits (severance payment cap), in the event of prior termination of Executive Board mandates. The reason for this is that neither a limit on the amount of asset ceilings for variable remuneration nor the agreement of a severance payment cap were achievable in the framework of negotiations, particularly given that previous management services had been provided to the general partner of Bastei Lübbe GmbH & Co. KG. When concluding future contracts with new Executive Board members, Bastei Lübbe AG intends to place limits on the amount of asset ceilings for variable remuneration.

The disclosure by name of the distribution of the total remuneration of each member of the Executive Board, broken down into fixed and variable remuneration components, as provided for under 4.2.4 DCGC, will not take place as this was resolved otherwise by the Annual General Meeting with the requisite three-quarters majority. The same applies to promises of benefits that are granted to a member of the Executive Board in the event of prior or scheduled termination of Executive Board mandates or that are modified during the financial year.

No. 5.1.2 of the GCGC provides that the Supervisory Board should particularly aim to achieve an appropriate consideration of women in the composition of the Executive Board. There are currently no women on the Executive Board of Bastei Lübbe AG as the Executive Board is made up of members of the former Management of Bastei Lübbe GmbH & Co. KG. When appointing Executive Board members in future, the Supervisory Board intends to give preference to equally qualified women.

Committees as provided for in No. 5.3 GCGC were not formed as the Supervisory Board currently only consists of three members. If the Supervisory Board is enlarged in future, a decision will be made with regard to the formation of committees.

The Supervisory Board of Bastei Lübbe AG held its first constituent meeting on 9 July 2013 in the context of the conversion of the Company. An efficiency audit for the 2013/2014 financial year did not therefore seem appropriate at the current time, contrary to the recommendation in No. 5.6. It is however intended to conduct such an audit in future.

The Statement of Compliance has been made permanently available on the website of Bastei Lübbe at [http://www.luebbe.de/Investor-Relations/\\_investor\\_unternehmensfuehrung\\_de](http://www.luebbe.de/Investor-Relations/_investor_unternehmensfuehrung_de).

### **Information on corporate governance practices**

Bastei Lübbe AG also voluntarily fulfills the non-obligatory suggestions of the Code, subject only to the following exceptions:

The suggestions contained in No. 2.3.3 of the Code (option of following the Annual General Meeting via modern communication media (e.g. the Internet)) have not been implemented.

It is also suggested under point 5.1.2 that the initial appointment term of five years for new Executive Board members should not be the rule. The Executive Board members of Bastei Lübbe AG have been appointed for five years. The reason for this is that a shorter appointment term was not achievable in the framework of negotiations, particularly given that previous management services had been provided to the general partner of Bastei Lübbe GmbH & Co. KG. When appointing Executive Board members in future, it will be verified whether a shorter appointment term is conducive to reaching targets.

### **Corporate governance practices exceeding the legal requirements**

No corporate governance practices are employed by Bastei Lübbe AG that go beyond the legal requirements.

### **Working methods of the Executive and Supervisory Boards**

As a German public limited company, Bastei Lübbe AG is subject to German stock corporation law, and therefore possesses a dual management and control structure made up of an Executive Board and a Supervisory Board. The tasks, competences and responsibilities of both of these bodies are clearly regulated by the law and separated in terms of personnel.

For Bastei Lübbe AG, the basic principle for responsible corporate governance is to guarantee that the Executive Board and Supervisory Boards cooperate efficiently by way of responsible and transparent corporate communication. Thus a large number of issues were discussed in detail between the Executive Board and Supervisory Board in the 2013/2014 financial year. The Supervisory Board regularly and carefully monitored the work of the Executive Board and continually supported it in an advisory capacity.

The Supervisory Board was always involved of all decisions in a timely and appropriate fashion. The Executive Board kept it informed, in written or oral form, on a regular basis and in a timely and comprehensive fashion about the performance of the business, earnings and financial position and employment situation and personnel policy, as well as of the short- and long-term corporate and financial plans, as well as of the further strategic development of the Company and of its shareholdings. Any deviations from the plans were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully taken into account in this process.

The Chair of the Supervisory Board was also in contact with the Executive Board or Chair of the Executive Board outside of regularly scheduled meetings, discussing major events and pending decisions.

### **Allocation of responsibilities and working methods of the Executive Board**

The Executive Board of Bastei Lübbe AG manages the Company with the aim of creating long-term growth under its own responsibility and in the interest of the Company, thus taking into account the interests of shareholders, of its employees and of other groups that are affiliated with the Company. The Executive Board

therefore operates without instructions from third parties and in accordance with the law, the Articles of Association and the rules of procedure for the Executive Board issued by the Supervisory Board, as well as taking into consideration resolutions adopted in Annual General Meetings. When hiring new managerial staff, the Executive Board of Bastei Lübbe AG also takes diversity into account and aims in particular to give appropriate consideration to women.

Notwithstanding the principle of joint responsibility, according to which all members of the Executive Board are jointly responsible for the management of the Company, every member of the Executive Board heads the department allocated to him/her under his/her own responsibility and has sole executive powers in the area of responsibility assigned to him/her. All members are therefore entitled to present envisaged issues to the entire Executive Board in order that they be resolved on. However, all issues that have been assigned to the entire Executive Board by law are dealt with and decided on jointly by all members. The members of the Executive Board take all fundamental decisions on business policies and strategy in close cooperation with the Supervisory Board. With this in mind, the Executive Board informs the Supervisory Board about all issues and topics of priority relevant to the Company as a whole. The corresponding information and reporting requirements of the Executive Board are determined by the Supervisory Board in the Executive Board's rules of procedure. The Chair of the Executive Board is responsible for the overall management and business policies of the Company. He ensures that coordinated and unified business management are achieved on the Executive Board, and represents the Company in public.

The Executive Board of Bastei Lübbe AG meets once a week as a rule. In the 2013/2014 financial year it is made up of Mr Thomas Schierack, who as Chair is responsible for commercial management as well as for the segments law, personnel, production, entertainment (digital media) and the novel booklet and puzzle magazines segment; Mr Klaus Kluge, who is responsible for sales and marketing and the non-books segment; and Mr Felix Rudloff, who is responsible for programmes and PR. Thomas Schierack, Klaus Kluge and Felix Rudloff were appointed to the Executive Board on 9 July 2013 for a term of five years, thus until 8 July 2018.

### **Working methods of the Supervisory Board**

The Supervisory Board is charged with advising and monitoring the Executive Board at regular intervals in its management of the Company. Given that important Company decisions require the approval of the Supervisory Board, it is involved in any decisions that are fundamental for the Company. The Company's Articles of Association contain comprehensive guidelines for the work of the Supervisory Board.

The Supervisory Board of Bastei Lübbe AG is made up of three members. In making nominations for the election of Supervisory Board members, particular attention is paid to the necessary knowledge, skills and industrial experience required to undertake these duties. This ensures that Supervisory Board members possess highly effective corporate governance skills and can appropriately advise the Executive Board on strategic orientation.

The Supervisory Board was not formed until the Company had been converted into a public limited company in 2013, and consisted of three shareholder representatives in the 2013/2014 financial year.

Its members are

1. Dr. Friedrich Wehrle (Chair of the Supervisory Board and signatory),
2. Prof. Dr. Michael Nelles and
3. Prof. Dr. Gordian Hasselblatt.

Dr. Friedrich Wehrle, Prof. Dr. Michael Nelles and Prof. Dr. Gordian Hasselblatt was appointed to the Supervisory Board of Bastei Lübbe AG by resolution of the founders of Bastei Lübbe AG until the conclusion of the Annual General Meeting which will discharge the Supervisory Board for the financial year ending 31 March 2018.

Mr Wehrle was appointed as Chair in the first constituent meeting of the Supervisory Board.

The Chair of the Supervisory Board coordinates the work of the Supervisory Board, conducts its meetings and upholds the interests and representation of the Board externally. He is in constant and regular contact with the Executive Board, particularly the Chair, including outside of the meetings, and discusses major events and pending decisions affecting the Company. No members of the Bastei Lübbe AG Supervisory Board are former members of the Executive Board.

The German Corporate Governance Code recommends that Supervisory Boards should form qualified committees. Given the unavoidable personal identity of committee and Supervisory Board members inherent in a three-member supervisory body, the Supervisory Board of Bastei Lübbe AG has not currently formed any committees. The members of the body are thus jointly responsible for all issues to be resolved. If the Supervisory Board is enlarged in future, a decision will be made with regard to the formation of committees.

### **Avoidance of conflicts of interest**

No conflicts of interest arose in the previous financial year between members of the Executive Board and the Supervisory Board of Bastei Lübbe AG that would have needed to be disclosed to the Supervisory Board without delay. No Executive Board members were members of a Supervisory Board of non-affiliated trading companies.

### **Transparency**

Our aim at Bastei Lübbe AG is to guarantee the highest levels of transparency and to make the same information available to all target groups at the same time. All our target groups can find out more about current Company developments on the Internet. Ad-hoc Company notifications are published on Bastei Lübbe AG website. Press releases and other Company news are also made available on the website, as is the Statement of Compliance with the German Corporate Governance Code.

According to section 15a WpHG, members of the Executive Board and Supervisory Board of Bastei Lübbe AG as well as certain managerial employees and closely associated persons, must disclose the acquisition and sale of Company shares and related financial instruments.

All directors' dealings pursuant to section 15a WpHG are published on the Company's website at [http://www.luebbe.de/Investor-Relations/\\_investor\\_directors\\_dealings\\_de](http://www.luebbe.de/Investor-Relations/_investor_directors_dealings_de).

### **Financial accounting and auditing**

The annual financial statements of Bastei Lübbe AG as well as the interim reports conform to International Financial Reporting Standards (IFRS) pursuant to the provisions of the International Accounting Standards Board. In the context of the resolution to change the legal form adopted by the Annual General Meeting of 9 July 2013, Ebner Stolz Mönning Bachem GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (currently: Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne) was appointed annual auditor to the issuer for the 2013/2014 financial year.



Cologne, May 2014

For the Supervisory Board



Dr. Friedrich Wehrle  
Chair

For the Executive Board



Thomas Schierack  
Chair

### 5.11. Concluding remark from the dependence report

The Executive Board has prepared a dependence report particularly in relation to the business relationship with the main shareholder. Pursuant to section 312(3) AktG, we the Executive Board of Bastei Lübbe AG herewith declare that, for the legal transactions listed in the dependence report, the Company has received adequate consideration since the existence of the dependence in every legal transaction according to the circumstances known to us at the time when the legal transactions were performed. No other measures were taken or omitted by arrangement of or in the interests of Bastei Lübbe AG or of one of its affiliated companies.

### 5.12. Remuneration report

The salaries of the three Executive Board members are broken down into fixed and variable components. The variable component is percentage dependent on EBIT according to IFRS. Of the resulting bonuses, only 70 percent were paid out for the previous financial year. The remaining 30 percent will only be paid out in the next financial year if a positive EBIT is achieved. With regard to the disclosure of the salaries of Executive Board and Supervisory Board members, the Company deviates from the Corporate Governance rules insofar as the remuneration of the Executive Board and Supervisory Board is not published for each individual but as a combined total. The total fixed remuneration of the Executive Board during the period of stock market listing since 1 September 2013 has amounted to EUR 519,000. The variable component for Executive Board members for this period stood at EUR 400,000. Detailed information can be found in the Notes.

The total remuneration for the Supervisory Board for the 2013/2014 financial year amounted to EUR 135,000. This also includes advisory committee fees (until the conversion of the Company into a public limited company, the advisory committee consisted of the same individuals).

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## 6. Financial statements for the fiscal year ending 31 March 2014

Cash flow statement of Bastei Lübbe AG, Cologne, (formerly: Bastei Lübbe GmbH & Co. KG, Cologne) as per 31 March 2014

	Note	1/4/2013 - 31/3/2014 EUR K	1/4/2012 - 31/3/2013 EUR K	Change in %
<b>Revenue</b>	21.	107,534	98,330	9.4%
Increase/Decrease In Inventories of Finished Goods and Work In Progress	22.	1,067	-1,339	-179.7%
Other operating income	23.	926	628	47.5%
Material expenses	24.			
a) Cost of raw materials and supplies and goods purchased for resale		813	997	-18.5%
b) Expenses for purchased services		26,346	25,231	4.4%
c) Expenses for fees and depreciations to authoring licenses		21,816	20,275	7.6%
		48,975	46,503	5.3%
Staff expenses	25.			
a) Wages and salaries		16,361	13,060	25.3%
b) Social security and pension contributions and for support		2,832	2,125	33.3%
		19,193	15,185	26.4%
Amortisation	26.	1,705	1,651	3.3%
Other operative expenses	27.	25,136	23,289	7.9%
Result of participations	28.	400	976	-59.0%
<b>Earnings Before Interest and Taxes (EBIT)</b>		<b>14,918</b>	<b>11,967</b>	<b>24.7%</b>
Financial result	29.			
Income from other securities and Loans of				
Financial Assets Other interests and similar income		113	113	0.0%
Interests and similar income		2,505	2,493	0.5%
Financial result		-2,392	-2,380	0.5%
<b>Earnings before income taxes</b>		<b>12,526</b>	<b>9,587</b>	<b>30.7%</b>
Taxes on income and earnings	30.	3,452	1,665	107.3%
<b>Net profit for the period</b>		<b>9,074</b>	<b>7,922</b>	<b>14.5%</b>
Other comprehensive income after taxes	14.			
Unrecognised actuarial losses from partial-retirement obligations		-41	-6	583.3%
<b>Total earnings</b>		<b>9,033</b>	<b>7,916</b>	<b>14.1%</b>
<b>Earnings per share</b>	15.	0.79	0.79	
<b>Average shares outstanding</b> (in 1,000 shares)	15.	11,558	10,000	

**Balance sheet Bastei Lübbe AG, Cologne (formerly: Bastei Lübbe GmbH & Co. KG, Cologne) as per 31 March 2014**

	Notes	31/3/2014 EUR K	31/3/2013 EUR K	Change in %
<b>Non-current assets</b>				
Intangible assets	5.	11,080	10,182	8.8%
Holdings of prepaid royalties	6.	26,213	25,236	3.9%
Tangible assets	7.	3,703	3,344	10.7%
Financial assets	8.	4,067	3,812	6.7%
Trade receivables	11	1,257	1,207	4.1%
Deferred tax claims	9.	1,311	1,029	27.4%
		47,631	44,810	6.3%
<b>Current assets</b>				
Inventories	10.	18,884	17,801	6.1%
Trade receivables	11.	13,572	16,852	-19.5%
Financial assets	8.	15,119	3,997	278.3%
Income tax receivables	9.	197	125	57.6%
Shareholder receivables	19.	0	3,972	-100.0%
Other receivables and assets	12.	581	1,134	-48.8%
Cash and cash equivalents	13.	12,163	79	15296.2%
		60,516	43,960	37.7%
<b>Total assets</b>		<b>108,147</b>	<b>88,770</b>	<b>21.8%</b>

	Notes	31/3/2014 EUR K	31/3/2013 EUR K	Change in %
<b>Equity</b>				
Issued share capital	14.	13,250	0	100.0%
Equity shares of limited partners	14.	0	1,534	-100.0%
Capital reserves	14.	26,170	0	100.0%
Reserves	14.	0	14,401	-100.0%
Net profit	14.	12,692	10,900	16.4%
Accumulated other income	14.	-48	-6	700.0%
<b>Total equity</b>		<b>52,064</b>	<b>26,829</b>	<b>94.1%</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions	16./17.	354	411	-13.9%
Financial liabilities	18.	29,732	29,767	-0.1%
		<b>30,086</b>	<b>30,178</b>	<b>-0.3%</b>
<b>Current liabilities</b>				
Financial liabilities	18.	4,047	9,512	-57.5%
Trade payables	18.	13,105	14,356	-8.7%
Income tax liabilities	9.	2,540	362	601.7%
Provisions	17.	5,930	6,536	-9.3%
Liabilities to shareholders	19.	0	654	-100.0%
Other liabilities	20.	375	343	9.3%
		<b>25,997</b>	<b>31,763</b>	<b>-18.2%</b>
<b>Total liabilities</b>		<b>56,083</b>	<b>61,941</b>	<b>-9.5%</b>
<b>Total liabilities</b>		<b>108,147</b>	<b>88,770</b>	<b>21.8%</b>



**Cash flow statement of Bastei Lübbe AG, Cologne, (formerly: Bastei Lübbe GmbH & Co. KG, Cologne) for the 2013/2014 financial year**

	Financial year 2013/2014 EUR K	Financial year 2012/2013 EUR K
Net profit for the period	9,074	7,922
+/- Amortisation/depreciation on intangible assets and property, plant and equipment	1,704	1,651
+/- Amortisation/depreciation on long-term financial assets	0	100
+/- Other non-cash expenses/income	268	268
+/- Increase/decrease in reserves	-704	104
-/+ Profit/loss from the disposal of intangible assets and plant, property and equipment	28	150
-/+ Increase/decrease in income tax receivables and liabilities incl. deferred tax claims and liabilities	2,250	-1,437
-/+ Increase/decrease in stocks, trade receivables and other assets not allocated to investment or financing activities	601	-4,587
+/- Increase/decrease in trade liabilities and other liabilities not allocated to investment or financing activities	-540	-2,294
<b>Cash flow from current business</b>	<b>12,681</b>	<b>1,877</b>
- Outflow of funds for investments in intangible assets	-1,611	-558
+ Income from the disposal of property, plant and equipment	211	59
- Outflow of funds for investments in property, plant and equipment	-1,589	-1,021
- Outflow of funds for investments in financial assets	-255	-3,761
- Outflow of funds for financial assets as part of short-term financial planning	-10,000	0
<b>Cash flow from investment activities</b>	<b>-13,244</b>	<b>-5,281</b>
+ Receipts from the issue of shares	24,750	0
- Outflows for transaction costs in relation to the issue of shares	-1,314	0
- Outflows for the acquisition of own shares	-377	0
+/- Appointment/removal of the former limited partnership shareholders	-3,964	-5,213
+ Receipts from the issue of bonds and from obtaining (financial) credit	0	6,129
- Outflows for the repayment of bonds and (financial) credit	-6,448	-317
<b>Cash flow from financing activities</b>	<b>12,647</b>	<b>599</b>
Changes in cash and cash equivalents with effect on payments	12,084	-2,805
+/- Changes in liquid assets due to merger/accretion	0	149
+ Cash and cash equivalents at start of period	79	2,735
<b>= Cash and cash equivalents at end of period</b>	<b>12,163</b>	<b>79</b>

**Statement of change in equity Bastei Lübbe AG, Cologne, (formerly: Bastei Lübbe GmbH & Co. KG, Cologne) for the 2012/2013 and 2013/2014 financial years**

	<b>issued share capital</b> EUR K	<b>Capital shares of limited partners</b> EUR K	<b>Capital reser ves (PY reserves)</b> EUR K	<b>Net profit</b> EUR K	<b>Cumulated other income</b> EUR K	<b>Equi ty</b> EUR K
As per 1 April 2012	0	1,534	12,617	9,498	0	23,649
Dividends paid/ allocation of shareholder accounts			-4,736			-4,736
Amounts transferred to revenue reserves		1,784	-1,784			
Net profit for the period			7,922			7,922
Sums recorded directly as equity					-6	-6
Total earnings	–	–	–	–	–	7,916
<b>As per 31 March 2013</b>	<b>0</b>	<b>1,534</b>	<b>14,401</b>	<b>10,900</b>	<b>-6</b>	<b>26,829</b>
As per 1 April 2013	0	1,534	14,401	10,900	-6	26,829
Dividends paid/ allocation of shareholder accounts				-7,283		-7,283
Conversion to a public limited company	10,000	-1,534	-8,466			0
Issue of shares	3,300		20,562			23,862
Acquisition of own shares	-50		-327			-377
other changes				1	-1	0
Net profit for the period				9,074		9,074
Sums recorded directly as equity					-41	-41
Total earnings	–	–	–	9,074	-41	9,033
<b>As per 31 March 2014</b>	<b>13,250</b>	<b>0</b>	<b>26,170</b>	<b>12,692</b>	<b>-48</b>	<b>52,064</b>



$$y_{\max} = 1$$
$$x - \frac{\pi}{4} = 2k\pi$$
$$x = \frac{\pi}{4} + 2k\pi$$



Marc Abrahams

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## 7. Notes of Bastei Lübbe AG (formerly: Bastei Lübbe GmbH & Co. KG, Cologne, for the 2013/2014 financial year

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## 1. General information

Bastei Lübbe AG (formerly Bastei Lübbe GmbH & Co. KG) has its registered offices at Schanzenstraße 6 – 20, 51063 Köln, Germany. The resolution to change the legal form of the Company was adopted on 9 July 2013, and entered into effect with its entry into the commercial register on 14 August 2013. On 8 October 2013, Bastei Lübbe AG was listed in the Prime Standard of the German Stock Exchange for the first time.

Bastei Lübbe is a media company in the form of a trade book publisher. Within the scope of its business activities, Bastei Lübbe publishes books, audiobooks, eBooks and other digital products in the genres of fiction and popular science as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe also include the licensing of rights and the development, production and sale of gifts, decorative items and merchandise. The key areas of activity of Bastei Lübbe AG (hereinafter, “Bastei Lübbe” or the “Company”) are described in the notes to the segment reporting (Annex 32).

IFRS financial statements were prepared for the financial year from 1 April 2012 to 31 March 2013 in connection with our initial public offering. In order to be able to determine IFRS-based comparable figures for previous years for the statement of comprehensive income, the IFRS opening consolidated balance sheet was prepared to 1 April 2011 (time of changeover to IFRS according to IFRS 1, initial adoption of International Financial Reporting Standards). The differences from the carrying values of the assets and liabilities in the HGB consolidated balance sheet as per 31 March 2011, resulting at the time of the changeover to IFRS were recorded in equity without impacting net income.

## 2. Accounting principles

### (a) Underlying accounting regulations

The annual financial statements as per 31 March 2014 were prepared pursuant to the provisions of the accounting regulations valid at the balance sheet date and in accordance with the International Financial Reporting Standards (IFRS) recognised by the European Union (EU) as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), London. They also contain the information required according to the German Commercial Code (HGB).

The reporting currency is the euro; unless otherwise noted, all amounts are stated in thousands of euros (EUR K). Totals and percentages were calculated on the basis of not-rounded euro amounts and may deviate from a calculation performed on the basis of the reported thousand-euro amounts.

The annual financial statements for the financial year from 1 April 2013 to 31 March 2014 were prepared by the Executive Board on 12 June 2014, and will be submitted to the Supervisory Board for approval on 16 June 2014.

Please refer to Annex 44 for information on events after the balance sheet date occurring until 12 June 2014, which could have a considerable impact on the assessment of the asset, financial and earnings position as well as cash flow.

### (b) Valuation of assets and liabilities

The balance sheet is prepared on the basis of historical acquisition and production costs except for derivatives and those financial instruments that are classified as “available for sale”. These are valued at fair value.

### (c) Currency conversion

Transactions in foreign currencies are converted using the valid daily rate; assets and liabilities in foreign currencies are converted into euro using the average rate of exchange on the balance sheet date. Currency gains and losses resulting from these conversions are recognised as expenses or income.

### (d) Use of assumptions and estimates as well as discretionary decisions

The preparation of the balance sheet requires the use of assumptions and estimates which have an effect on the presentation of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date as well as the presentation of income and expenses.

Uncertain assumptions and estimations affect future cash flows with interest deducted, in particular in the context of impairment tests, the determination of amortisation methods, particularly to the holdings of prepaid royalties, anticipated return rates for goods sold used to determine corresponding provisions as well as the discount rates used to value partial-retirement obligations. We refer you to the corresponding explanations for information about the carrying values determined on the basis of estimations.

At the time of preparation of the individual financial statements, the Executive Board does not anticipate considerable changes to the underlying assumptions and estimations. No estimation uncertainties are expected to be eliminated; no adjustments of earlier assumptions were made - with the exception of the holdings of prepaid royalties (Notes 3 g and 6). There is currently no reason to expect a significant adjustment to the carrying values of the estimated assets and liabilities in the coming financial year.

## 3. Accounting policies

For the purpose of better clarity, individual items are summarised in the statement of comprehensive income and the balance sheet and then explained in the Notes. Current assets and liabilities are assets and liabilities that are realised or eliminated, respectively, within one year are considered to be short term. All others are classified as long term.

### (a) Intangible assets

Acquired intangible assets (with the exception of the prepaid royalties referred to under (g)) are valued at acquisition cost less the scheduled linear depreciation carried out on their respective useful lives, provided that their useful lives are considered to be limited. Scheduled depreciation is based on the following terms of use and depreciation rates:

	Useful life Year	Depreciation rate %
<b>Other intangible assets</b>		
Software	3-5	20.00-33.33
Publishing and title rights	8-15	6.67-12.50

Good will and other intangible assets (e.g. trademark rights) with indeterminable useful lives do not undergo scheduled depreciation.

Impairment losses are recorded where this is deemed appropriate in the course of the impairment tests performed. For goodwill these tests are performed at least on an annual basis; for intangible assets subject to sched-

uled amortisation, this will be the case at any time when a reason for impairment exists. When the reasons for impairment cease to apply, corresponding write-ups are effected, with the exception of goodwill; they may not exceed the updated carrying values.

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions made before 1 April 2011 is updated according to previous law. This means that the scheduled depreciation and impairment losses effected in earlier periods are maintained and goodwill offset against equity without impacting income is not subsequently capitalised.

### **(b) Tangible assets**

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost less accumulated and scheduled depreciation and impairment losses due to use during the financial year. Interest on debt capital as interpreted in IAS 23 (Borrowing Costs) were not capitalised.

Costs for the repair of property, plant and equipment are charged against income. They are only capitalised if the costs result in an addition or significant improvement to the relevant asset.

Immovable property, plant and equipment (buildings and structures) are depreciated on a straight-line basis over the expected useful life. This also applies to movable property, plant and equipment. Residual value remaining after the customary term of useful life is taken into account when determining depreciation amounts.

When selling or decommissioning property, plant and equipment, the gain or loss from the difference between the sales proceeds and the residual carrying value is stated under other operating income or expenses as the case may be.

Scheduled depreciation is based on the following useful lives and depreciation rates:

	Useful life Year	Depreciation rate %
<b>Land and buildings</b>		
Leasehold improvements	8-10	10.00-12.50
<b>Technical equipment, plant and machinery</b>	5-10	10.00-20.00
<b>Other equipment, operating and business equipment</b>		
Fleet	6-9	11.11-16.67
Fittings, office machines and equipment	3-13	7.69-33.33
Low-value items (up to EUR 410)	<1 year	100.00

If necessary, if impairment is noted during the performance of impairment tests, an impairment loss is recorded. Appropriate reversals are undertaken where the reasons for the impairment loss cease to apply.

### **(c) Impairment tests**

The values of assets are reviewed at Bastei Lübbe at least once a year at year-end, or intra-year if special reasons for this become apparent, and - if and insofar as an independent evaluation of the affected assets is not possible - at the next highest level of the cash generating unit (CGU) within the meaning of IAS 36 (Impairment of Assets).

#### **(i) Definition of CGUs**

At Bastei Lübbe, goodwill and intangible assets with indefinite useful lives acquired in the context of business combinations and acquisitions are assigned to the CGU that would be expected to benefit from the synergies of



the business combinations and acquisitions. These CGUs represent the lowest level at which these assets are monitored for the purposes of corporate steering. In principle these correspond to individual business fields or publishing houses.

### ***(ii) Implementing the impairment tests***

In the impairment tests the residual carrying values of the individual cash generating units are compared with their respective recoverable amounts as the higher value of net selling price and value in use. The calculation of the value in use, which is used as a rule at Bastei Lübbe, is based on the cash value, calculated by the discounted cash flow method, of future payments forecast for the next three years in the current individual plans of Bastei Lübbe AG, by business field.

Values are reviewed by calculating the value in use of cash generating units on the basis of estimated future cash flow derived from earnings targets. The planning period is three years. The values in use of CGUs are however mainly determined by their end values. The amount of the end value depends on the forecast cash flow in the third year of planning, and above all on the growth rate of cash flows subsequent to the planning, and on the discount rate. Cash flows following the three-year period are extrapolated using a CGU-dependent individual growth rate of 1 to 1.5 percent, which does not exceed the assumed average market or industry growth.

To determine the cash value, the discount rate is calculated on the basis of weighted costs of capital; as per 31 March 2014 this was 8.38 percent (before allowing for tax effects) or 5.66 percent after tax (2012/2013: 7.98 percent or 6.66 percent, respectively). This relatively significant change in the discount rate after tax is the result of corporation tax, incl. the solidarity levy, now being applied in addition to trade tax following our change in legal form to a public limited company.

Estimation uncertainties arise in the following assumptions applied in calculating the value in use of the CGU:

- Earnings targets: Planning is based on past historical values and takes into account business segment-specific expectations about future market growth. We hereby assume that in the segment of electronic media, higher cash flow growth can be realised in principle than in the print segment.
- Discount rates: Based on the average weighted costs of capital for the industry, the discount rates of the relevant CGU also take into account risks related to current market estimations.
- Growth rates: Growth rates are calculated based on published industry-specific market research. The relevant strategic orientation of the individual business fields was taken into account when estimating growth rates.

Write-ups are effected if the achievable amount exceeds the carrying value of the asset due to changes in the estimations underlying the valuation. Write-ups are effected at most up to the amount that would have been determined if no impairment loss had been recognised in previous years. Impairment losses recognised for goodwill are not written up.

### **(d) Leasing arrangements**

The determination of whether an agreement contains a leasing arrangement is performed on the basis of the economic content of the agreement at the time of conclusion of the agreement. Economic ownership of movable and immovable leased objects is assigned to the contractual party in a leasing agreement who carries the major opportunities and risks connected with the leased object. If the lessor bears the major opportunities and risks (operating lease), the leased object of the lessor is entered in the balance sheet. If the lessee bears the major opportunities and risks connected with ownership of the leased object (finance lease), the lessee must enter the leased object in the balance sheet.

Hired, rented or leased intangible assets and property, plant and equipment, which, according to the requirements of IAS 17 (Leases), must be considered in economic terms as fixed asset acquisitions with long-term financing (finance leasing) are stated in the balance sheet at the time of commencement of the contract at the cash values of the minimum lease payments, taking one-off payments into consideration or at the lower market values. Depreciation is undertaken on a straight-line basis over the ordinary useful operating life. If a subsequent transfer of ownership of the leased object is not certain, the term of the lease agreement, if shorter, is used as the basis for depreciation. Payment obligations arising from future lease installments are stated as financial liabilities. Finance leasing payments are divided into their components of financing expenditure and repayment of the leasing liability so as to produce a constant rate of interest on the remaining balance of the liability over the term of the lease. Financial costs are recognised in the balance sheet as financial expenses.

## **(e) Financial instruments**

### ***(i) Financial assets***

Financial assets within the meaning of IAS 39 are either classified as financial assets held for trading, as loans and receivables, as assets held to maturity or as available-for-sale financial assets. Financial assets are initially recognised at fair value. In case of other financial investments than those which are classified as being valued at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are additionally taken into account.

Financial assets are assigned to the categories upon initial recognition. If permitted and necessary, reclassifications are made at the beginning of the financial year.

All customary purchases and sales of financial assets are recorded at their value at the settlement date, i.e. the day when the Company entered into the obligation to purchase or sell the asset. Customary purchases and sales are those that require the delivery of the assets within a period set down by market regulations or practices.

### ***(ii) Impairment of financial assets***

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is only deemed to be impaired if, as a result of one or more events which occurred following initial recognition of the asset, there is objective evidence of impairment and this loss has an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. Within the scope of impairment, financial assets that may need to be written down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment and written down, if necessary. When determining the expected future cash flows for a portfolio in this context, past experience with credit losses is taken into account along with the contractually agreed cash flow.

Cash flows are discounted on the basis of the weighted average of the original effective interest rates of the financial assets contained in the respective portfolio. In the case of financial assets valued at amortised cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the cash value of the expected future cash flow. If the amount of the estimated impairment loss increases or decreases in a subsequent reporting period because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

### ***(iii) Derecognition of financial assets***

A financial asset is derecognised if one of the following conditions is fulfilled:

- Contractual rights to receive cash flows from a financial asset have expired.
- Though the Company retains the rights to receive cash flows from financial assets, it assumes a contractual obligation for the immediate payment of the cash flows to a third party under an agreement that fulfills the conditions of IAS 39.19 (pass-through arrangement), or the Company has transferred its contractual rights to receive cash flows from a financial asset, this involving (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) though neither transferring nor retaining essentially all opportunities and risks associated with ownership of the financial asset, the authority to dispose of the asset is transferred.

### ***(iv) Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a term of less than three months. Cash and cash equivalents are to be recognised at the date on which they were collected. Thus cheques are to be recorded at the time of coming into possession and incoming payments as they are credited to the account of the beneficiary.

Measurement of cash and cash equivalents is carried out at amortised cost. Holdings in foreign currency are to be converted at the cash rate in force on the balance sheet date. Currency differences arising from the exchange rate are recognised in profit or loss.

### ***(v) Financial instruments held for trading***

Financial assets as classified as held for trading if they are purchased for the purpose of sale in the near future. They essentially include investments, and are recognised and derecognised at the date on which the purchase or sale of the investment was contractually agreed. They are initially recognised at their fair value. Investments classified as held for trading are recognised at fair value in subsequent periods. Changes in value are recorded through profit or loss. Assets of this category are not received by the Company.

### ***(vi) Loans and liabilities***

Trade receivables and other receivables are valued at acquisition cost minus any necessary impairment in value, where appropriate using the effective interest method. Those impairments which take the form of individual impairments adequately take into consideration the expected default risks; once default actually occurs, the respective receivables are derecognised. Impairments from trade receivables are partly recognised using allowance accounts.

The decision as to whether a default risk should be taken into account by means of an allowance account or a direct reduction of the receivable depends on the reliability of the assessment of the risk situation.

### ***(vii) Available-for-sale financial instruments***

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale and are allocated either to this category or to none of the other categories. They are valued at acquisition cost as their fair value cannot be ascertained with adequate certainty. In the case of extraordinary depreciation, this is recognised as profit or loss. Shareholdings are disclosed in this category.

### ***(VIII) Financial liabilities***

The Company stipulates the classification of its financial assets when they are initially recognised. Only liabilities of the category "loan liabilities and other liabilities" (FLAC) remained at the balance sheet date. Liabilities measured at fair value are not mentioned.

Financial liabilities are measured at fair value upon initial recognition, and in the case of loans plus directly attributable transaction costs. The measurement subsequent to initial recognition is carried out at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised or during the amortisation process using the effective interest method. Amortised costs are calculated by taking the fees or costs into account that are an integral part of the effective interest rate. Amortisation carried out using the effective interest method is shown on the profit and loss statement under financial expenses. Financial liabilities are derecognised if the obligation underlying the liability has been met or cancelled or if it has expired.

#### **(f) Financial assets**

Investments in affiliated and associated companies stated under financial assets are reported at the lower of the amortisation cost or fair value according to the provisions of IAS 27.38 (a) or IAS 28.35 and IAS 36.

#### **(g) Holdings of prepaid royalties**

Prepaid royalties relate to manuscripts for which Bastei Lübbe has acquired full power of disposition and utilisation, as well as to advance payments made for them, and are valued at acquisition cost.

Prepaid royalties were previously separated, according to estimations of expected book sales, into one share for hardbacks and one for paperbacks - a 50/50 split as a rule. Upon publication of the title, the corresponding share of the guaranteed fee was recorded under material expenses as depreciation of royalties. The proportional guaranteed fee for hardbacks also included royalties for publications taking the form of audiobooks or eBooks. Where only a paperback book right was acquired, the entire prepaid royalty was recorded on publication under material expenses as depreciation of royalties.

On the basis of the fact that digital products, and therefore backlist turnover, are becoming increasingly important, the depreciation method was adjusted for prepaid royalties, as their use is being stretched over an increasingly longer period and is no longer limited to utilisation in hardback and paperback form. Thus flat-rate royalty depreciation can no longer be carried out on publication of these exploitation stages. Instead, the capitalised royalties are only written down up to the actual royalty until the guaranteed fee has been used up. The change in depreciation method led to an improvement in results of around EUR K 800 in the last financial year. This was primarily a one-off effect. We only expect to see a slight improvement in results for the coming financial year (approx. EUR K 40). A reliable estimation of effects on results for later periods is not possible above all due to the short-term planning period in this segment.

In accordance with the expected longer use of prepaid royalties, these (EUR K 26,213; PY: EUR K 25,236) will now be recorded as long-term assets (previously: short-term assets). The previous year's figure has been adjusted.

The values of holdings of prepaid royalties and fees paid are furthermore reviewed for impairment at least once annually (generally on the balance sheet date). On the basis of an estimation of future sales volumes, expected net earnings before royalties are then compared to the guaranteed fee. In the event that the royalty payment exceeds the expected net earnings before royalties, corresponding depreciations will be carried out and - where necessary - provisions for potential losses recognised. Any resulting expenses are recorded as material expenses.

All expenses connected to prepaid royalties are recorded in a separate item under material expenses as these expenses are indirectly connected to the incurred losses in turnover, and thus are to be considered gross proceeds in order to ensure proper economic allocation.

## **(h) Inventories**

The holdings listed in under inventories pursuant to IAS 2 (Inventories) are recognised as the lower of their attributable cost of acquisition or production or net realisable value at acquisition or production cost. Acquisition costs are calculated on the basis of a weighted average value. Production costs include all costs directly related to units of production for materials and printing as well as royalties and additional production overheads.

The net realisable value is the expected achievable selling price less costs incurred prior to sale. The net realisable value of unfinished products is determined according to a retrograde method from the net realisable value of the finished goods taking account of costs incurred prior to completion.

If the reasons that resulted in an impairment of inventories no longer apply, the impairment loss is reversed.

## **(i) Payments to employees under partial retirement agreements**

The actuarial valuation of partial-retirement obligations is carried out in accordance with IAS 19 (Payments to Employees). Cash value calculations take into account both salaries known at the balance sheet date as well as expected future salary increases. These calculations are based on the 2005 G guideline tables compiled by Dr. Klaus Heubeck.

Actuarial gains and losses are recognised as profit or loss in the year in which they arose. The share of interest on the transfers to provisions is shown as interest expense under financial income.

Plan assets exist solely in the form of reinsurances pledged to employees, and therefore cannot be seized by creditors. Plan assets are measured at fair value.

## **(j) Other provisions**

In accordance with the criteria under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are formed for uncertain liabilities in the event that it appears probable in each case that performance of a current obligation will result in a direct outflow of resources embodying future economic benefits and the value of this obligation or performance amount can be measured reliably, including in the form of estimates. All known uncertain liabilities and risks concerning the past fiscal year are taken into consideration in the performance amount with the highest probability of occurrence. If the expected scope of obligation is reduced by a changed estimate, the provision is reduced proportionately and income recorded as other operating income.

In the case of long-term provisions, the portion that is to flow out after more than a year, and for which a reliable estimate of the amount or timing of the payment is possible, is stated at the present value calculated by discounting at an interest rate commensurate with the market and term.

## **(k) Revenue and expenses recognition**

Bastei Lübbe mainly achieves sales and licence revenues. Revenue is recognised if - taking into consideration tax and sales deductions - the principal risks associated with ownership have been transferred to the buyer, the amount of income can be determined reliably and the flow of economic benefits resulting from the sale is sufficiently probable.

Sales revenues principally encompass the sale of novel booklets and puzzle magazines, books, audiobooks, gifts and eBooks to retailers. Sales corrections are performed as a precaution for products expected to be returned based on experience.

Licence revenues are achieved from the resale of acquired and already exploited rights to domestic and foreign licensees. Turnover is recognised in compliance with the provisions of the underlying agreement.

Other income is recognised if the economic benefit associated with the transaction has accrued during the reporting period and the amount of the revenue can be measured reliably.

Operating expenses are charged to the statement of comprehensive income at the point at which the service is used or the delivery received or at the date of their cause.

Financial income mainly includes interest income and dividends. Interest income and interest expenses are recognised using the effective interest method. Interest expenses include both expenses for loans and expenses from the accumulation of long-term liabilities. Dividends and impairments of financial assets are recognised under the investment result. Income recognition of dividends occurs once the Company is legally entitled to payment. This occurs in each case at the point in time at which it becomes probable that the economic benefit from the transaction will accrue to the company and the amount of revenues can be reliably ascertained.

### **(l) Income taxes**

Taxes on income and earnings paid or owed on an ongoing basis, as well as deferred tax liabilities, are reported as tax expenses. The calculation of ongoing income tax, including claims for reimbursement and debt, is based on applicable laws and regulations.

Deferred taxes are determined for temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and their tax base. The calculation is based on the Company-specific tax rates anticipated at the time of realisation, derived from the statutory regulations that are in force on, or have been adopted by, the balance sheet date.

Deferred tax claims are only taken into account if it is reasonably certain that the temporary differences can actually be reversed for tax purposes.

If deferred taxes relate to transactions that are recorded directly in equity, the deferred taxes are recorded directly in equity. They are recorded as income in all other cases.

### **(m) New regulations applied for the first time in the financial year**

This report was subject for the first time to accounting standards and interpretations amended, supplemented or newly published by the IASB, which were binding for Bastei Lübbe AG in the 2013/2014 financial year.

None of the new or amended standards and interpretations had any considerable effects on the annual financial statements of Bastei Lübbe AG.

The following table contains a detailed listing of the standards and interpretations to be used as per 31 March 2014:

Standard	Title/provisions	Date of entry into force	Date of EU endorsement
Amend. IAS 1	Presentation of Financial Statements Presentation of Other Income	1 July 2012	6 June 2012
Amend. IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	1 January 2013	29 December 2012

Amend.	Income Taxes: Deferred Taxes - Realisation	1 January 2013	29 December 2012
IAS 12	of Underlying Assets		
IAS 19	Employee Benefits (revised 2011)	1 January 2013	6 June 2012
IFRS 13	Measurement at Fair Value	1 January 2013	29 December 2012
Amend.	Government Loans	1 January 2013	5 March 2013
IFRS 1			
Amend.	Financial Instruments: Disclosures – Netting of	1 January 2013	29 December 2012
IFRS 7	Financial Assets and Financial Liabilities		
Various	Annual Improvement Project of the IASB 2009-2011	1 January 2013	28 March 2013
IFRIC 20	Costs of Rubble Disposal During	1 January 2013	29 December 2012
	Surface Mining Operations		

#### ***Amend. IAS 1 – Presentation of Financial Statements Presentation of Items of Other Income***

This change has affected the way in which other income is organised. The individual items of other income are now to be grouped according to whether they would later be reclassified in the profit and loss statement (“recycling”) in certain circumstances. Furthermore, the corresponding tax effects must be reclassified for the two groups. As there have thus far been no amounts classified as Other Income for Bastei Lübbe, this amendment of the standard has no impact on the presentation of income for earlier periods. As of the 2013/2014 financial year, however, the amended standard will be applied retrospectively for the previous year (see IAS 19 and Note 16 in particular).

#### ***Amend. IAS 12 – Income taxes: Deferred taxes – realisation of underlying assets***

A rebuttable presumption is being introduced whereby the carrying value of an asset will normally be realised through its sale. The rebuttable type applies to non-depreciable assets (land and property) to which the revaluation model is applied (IAS 16), and to all property held as financial investments that are measured at fair value (IAS 40). In calculating deferred taxes, the tax burden to be applied should in principle be that would be incurred on sale.

#### ***IAS 19 – Employee benefits (revised 2011)***

The “corridor method” will cease to apply with the new version of IAS 19. This means that actuarial gains and losses (now referred to as “changes in value”) will now be immediately recognised as equity (other income) in the year in which they arise. These amounts recorded as Other Income are not recognised as profit or loss. Unrecorded service costs from plan changes are to be recognised as profit or loss in the year in which they arose.

The effects of the new version of IAS 19 on the net result and other income of Bastei Lübbe for the current year and previous year can be seen in the following table:

(EUR K)	IAS 19 (2011)		IAS 19 (“old”)	
	2013/2014	2012/2013	2013/2014	2012/2013
Net result	9,074	7,922	9,033	7,916
Other comprehensive income after taxes	-41	-6	0	0

As both the net result and other income are equity amounts, the total equity does not change with the new version of IAS 19. The amendment to IAS 19 has also had no considerable impact on other items on the balance sheet (e.g. provisions).



### ***IFRS 13 – Measurement at Fair Value***

This standard sets down uniform guidelines for the measurement of fair value. Fair value as defined in IFRS 13 is the sale price that could be achieved for an asset in the course of a business combination as far as market players are concerned at the time of valuation or that would be due in the case of transfer of a liability. The basis for the valuation is therefore the price that can be achieved or would need to be paid on the principal market. It must be noted that the Company undertaking the valuation must also be in a position to effect transactions on the principal market.

Non-financial valuation objects will in future be valued based on the assumption of highest and best use. With this assumption it is possible that the highest and best use may actually deviate from the actual use or exploitation of the valuation object by the Company. The actual use is irrelevant for the valuation in this instance. IFRS 13 restricts best use to use that is actually possible, legally permitted and financially feasible.

Disclosures on valuation techniques and valuation methods form the actual main elements of IFRS 13. Starting from the ideal case of an active market on which prices of a valuation object can be directly measured, valuation measures are described with which a fair value can be determined as objectively as possible. Distinctions are made between three hierarchical levels. The distinction between these levels is carried out based on the quality of the input factors used.

### ***Amend. IFRS 7 – Financial instruments: Disclosures – Netting of Financial Assets and Financial Liabilities***

The amendments make it clear that a claim to netting must exist on the balance sheet date in order for the netting of financial assets and liabilities to take place according to IAS 32, i.e. it must not be dependent on future events.

### ***Annual Improvement Project of the IASB 2009-2011***

IAS 16 – Property, plant and equipment: It is made clear that servicing tools count as property, plant and equipment if they are used for a period of time that exceeds a certain period.

IAS 32 – Presentation of Financial instruments: The amendment affects the handling of income taxes on dividends to shareholders and transaction costs of an equity transaction relevant to income tax. These are to be shown in the balance sheet according to the provisions of IAS 12.

### **(n) New regulations voluntarily applicable in the financial year**

The IASB has newly adopted or revised a number of accounting standards and interpretations that will be binding on Bastei Lübbe AG from 1 April 2014 at the earliest, provided that these have been approved by the European Commission and are relevant to Bastei Lübbe AG. These were not applied even voluntarily to the present report.

Standard	Title/provisions	Date of entry into force	Date of EU endorsement
IFRS 10	Consolidated Financial Statements	1 January 2014*	29 December 2012
IFRS 11	Joint Arrangements	1 January 2014*	29 December 2012
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014*	29 December 2012
Amend.	Consolidated Financial Statements, Joint	1 January 2014*	5 April 2013
IFRS 10, IFRS 11, IFRS 12	Agreements and Disclosures of Interests in Other Entities - Transitional Directives		
IAS 27	Separate Financial Statements (revised 2011)	1 January 2014*	29 December 2012
IAS 28	Investments in associated companies and Joint Ventures (revised 2011)	1 January 2014*	29 December 2012
Amend.	Presentation and Netting of Financial instruments		
IAS 32	of financial assets and financial liabilities		
Amend.	Separate Statements - Exemption from	1 January 2014	20 November 2013
IFRS 10, IFRS 12, IAS 27	the Duty to Consolidate for Investment Companies		
Amend.	Impairments of Assets -	1 January 2014	19 December 2013
IAS 36	Disclosures on Recoverable Amounts for Non-Financial Assets		
Amend.	Novation of Derivatives	1 January 2014	19 December 2013
IAS 39			
IFRIC 21	Disclosures	1 January 2014	Exp. Q2/2014
IFRS 9	Financial Instruments	TBC	TBC

\*These standards will be binding within the EU for the first time – by way of derogation from the initial effective dates of the original standards – for financial years beginning on or after 1 January 2014.

The most important changes, as well as their expected effects on the financial statements of Bastei Lübbe AG, are explained in greater detail below.

#### ***IFRS 10 – Consolidated financial statements***

This standard replaces the consolidation guidelines of IAS 27 and SIC-12 through the introduction of a single consolidation model for all companies on the basis of control, regardless of whether the Company is controlled via voting rights or other contractual agreements. At the time of initial application, all previously consolidated and non-consolidated companies are to determine whether these are recognised by the newly defined concept of control and should therefore be included in the group of consolidated companies according to IFRS 10.

#### ***IFRS 11 – Joint arrangements***

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-31 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Joint agreements include jointly-controlled operations and joint ventures, whereby the legal structure of the cooperation will no longer play a key role in future. The former option to apply proportionate consolidation to joint ventures has expired with the introduction of IFRS 11. In future, these companies will be included in the consolidated financial statements individually at equity.

***IFRS 12 – Disclosure of Interests in Other Entities***

This standard lays down uniform disclosure obligations for the area of Group accounting and bundles information for subsidiaries, previously regulated by IAS 27, information for jointly-controlled entities and associates, previously regulated by IAS 31 and IAS 28, as well as for structured companies, in one standard.

***IAS 27 – Separate Financial Statements (revised 2011)***

This standard will in future only include regulations for separate financial statements. All consolidation provisions will be transferred to IFRS 10.

***IAS 28 – Investments in Associates and Joint Ventures (revised 2011)***

The new version of IAS 28 contains follow-up amendments resulting from the issue of IFRS 10, IFRS 11 and IFRS 12.

***Amend. IAS 32 – Financial instruments: Presentation – Netting of Financial Assets and Financial Liabilities***

The changes to IAS 32 were made to further clarify previous netting rules.

***Amend. IFRS 10 – Separate Financial Statement – Exemption from the Duty to Consolidate for Investment Companies***

IFRS 10 now contains a definition of the term “investment company”. The standard determines when an investment company as a parent company must consolidate its subsidiaries.

***Amend. IAS 36 Depreciation of Assets – Disclosures on Recoverable Amounts for Non-Financial Assets***

The changes firstly correct a disclosure regulation concerning the recoverable amount of cash generating units, and also introduce new disclosure obligations with regard to the determination of recoverable amounts on the basis of fair value less costs of sale.

***Amend. IAS 39 Novation of Derivatives***

The reorganisation of derivative trading effected by the European Market Infrastructure Regulation (EMIR) led to a limited revision of IAS 39. With the intermediation of a central counterparty, hedging relationships with a derivative as their underlying hedging instrument would actually need to be terminated. The IASB provides that the original hedging relationship can continue subject to three conditions.

***IFRIC 21 – Disclosures***

IFRIC 21 affects companies obligated to pay public charges not falling within the scope of IAS 12.

***IFRS 9 – Financial instruments***

As part of the project to replace IAS 39, IFRS 9 was published in 2009 and supplemented in 2010. The new standard fundamentally changes the former provisions on the classification and valuation of financial assets and financial liabilities. An additional draft standard on the classification and valuation of financial assets is currently being discussed once more by the IASB. The additions to IFRS 19, published on 19 November 2013, contain new regulations on hedge accounting in the form of a new general model for the accounting of hedging relationships and replaces the corresponding provisions on hedge accounting in IAS 39. The date of initial application was delayed until completion of the standard.

The possibility of the early adoption of standards and interpretations which the IASB had already approved was not taken up. The new and revised standards/interpretations, particularly IFRS 10, 11 and 12, will not, according to current estimations, have any significant impacts on the asset, financial and earnings situation of Bastei Lübbe AG, but will only lead to a small number of additional disclosures in the Notes.

## 4. Shareholdings

The Company holds shares in companies over which it exercises a dominant influence within the meaning of section 290 HGB. Given the exemption provisions of section 296 HGB, however, no breakdown of these companies was carried out. The present separate financial statements were voluntarily prepared according to IFRS.

**Shares in associates (larger than 50 percent stake)** as listed under financial assets were as follows as per the balance sheet dates:

31 March 2014	Headquarters	Ownership interest
Siebter Himmel Bastei Lübbe GmbH (formerly Bastei Lübbe Verwaltungs GmbH)	Cologne	100%
Moravska Bastei MoBa s.r.o.	Brno/Czech Republic	89.7%
Bastei Media GmbH (formerly Family Entertainment.tv GmbH)	Erfurt	100%
Bastei Lübbe International Ltd.	Hong Kong/China	100%

31 March 2014	Headquarters	Ownership interest
Bastei Lübbe Verwaltungs GmbH	Cologne	100%
Moravska Bastei MoBa s.r.o.	Brno/Czech Republic	89.7%
Family Entertainment.tv GmbH	Erfurt	100%

Saxonia Filmproduktions Gesellschaft mbH in Leipzig is entitled to the option right to purchase a 50 percent stake in Bastei Media GmbH. The Supervisory Board of Saxonia (MDR and Bavaria) resolved at its meeting on 14 June 2013 to exercise its option right. This resolution requires two further Supervisory Board resolutions to become effective, both from Bavaria as well as MDR, which have not yet been adopted.

31 March 2014	Headquarters	Ownership interest
PRÄSENTA PROMOTION INTERNATIONAL GmbH	Solingen	50%
HPR Bild & Ton GmbH	Cologne	25%

Bastei Lübbe International Ltd. was founded by Bastei Lübbe AG in August 2013 and has not yet commenced business operations. This Company will be responsible for preparing to enter the Chinese digital market.

### Investments in associates (stake of between 20 and 50 percent)

HPR Bild & Ton GmbH was founded in December 2013. This new company plans to develop stage and author formats, event shows and fictional formats. HPR Künstler & Medien GmbH, Cologne, holds a 75 percent stake in the company.

Our stake in PRÄSENTA PROMOTION INTERNATIONAL GmbH originates from the previous financial year.

Given that Bastei Lübbe exercises a significant influence over both of these companies, they can both be classified as associates within the meaning of IAS 28.

All other interests in **affiliates (less than 20 percent stake)** as listed under financial assets are derived at both balance sheet dates from the participation in "Das Kind" Filmproduktion GmbH & Co. KG, Berlin, and participations (less than 5 percent stake) in several wholesale press distributorships, mainly in Eastern Germany.

Separate financial statements are available for all affiliated companies and associates, which were prepared in accordance with legal provisions.

(EUR K)	Good will	Other intangible assets	Down payments	Total
<b>Acquisition/production costs</b>				
As per 1 April 2012	35	3,246	40	3,321
Additions from merger/accretion	2,079	7,570	69	9,718
Additions	0	544	14	558
Disposals	0	0	0	0
Reclassifications	0	110	-110	0
<b>As per 31 March 2013</b>	<b>2,114</b>	<b>11,470</b>	<b>13</b>	<b>13,597</b>
<b>Value adjustments</b>				
As per 1 April 2012	0	2,567	0	2,567
Additions from merger/accretion	0	191	0	191
Additions	0	657	0	657
Disposals	0	0	0	0
<b>As per 31 March 2013</b>	<b>0</b>	<b>3,415</b>	<b>0</b>	<b>3,415</b>
<b>Carrying amounts</b>				
As per 1 April 2012	35	679	40	754
<b>As per 31 March 2013</b>	<b>2,114</b>	<b>8,055</b>	<b>13</b>	<b>10,182</b>
<b>Acquisition/production costs</b>				
As per 1 April 2013	2,114	11,470	13	13,597
Additions	0	1,135	477	1,612
Disposals	0	0	0	0
<b>As per 31 March 2014</b>	<b>2,114</b>	<b>12,605</b>	<b>490</b>	<b>15,209</b>
<b>Value adjustments</b>				
As per 1 April 2013	0	3,415	0	3,415
Additions	0	714	0	714
Disposals	0	0	0	0
<b>As per 31 March 2014</b>	<b>0</b>	<b>4,129</b>	<b>0</b>	<b>4,129</b>
<b>Carrying amounts</b>				
As per 1 April 2013	2,114	8,055	13	10,182
<b>As per 31 March 2014</b>	<b>2,114</b>	<b>8,476</b>	<b>490</b>	<b>11,080</b>

## 5. Intangible assets

(EUR K)	31 March 2014	31 March 2014
Books	35	35
Non-books	1,297	1,297
Novels and puzzle magazines	782	782
	<b>2,114</b>	<b>2,114</b>

The carrying goodwill values were spread across the segments as follows as per the balance sheet date:

(EUR K)	31 March 2014	31 March 2014
Räder	1,297	1,297
PMV	782	782
Eichborn	35	35
	<b>2,114</b>	<b>2,114</b>

The spread among the corresponding cash generating units is as follows:

The values of use determined by the impairment tests for Räder and PMV cash generating units were EUR K 15,112 and EUR K 6,502, respectively.

Other intangible assets particularly include the "Räder" brand, identified in the previous year within the purchase price allocation with EUR K 4,864 (non-books segment), for which no useful life can be determined and which therefore is not been undergoing scheduled depreciation but - as with goodwill - is being subject to an impairment test at least once annually. The recoverable amounts for CGUs determined via impairment tests, to which the aforementioned goodwill and brand are assigned, are calculated on the basis of the respective values in use. A growth rate of 1.5 percent upon expiry of the three-year detailed planning phase and a discount rate of 8.38 percent are expected.

In addition, title and brand rights above all, depreciated over useful lives of eight to 15 years, will be shown at the balance sheet date in the total amount of EUR K 3,233 (P Y: EUR K 2,718). The other amounts mainly relate to software and licences, which are depreciated over three to five years.

No unscheduled depreciations of goodwill or other intangible assets, which were shown if applicable on the statement of comprehensive income under "Depreciations on intangible assets and property, plant and equipment", were carried out in either financial year.

## 6. Holdings of prepaid royalties

(EUR K)	prepaid royalties	Down payments	Total
<b>Acquisition/production costs</b>			
As per 1 April 2012	20,019	4,369	24,388
Additions	6,885	7,502	14,387
Disposals	-7,298	0	-7,298
Reclassifications	7,574	-7,574	0
<b>As per 31 March 2013</b>	<b>27,180</b>	<b>4,297</b>	<b>31,477</b>
<b>Value adjustments</b>			
As per 1 April 2012	3,571	149	3,720
Additions	9,871	0	9,871
Write-ups	0	-52	-52
Disposals	-7,298	0	-7,298
<b>As per 31 March 2013</b>	<b>6,144</b>	<b>97</b>	<b>6,241</b>
<b>Carrying amounts</b>			
As per 1 April 2012	16,448	4,220	20,668
<b>As per 31 March 2013</b>	<b>21,036</b>	<b>4,200</b>	<b>25,236</b>
<b>Acquisition/production costs</b>			
As per 1 April 2013	27,180	4,297	31,477
Additions	8,853	2,993	11,846
Disposals	-5,300	0	-5,300
Reclassifications	4,050	-4,050	0
<b>As per 31 March 2014</b>	<b>34,783</b>	<b>3,240</b>	<b>38,023</b>
<b>Value adjustments</b>			
As per 1 April 2013	6,144	97	6,241
Additions	11,078	11	11,089
Write-ups	-220	0	-220
Disposals	-5,300	0	-5,300
<b>As per 31 March 2014</b>	<b>11,702</b>	<b>108</b>	<b>11,810</b>
<b>Carrying amounts</b>			
As per 1 April 2013	21,036	4,200	25,236
<b>As per 31 March 2014</b>	<b>23,081</b>	<b>3,132</b>	<b>26,213</b>

All expenses incurred in connection with prepaid royalties and down payments made - incl. depreciations - are recognised as material expenses under "Expenses for fees and depreciations to prepaid royalties"; write-ups and revaluations are recorded as other operational expenses.

The holdings of prepaid royalties contain two (P Y: two) manuscripts for books of noted authors still to be published, with carrying values of EUR K 2,000 and EUR K 4,000, respectively (P Y: EUR K 2,000 and EUR K 5,000, respectively). Their respective expected amortisation periods are between one and two years. Please refer to Paragraph 3g for an explanation of the changed depreciation method.



## 7. Property, plant and equipment

(EUR K)	Land and buildings	Technical equipment and machinery	Operating and office equipment	Equipment under construction	Total
<b>Costs of acquisition/ production</b>					
As per 1/04/2012	267	31	3,297	0	3,595
Additions from merger/ accretion	225	20	2,376	0	2,621
Additions	120	3	1,366	0	1,489
Disposals	0	0	-707	0	-707
<b>As per 31/03/2013</b>	<b>612</b>	<b>54</b>	<b>6,332</b>	<b>0</b>	<b>6,998</b>
<b>Value adjustments</b>					
As per 1/04/2012	38	7	1,440	0	1,485
Additions from merger/ accretion	70	9	1,595	0	1,674
Additions	53	6	935	0	994
Disposals	0	0	-499	0	-499
<b>As per 31/03/2013</b>	<b>161</b>	<b>22</b>	<b>3,471</b>	<b>0</b>	<b>3,654</b>
<b>Carrying amounts</b>					
As per 1/04/2012	229	24	1,857	0	2,110
<b>As per 31/03/2013</b>	<b>451</b>	<b>32</b>	<b>2,861</b>	<b>0</b>	<b>3,344</b>
<b>Costs of acquisition/ production</b>					
As per 1/04/2013	612	54	6,332	0	6,998
Additions	785	7	794	4	1,590
Disposals	-19	0	-594	0	-613
<b>As per 31/03/2014</b>	<b>1,378</b>	<b>61</b>	<b>6,532</b>	<b>4</b>	<b>7,975</b>
<b>Value adjustments</b>					
As per 1/04/2013	161	22	3,471	0	3,654
Additions	114	7	870	0	991
Disposals	-2	0	-371	0	-373
<b>As per 31/03/2014</b>	<b>273</b>	<b>29</b>	<b>3,970</b>	<b>0</b>	<b>4,272</b>
<b>Carrying amounts</b>					
As per 1/04/2013	451	32	2,861	0	3,344
<b>As per 31/03/2014</b>	<b>1,105</b>	<b>32</b>	<b>2,562</b>	<b>4</b>	<b>3,703</b>

Property, plant and equipment include assets amounting to EUR K 926 (P Y: EUR K 1,094) under hire, rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria, and are therefore to be entered in the balance sheet of their economic owner. These assets are operating and office equipment

(office equipment and servers). Reference is made to Note 18 regarding the corresponding liabilities. The leased and capitalised assets in property, plant and equipment did not undergo any accruals (P Y: EUR K 468) and - as in the previous year - depreciations in the amount of EUR K 168.

No unscheduled depreciations needed to be carried out in the previous financial year. All depreciation on property, plant and equipment is shown in the statement of consolidated income item "Amortisation and depreciation on intangible assets and property, plant and equipment".

As in the previous year, property, plant and equipment does not serve as collateral for own liabilities.

## 8. Financial assets

(EUR K)	31/03/2014	31/03/2013
<b>Long-term (financial assets)</b>		
Investments in affiliated companies	547	542
Investments in associated companies	3,411	3,161
Other equity investments	108	108
	<b>4,066</b>	<b>3,811</b>
<b>Short-term</b>		
Securities	10,000	0
Receivables from factoring	3,004	3,359
Receivables from associated companies	1,322	44
Receivables from affiliated companies	388	180
Eichborn AG receivable (insolvency)	252	252
Supplier rebates	76	108
Creditors with debit balances	31	22
Interest receivables	23	0
Receivables from employees	8	16
Other	15	16
	<b>15,119</b>	<b>3,997</b>

Securities include callable registered bonds of the Bank of China Ltd.,- Frankfurt subsidiary. The Frankfurt subsidiary of Bank of China Ltd. is subject to the Deposit Insurance Fund of the Association of German Banks.

All liabilities from the books segment were sold to Vereinigte Verlagsauslieferung arvato media GmbH (VVA), Gütersloh, as part of a factoring agreement. Given that this involves recourse factoring (the default risk is not passed to the factor), liabilities still due to the customer are shown under "Trade receivables". Financial assets include those liabilities that have been paid by the customer but not yet transferred to Bastei Lübbe by the factor.

The fee for the factor is one of several securities for granted bank overdrafts assigned to three credit institutes in the framework of a collateral pooling agreement. No use is being made of bank overdrafts on the balance sheet date.

Liabilities to associates include in particular an interest-bearing loan of more than EUR K 1,300 to Präsentia Promotion International GmbH, Solingen.

The Eichborn AG receivable refers to the pre-financed social plan expenditure of the company under protective administration. Bastei Lübbe took over its prefinancing so that the total volume of the social plan as negotiated between the insolvency administrator and works council of Eichborn AG would not fall under the relative limitation of section 123(2) of the Insolvency Statute (Insolvenzordnung - InsO), so that the employees would receive the severance payment due to them immediately upon termination of their employment contracts. In return, Bastei Lübbe AG has had the employees' claims against the insolvency administrator for social plan payments assigned to itself.

Financial assets were neither overdue nor impaired at the reporting dates. There is no reason to believe that a loss of financial assets will be incurred.

Short-term financial assets are due for payment within one year.

## 9. Income tax assets and liabilities

The following income tax assets and liabilities are shown separately in the balance sheet:

(EUR K)	31/03/2014	31/03/2013
Deferred tax claims	1,311	1,029
Income tax receivables	197	125
Deferred tax liabilities	0	0
Income tax liabilities	-2,540	-362
Balance	<b>-1,032</b>	<b>792</b>

Current tax refund claims and tax liabilities relate almost exclusively to domestic trade and corporate tax (P Y almost exclusively to trade tax).

Deferred taxes accounted for can be assigned to individual balance sheet items according to their origin as follows:

(EUR K)	assets		liabilities	
	deferred taxes		deferred taxes	
	31/03/2014		31/03/2013	
Intangible assets	1,859		1,373	
Property, plant and equipment	2	301	2	182
Financial assets	32			
Authors' licences		247		121
Trade accounts receivable	51	149	25	102
Partial-retirement obligations	29		34	
Other provisions	24		1	
Liabilities to shareholders		0		9
Financial liabilities	235	224	167	159
	2,232	921	1,602	573
Balancing	-921	-921	-573	-573
	<b>1,311</b>	<b>0</b>	<b>1,029</b>	<b>0</b>

No deferred tax assets from tax loss carryforwards needed to be established as no tax loss carryforwards have been accrued.

Deferred tax liabilities are fully offset against corresponding assets, since the same tax subject and same tax authority are involved.

Changes in deferred taxes in the profit and loss statement can be reconciled as follows:

(EUR K)	2013/2014		2012/2013	
Deferred tax claims 1 Apr	1,029		1,519	
Deferred tax liabilities 1 Apr	0	1,029	0	1,519
Deferred tax claims 31 Mar	1,311		1,029	
Deferred tax liabilities 31 Mar	0	1,311	0	1,029
= Change in balance		282		-490
+/- Changes not recognised in income		0		246
= Deferred tax income as per profit and loss statement		<b>282</b>		<b>-244</b>

We refer to explanations regarding tax expenses under Note 30 in this respect.

## 10. Inventories

(EUR K)	31/03/2014	31/03/2013
Raw materials and supplies	277	353
Unfinished products	621	438
Finished goods	17,780	16,897
Prepayments on inventories	206	113
	<b>18,884</b>	<b>17,801</b>

Of the inventories recognised at the balance sheet date, EUR K 1,173 (P Y: EUR K 1,498) were carried at their net realisable value.

Value adjustments on inventories amounted to EUR K 10.802 (P Y: EUR K 16.134) in the financial year.

## 11. Trade receivables

(EUR K)	31/03/2014	31/03/2013
<b>Receivables from</b>		
third parties	15,087	18,274
less long-term discounting	-158	-152
less value adjustments	-100	-63
	<b>14,829</b>	<b>18,059</b>

Long-term liabilities to a client amounting to EUR K 1,415 (P Y: EUR K 1,359), as no interest rate was stipulated, are discounted at a cash value of EUR K 1,257 (P Y: EUR K 1,207). All other trade receivables shown are due within a year and are shown as current receivables.

Value adjustments were made on receivables amounting to EUR K 124 (P Y: EUR K 80). Depreciations of trade receivables were as follows:

<b>(EUR K)</b>	<b>2013/2014</b>	<b>2012/2013</b>
As per 1st April	63	49
Availment	-7	-3
Reversal	-5	-1
Addition	49	18
	<b>100</b>	<b>63</b>

As per 31 March 2014, trade receivables in the amount of EUR K 13,664 (P Y: EUR K 15,240) were neither overdue nor depreciated. There are no indications on the reporting date in this regard that the clients will not fulfil their payment obligations.

Trade receivables classified as payments in arrears but not depreciated at the balance sheet date became overdue in the following periods:

<b>(EUR K)</b>	<b>31/03/2014</b>	<b>31/03/2013</b>
up to 30 days	864	1,449
31 to 90 days	121	1,084
91 to 180 days	103	168
181 days to one year	53	79
more than one year	0	22
	<b>1,141</b>	<b>2,802</b>

As one of many securities for bank overdrafts guaranteed by three credit institutions (collateral pooling agreement), Bastei Lübbe has assigned all trade receivables to the credit institutes in a blanket assignment. Credit lines are not made use of on the balance sheet date.

Of the trade receivables shown, EUR K 8,794 (P Y: EUR K 11,879) were sold as part of a factoring agreement with Vereinigte Verlagsauslieferung arvato media GmbH (VVA), Gütersloh. As only the contractual right to the cash flows was transferred, but not the default risk of the receivables, these receivables were not derecognised. Payments from clients to VVA that have not yet been transferred to Lübbe by the factor are shown in the amount of EUR K 3,987 (P Y: EUR K 4,221) under financial assets. The advance payments already made by VVA on not yet balanced receivables in the amount of EUR K 983 (P Y: EUR K 862) are thus shown as balanced. Given the short-term nature of the assets and liabilities, the carrying values correspond to the fair values. The carrying values of the assets prior to transfer remain unchanged compared to the carrying values following transfer.

## 12. Other receivables and assets

(EUR K)	31/03/2014	31/03/2013
Other accruals and deferrals	374	313
Value-added tax refund claims	197	810
Other	10	11
	<b>581</b>	<b>1,134</b>

All amounts are realisable within a year.

## 13. Cash and cash equivalents

(EUR K)	31/03/2014	31/03/2013
Accounts at financial institutions		
Sight deposits and fixed deposits	12,145	63
Cash assets	18	16
	<b>12,163</b>	<b>79</b>

This item bears no restrictions in terms of ownership or disposal.

## 14. Equity

As part of the legal change of form, namely from Bastei Lübbe GmbH & Co. KG into Bastei Lübbe AG, the former equity of Bastei Lübbe GmbH & Co. KG, amounting to EUR K 15,935 (incl. the "adjustment item for capitalised own shares" according to commercial law amounting to EUR K 81), comprising the capital of limited partners (EUR K 1,534) and provisions (EUR K 14,401, incl. the aforementioned adjustment item), was converted and instated in the share capital of Bastei Lübbe AG (EUR K 10,000 - corresponding to 10,000,000 shares) with a deemed par value in the **share capital** of EUR 1.00 each and **provisions** (EUR K 5,935).

As part of the initial public offering, 3,300,000 shares were placed on the stock market with a deemed par value in the share capital of EUR 1.00 each at an initial price of EUR 7.50 per share. The share capital of Bastei Lübbe AG correspondingly increased by EUR K 3,000 to EUR K 13,300. The resultant surplus earnings of  $(3,300,000 \times \text{EUR } 6.50 =)$  EUR 21,450 were instated in the capital reserves. The costs of increasing the capital, amounting to EUR K 1,314, were offset against the capital reserves taking into account the tax amounts applicable (EUR K 426).

By resolution of the Annual General Meeting of 10 September 2013, the Executive Board was authorised pursuant to section 78(1) No. 8 AktG to acquire its own shares until 1 September 2018 up to a maximum of 10 percent of the share capital - except for the purpose of trading in own shares - and to use these for any permissible purposes. For further details, reference is made to the explanations in the Management Report on disclosures pursuant to section 289(4) HGB.

In October 2013, 51,200 own shares were acquired at a share price of EUR 7.50 each. The corresponding share in the notional share capital of EUR 51,200.00 was deducted from the

share capital, and the further amount of  $(51,200 \times \text{EUR } 6.50 =) \text{EUR } 332,800.00$  was deducted from the capital reserves. Of these shares, 100 each were transferred free of charge to nine authors in the first quarter of 2014 in order to strengthen their loyalty to Bastei Lübbe, and the corresponding set-offs in the share capital and capital reserves proportionately reversed.

13,249,700 issued and fully paid, no-par value shares in Bastei Lübbe AG were in hence circulation at the balance sheet date.

**Retained earnings** comprise annual net profit and profit carried forward. As in the previous year, profit carried forward includes amounts of EUR K 1,920 from revaluations carried out in preparation for the IFRS opening balance sheet as per 1 April 2011, as well as income and expenses from previous years recorded as profit and loss that deviate from profit according to commercial law.

The Shareholder Meeting of 10 April 2013 resolved to credit the full net profit reported under commercial law for the 2013/2014 financial year of the company then operating under Bastei Lübbe GmbH & Co. KG, amounting to EUR K 7,283, to the shareholder accounts.

**Cumulated other income** includes actuarial losses in connection with partial-retirement obligations to employees shown under long-term reserves (see Note 3 m re IAS 19 - Payments to Employees). The amounts shown as cumulated other income were calculated in consideration (balancing) of the deferred taxes due in the amount of EUR K 22 (P Y: EUR K 1). The amounts shown will not be reclassified in the profit and loss statement in future.

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting to distribute dividends of EUR 0.28 per share to shareholders from the net profit of Bastei Lübbe AG. The amount of the dividend depends on shareholder approval being given during the upcoming Annual General Meeting.

## 15. Earnings per share

In calculating earnings per share (EUR 0.79/share, P Y: EUR 0.79/share), the average number of shares in circulation (11,557,780 shares) was used as a weighted average number of shares until stock market listing (7 October 2013, 10,000,000 shares) and after the initial public offering (8 October 2013, 13,300,000 shares) by offsetting own shares acquired by the Company at the last named date (51,200 shares) as well as own shares transferred over the course of the financial year (900 shares). In this respect, calculations were carried out as if the Company had already been a public limited company at the beginning of the financial year. If only the development in the number of shares from the point of conversion were to be taken into account, there would be an average 12,472,129 shares and a corresponding earning per share of EUR 0.73 for the financial year. For the previous year, the number of shares before capital increase as part of the initial public offering was estimated notionally.

Dilutive effects did not apply in either the reporting year or in the previous year.



## 16. Partial-retirement obligations

Bastei Lübbe has concluded partial-retirement agreements with a number of employees according to the block model stipulated in the collective agreement. Accordingly, the working hours are spread over the total period spent in partial retirement in such a way that the employee works the full amount of hours in the first half of the period of part-time working. Employees are then released from working altogether in the second half while still receiving the remuneration due during partial retirement (partial-retirement payment plus top-up amount).

(% p.a.)	31/03/2014	31/03/2013
Actuarial interest	0.66	0.90
Payment trend	2.00	2.00
Expected return on plan assets	3.70	3.90

The obligations, which exist in Germany alone, were calculated using the following parameters:

The parameters for mortality, morbidity and marriage probability are based on the "Reference Tables 2005 G" of Dr. Klaus Heubeck.

No new partial-retirement guarantees are to be given, so that provisions will steadily decrease. Accordingly, a sensitivity analysis with regard to significant parameters was dispensed with, as the remaining guarantees are not expected to have any significant effects on the Company's financial situation.

Actuarial gains and losses are recognised as Other Income pursuant to IAS 19 (revised 2011).

Net liabilities developed as follows:

(EUR K)	31/03/2014	31/03/2013	31/03/2012
Present value of partial-retirement obligation	674	843	1,063
Fair value of plan assets	-418	-519	-628
	<b>256</b>	<b>324</b>	<b>435</b>

The cash value of partial-retirement obligations changed as follows:

(EUR K)	2013/2014	2012/2013
As per 1 April	843	1,063
Current service cost	48	121
Interest expense	6	15
Payments	-286	-364
Actuarial losses	63	8
As per 31 March	<b>674</b>	<b>843</b>

The expected payments due in the following financial year amounted to EUR K 269 (P Y: EUR K 285).

When offset against expected gains from plan assets, interest expenses are shown under financial expenses, while the other expenses, with the exception of actuarial losses, are shown under personnel expenses.

Accrued provisions are secured through a reinsurance policy pledged to employees. The capital amount of this reinsurance policy is correspondingly classified as a plan asset within the meaning of IAS 19.

The fair value of plan assets has developed as follows:

(EUR K)	2013/2014	2012/2013
As per 1 April	519	628
Deposits	52	112
Disbursements	-170	-240
Balanced earnings	17	19
As per 31 March	<b>418</b>	<b>519</b>

The plan assets are comprised of reinsurance policies held with a life insurance company. In-payments are made in the active phase of partial retirement. These payments are then effected in the passive phase of partial retirement. Assets are generally invested in the cover funds of the life insurance company. The restrictions of the German Federal Financial Supervisory Authority apply here. Fair value accounts are traditional insurance policies without fund investments. The income from the reinsurance policies is calculated from the fixed guaranteed interest (2.25 percent for all capitalised insurance policies) and the variable profit share from the insurance company, to be set annually, which results from risk and cost gains and the profit from the insurance policies underlying the capital investment. The cost amounts claimed by the life insurance company are thus offset.

## 17. Other provisions

The provisions recognised in the balance sheet in addition to the aforementioned pension obligations have developed as follows:

(EUR K)	As per 01/04/2012	Availment	Reversal	Addition	As per 31/03/2013
<b>long-term</b>					
archiving costs	65			23	88
<b>short-term</b>					
remittances	6,002	6,002		5,988	5,988
Litigation	230		15	229	444
Specific risks receivables from factoring	81			15	96
Pending losses on royalties	24		24		0
Other	0			8	8
	6,337	6,002	39	6,240	6,536
	<b>6,402</b>	<b>6,002</b>	<b>39</b>	<b>6,263</b>	<b>6,624</b>

(EUR K)	As per 01/04/2013	Availment	Reversal	Addition	As per 31/03/2014
<b>long-term</b>					
archiving costs	88			10	98
<b>short-term</b>					
remittances	5,988	5,988		5,105	5,105
Litigation	444	29		205	620
Specific risks receivables from factoring	96			101	197
Other	8				8
	6,536	6,017	0	5,411	5,930
	<b>6,624</b>	<b>6,017</b>	<b>0</b>	<b>5,421</b>	<b>6,028</b>

**Provisions for returns** refer to the expected returns of published products. Customers are credited the full amount stated on the invoice. Novel booklets sold according to the cover returns procedure do not require the goods to be returned. The amount is simply credited. Calculations of return provisions are based on the return rates of the previous financial year. Separate calculations are carried out for the various segments. The temporal development of returns has been calculated by companies statistically for several years, and is stable over time. Return provisions can therefore be reliably estimated. The obligation is generally liquidated in the first eight months following the reporting date. Based on past experience, returns are normally completed within 18 months.

**Provisions for current litigation** are created, provided their risks can be reasonably estimated. These provisions are determined on the basis of notifications and cost estimates by the lawyers appointed to represent the Company, and cover all fees and legal expenses estimated by the lawyers, as well as any settlement costs.

**Provisions for individual risks for Trade receivables from factoring** refer to claims against customers involved in collection or insolvency proceedings, provided that the factor has already effected payment to Bastei Lübbe. Given that recourse factoring is involved, there is a danger in this respect that the amounts paid may need to be refunded to the factor.

## 18. Financial Liabilities/Trade Receivables

(EUR K)		As per 31/03/2013		
		of which with a remaining term of		
Liabilities (to/from)	Total	more than 1 year,		
		up to 1 year	up to 5 years	more than 5 years
Bonds	30,000	0	30,000	0
Balanced processing charges	-956	0	-956	0
Accrued interest on bond	874	874	0	0
Banks	6,164	6,164	0	0
Finance leases	1,006	283	723	0
Employees	1,860	1,860	0	0
Debtors with credit balance	288	288	0	0
Other	43	43	0	0
	<b>39,279</b>	<b>9,512</b>	<b>29,767</b>	<b>0</b>

(EUR K)		As per 31/03/2014		
		of which with a remaining term of		
Liabilities (to/from)	Total	more than 1 year,		
		up to 1 year	up to 5 years	more than 5 years
Bonds	30,000	0	30,000	0
Balanced processing charges	-689	0	-689	0
Accrued interest on bond	874	874	0	0
Finance leases	724	303	421	0
Employees	2,579	2,579	0	0
Debtors with credit balance	232	232	0	0
Other	59	59	0	0
	<b>33,779</b>	<b>4,047</b>	<b>29,732</b>	<b>0</b>

On 26 October 2011, the Company issued a **bond** with a total nominal value of EUR 30 million. The bond comprises 30,000 bearer bonds, each with a nominal value of EUR 1,000.00. The bearer bonds will bear nominal annual interest of 6.75 percent retroactively as from 26 October 2011 until 25 October 2016. The bearer bonds will be paid back on 26 October 2016 at their nominal amount. The bond is traded on the open market on the Düsseldorf and Frankfurt Stock Exchanges. It is included in the "midmarket" segment of the Düsseldorf Stock Exchange.

The **handling fees** paid in 2011 amounting to EUR K 1,350 are offset as acquisition costs for the issued bond and distributed over the term of the bond (until 26 October 2016) through profit or loss. Once 12 months have passed, EUR K 421 from this amount (P Y: EUR K 689) will be recognised in profit or loss.

The **interest accrued for the bond** refers to the interest payable on the bond for the period since the last payment date (26 October) until the reporting date.

There are credit lines with several banks, should these be necessary. These were given securities in the form of trade receivables and receivables from the factor in the full amount. No liabilities to banks existed at the balance sheet date.

**Liabilities under finance leases** are reflected as liabilities, provided the leased assets have been accounted for under property, plant and equipment as economic property of the group (finance leasing). They are reported at their present values.

One finance lease contract was prematurely replaced with a new lease on 1 May 2012. The resulting termination payment was included in the lease instalment for the new lease object. The termination payment was recognised through profit or loss in the 2012/2013 financial year.

Lease liabilities reported can be classified by maturity as follows:

(EUR K)	future minimum lease instalments		interest portion included therein		interest portion included therein	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
within one year	345	345	42	62	303	283
between 1 and 5 years	492	837	71	114	421	723
in more than five years	0	0	0	0	0	0
	<b>837</b>	<b>1,182</b>	<b>113</b>	<b>176</b>	<b>724</b>	<b>1,006</b>

Finance lease contracts are usually concluded for a basic term of between four and six years. If a contract provides for renewal and/or purchase options upon expiry of the basic lease term and these options can be classified as favourable, the corresponding amounts are included in the calculation of the cash values.

Liabilities to **employees** particularly include bonuses and accrued vacation and overtime.

Trade liabilities essentially comprise royalties to authors and agencies, liabilities towards printing companies and liabilities under advisory services and lease agreements.

## 19. Receivables from and liabilities to shareholders

(EUR K)	31/03/2014	31/03/2013
<b>Receivables from limited partners</b>		
Stefan Lübke	0	3,399
Lübke Beteiligungs GmbH	0	573
	<b>0</b>	<b>3,972</b>
<b>Liabilities to general partner</b>		
Bastei Lübke Verwaltungs GmbH	0	577
<b>Liabilities to limited partners</b>		
Diana Roggen	0	77
	<b>0</b>	<b>654</b>

All amounts shown in the previous year were due for payment within one year.

## 20. Other liabilities

	31/03/2014	31/03/2013
<b>Liabilities</b>		
<b>(to/from)</b>		
Other taxes	288	271
Social security payment for artists	0	56
Other	87	16
	<b>375</b>	<b>343</b>

These liabilities are accounted for at their updated acquisition costs, unless stated otherwise. All have residual maturities of up to one year.

Significant proportions of trade receivables are sold as part of a “recourse” factoring agreement (see Note 11). Provided that the factor has made payments on claims that have not yet been paid by the actual customer, such amounts are shown under Other liabilities as payments received.

In addition to the amounts for which the Companies are tax debtors, Liabilities from other taxes also contain taxes that are remitted for the account of third parties (in particular income tax and church tax).

## Notes to the statement of comprehensive income

The profit and loss statement is organised by types of expense (total cost procedure). The figures for the financial year are only partially comparable with those of the previous financial year, as the companies Hartmut Räder Wohnzubehör GmbH & Co. KG (as per 1 July 2012) and PMV Partner Medien Verlagsgesellschaft mbH (as per 1 January 2013) were only amalgamated/merged into Bastei Lübbe AG in the course of the previous financial year, so that their turnover, income and expenses were not included in the profit and loss statement for the 2012/2013 financial year until these dates. Their full annual amount was therefore not accounted for.

Based on revised IAS 19, actuarial gains and losses in the statement of comprehensive income are no longer recognised in the profit and loss statement, but as other income. The provisions shown in the previous year were modified as appropriate.

## 21. Revenue

Taking revenue deductions into account, net turnover in the financial year can be allocated to the following business segments:

(EUR K)	2013/2014	2012/2013
Gross revenues books	91,399	85,997
Remittances books	-7,730	-7,906
Net revenues books	83,669	78,091
Revenues licensing/other revenues	4,528	4,130
Revenue deductions	-2,407	-3,089
<b>Books segment</b>	<b>85,790</b>	<b>79,132</b>
Revenues Non-books	11,974	10,613
Revenues licensing/other revenues	389	285
Revenue deductions	-868	-356
<b>Non-books segment</b>	<b>11,495</b>	<b>10,542</b>
Gross revenues novel booklets and puzzle magazines	31,645	27,511
Remittances novel booklets and puzzle magazines	-21,538	-19,072
Net revenues novel booklets and puzzle magazines	10,107	8,439
Revenues licensing/other revenues	142	217
Revenue deductions	0	0
<b>Novel booklets and puzzle magazines segment</b>	<b>10,249</b>	<b>8,656</b>
<b>Total net revenues</b>	<b>107,534</b>	<b>98,330</b>

The development in sales revenues by regions is shown in the segment reports.

## 22. Change in inventories of finished goods and work in progress

(EUR K)	Inventory		Changes in inventory	
	31/03/2014	31/03/2013	2013/2014	2012/2013
Unfinished products	621	438	183	215
Finished goods	17,780	16,897	883	1,664
			1,066	1,879
less changes due to				
accretion/merger			0	-3,218
			<b>1,066</b>	<b>-1,339</b>

## 23. Other operating income

(EUR K)	2013/2014	2012/2013
Income from reallocation of costs to affiliated companies	205	0
Benefits in kind	239	232
Insurance compensation, indemnification	19	109
Income from revaluation of authors' and publishers' licenses	0	53
Gains on currency exchange	65	50
Income from the liquidation of provisions	0	39
Rental income	13	35
Staff sales and meal allowances	47	40
Income from the liquidation of specific bad debt allowances	225	18
Income from written-off receivables	48	12
Other	65	40
	<b>926</b>	<b>628</b>

We refer to Note 17 regarding income from the reduction of provisions.

## 24. Material expenses

(EUR K)	2013/2014	2012/2013
Expenses for fees and depreciation of royalties	21,816	20,275
Print, layout, repro, audio books	19,214	18,210
Procurement "Räder" product range	3,940	3,373
Translations, proof-reading, editing	706	1,191
Image copyright and graphic work	1,139	1,008
Wrappers, bookbinding	733	792
External publications	405	665
Social insurance contribution for artists and licence fees (GEMA)	604	657
Merchandise	408	332
Other services purchased	10	0
	<b>48,975</b>	<b>46,503</b>

We refer to Note 6 regarding depreciations on author royalties.



## 25. Staff expenses

(EUR K)	2013/2014	2012/2013
Wages and salaries	15,710	12,519
Employee share of statutory pension insurance	1,227	1,139
Other social security contributions	1,605	1,097
Expenditures for employment termination benefits	357	129
Other	294	301
	<b>19,193</b>	<b>15,185</b>

## 26. Depreciation on intangible assets of which fixed assets and property, plant and equipment

(EUR K)	2013/2014	2012/2013
<b>Scheduled depreciation</b>		
Intangible assets	714	657
Property, plant and equipment	991	994
	<b>1,705</b>	<b>1,651</b>

Unscheduled depreciations on intangible assets and property, plant and equipment - whether in the scope of impairment tests or for other reasons - were not necessary in the 2013/2014 financial year nor the previous year.

## 27. Other operative expenses

(EUR K)	2013/2014		2012/2013	
<b>Operating expenses</b>				
Rents and other premises costs	1,921		1,771	
Lease expenses	72		60	
Maintenance costs	31		70	
Other operating expenses	74	2,098	0	1,901
<b>Corporate expenses</b>				
Legal, consulting and audit costs	2,899		1,847	
Allocation of administrative overhead Bastei Lübbe				
Verwaltungs GmbH	123		1,224	
Vehicle costs	730		644	
External data processing costs	817		627	
Telephone, postage, Internet	577		531	
other personnel expenses	325		328	
Office supplies, magazines	184		245	
Entertainment expenses	122		123	
Insurance	120		80	
Subscriptions, fees	159		42	
Other administrative expenses	173	6,229	378	6,069
<b>Selling expenses</b>				
Advertising and travel expenses	8,020		7,180	
Outgoing freight, transport and storage costs	6,230		6,162	
Sales commissions	1,702		1,195	
ebook distribution costs	207		170	
Online shop distribution costs	204		106	
Other selling expenses	162	16,525	132	14,945
<b>Non-operating expenses</b>				
Value adjustments on receivables	197		65	
Exchange rate losses	23		32	
Losses from disposals of assets	30		150	
Donations	31		69	
Other non-operating expenses	3	284	58	374
		<b>25,136</b>		<b>23,289</b>

The adjustments for receivables included in expenses from other periods comprise allowances for specific bad debt (especially on trade receivables) as well as write-offs of receivables.

The Bastei Lübbe Verwaltungs GmbH administration overhead refers to the amounts recharged by the (former) general partner of Bastei Lübbe GmbH & Co. KG for providing managerial services.

## 28. Result of participations

The result of participations is derived from the following companies:

(EUR K)	2013/2014	2012/2013
<b>Income from investments</b>		
Hartmut Räder Wohnzubehör GmbH & Co. KG	0	905
Siebter Himmel Bastei Lübbe GmbH	226	0
MoBa s.r.o., Brno/Czech Republic	139	87
Miscellaneous press distributorships	35	47
PMV Partner Medien Verlagsgesellschaft mbH	0	37
	400	1,076
<b>Depreciation on participations</b>		
"Das Kind" GmbH & Co. KG	0	-100
	<b>400</b>	<b>976</b>

The depreciations carried out in the previous year on the fair value of financial assets due to income and liquidity prospects being deemed insufficient at the balance sheet date concerned the participation in "Das Kind" Filmproduktion GmbH & Co. KG, Berlin in the books segment. This participation was fully depreciated in the previous year.

## 29. Financial result

(EUR K)	2013/2014	2012/2013
<b>Finance income</b>		
Income from instant access/fixed-term deposit accounts	34	7
Income from current accounts	5	10
Income from accumulation of long-term trade receiv.	36	78
Interest income from affiliated companies	3	0
Interest income from associated companies	26	14
Interest income from covered funds for partial retirement provisions	14	0
Interest expense balanced from the discounting of partial retirement provisions	-6	0
Other	1	4
	113	113
<b>Financial expenses</b>		
Interest expense from bonds	-2,025	-2,025
Processing charges for bonds	-268	-268
Interest portion from the discounting of partial retirement provisions	0	-15
Balanced interest income from covered funds for partial-retirement provisions	0	13
Interest portion of lease instalments under finance leases	-62	-77
Expenses from the discounting of long-term trade receiv.	-42	0
Expenses from current accounts	-77	-90
Other	-31	-31
	-2,505	-2,493
<b>Financial result</b>	<b>-2,392</b>	<b>-2,380</b>

### 30. Income tax expense

Following our conversion into a public limited company, both ongoing and deferred tax expenses are no longer calculated based on trade tax, but including corporation tax and the solidarity levy. Such a calculation of ongoing income taxes has been carried out since the tax conversion date as per 31 March 2013. The holdings of deferred tax receivables and liabilities were adjusted through profit or loss at the conversion date to the new overall tax rate (32.45 percent, formerly 16.625 percent). Total deferred tax income resulting from increases to deferred tax receivables in particular amounts to EUR K 628.

(EUR K)	2013/2014	2012/2013
<b>Taxes paid or due</b>		
for the current year	3,281	1,168
for previous years	6	252
	3,287	1,420
<b>Deferred taxes</b>		
on temporary differences	165	245
	<b>3,452</b>	<b>1,665</b>

We refer to Note 9 for further details on the accounting changes related to income tax.

Actual income tax expense can be derived from the expected tax expense for the past financial year as shown below:

(EUR K)	2013/2014	2012/2013
Earnings before income taxes	12,526	9,587
Expected income tax expenses		
(32.45%, 16.625% in the previous year)	4,065	1,594
Change in tax rate	-628	0
Goodwill	-41	-100
"Non-deductible operating expenses/ tax-exempt income/special area"	-64	-22
Taxes from previous years	6	252
Trade tax corrections	123	-52
Other	-9	-7
<b>Actual income tax expenditure</b>	<b>3,452</b>	<b>1,665</b>

## Other Disclosures

### 31. Notes on the cash flow statement

Pursuant to IAS 7 (Cash Flow Statement), the cash flow statement prepared by the indirect method shows how the cash developed over the course of the year under review as a result of the inflow and outflow of funds.

The cash flow statement differentiates between cash flows from current operating activity, investment activity and financing activity. The cash balance comprises cheques, cash on hand and cash at banks with a residual maturity of less than three months. They are recognised under the balance sheet item "Cash and cash equivalents".

The total amount (balance) of income tax payments made in the previous financial year is EUR K 1,064 (P Y: EUR K 4,081). Interest payments amount to EUR K 2,126 (P Y: EUR K 2,187).

The result for the period (EUR K 9,074, P Y: EUR K 7,922) has increased by EUR K 1,152 year-on-year. Given the high release of funds into net operating assets (e.g. through lower trade receivables and liabilities towards shareholders) the cash flow from current operating activities stands at EUR K 12,861 (P Y: EUR K 1,877), and has therefore in fact increased by EUR K 10,804.

Investment activities led to an outflow of funds amounting to EUR K 13,244 (P Y: EUR K 5,281) in the reporting year. While outflows for investments in intangible assets and property, plant and equipment rose by EUR K 1,621, investments in subsidiaries and associates fell from EUR K 3,761 by EUR K 3,506 to EUR K 255. The fee for founding the two new participations in the 2013/2014 financial year consisted entirely of cash and cash equivalents. The largest individual item (EUR K 10,000) relates to payments for the acquisition of bearer bonds, the short-term investment of part of the cash inflow resulting from the initial public offering.

Cash flow from financing activity shows an inflow of funds totalling EUR K 12,647 (P Y: EUR K 599) in the reporting year, and can be attributed to the capital increase placed during the initial public offering. In addition to the aforementioned short-term financial investments, amongst other items the liabilities to banks were settled in full with the payments received (- EUR K 6,164, P Y: net loans and borrowings EUR K 5,812). Net withdrawals from former joint stock company shareholders fell by EUR K 1,249 to EUR K 3,964.

An overall cash-effective increase of cash and cash equivalents of EUR K 12,084 (P Y: reduction of EUR K 2,805) was achieved during the reporting year. The merger/amalgamation of two affiliated companies resulted in additional liquidity inflows of EUR K 149 in the previous year.

### 32. Segment Reporting

Segment reporting follows internal management and reporting structures. For the purposes of corporate steering, Bastei Lübbe AG is broken down into business segments according to products.

Distinction is made between the following segments:

- Books
- Non-books
- Novels and puzzle magazines

### Books

The books segment includes Bastei Lübbe hardbacks, paperbacks and pocket books in particular but also audiobooks and eBooks. These are sold through traditional retail outlets, railway station outlets and airport bookshops, but also on the corresponding platforms, etc. (for digital and audio products).

### Non-books

This includes merchandise, in particular Räder-branded gifts. These products are traditionally sold via the aforementioned sales channels as well as via furniture shops, stationery outlets, gift shops, etc.

### Novels and puzzle magazines

These include so-called “women’s literature” as well as suspense novels and puzzle magazines. These are traditionally sold via wholesalers.

The segments performed as follows over the past financial year:

(EUR K)	Book		Non books		Novel booklets and puzzle magazines		Total	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
Segment sales revenues	85,790	79,132	11,495	10,542	10,249	8,656	107,534	98,330
Internal sales	0	0	0	0	0	0	0	0
<b>External sales</b>	<b>85,790</b>	<b>79,132</b>	<b>11,495</b>	<b>10,542</b>	<b>10,249</b>	<b>8,656</b>	<b>107,534</b>	<b>98,330</b>
<b>EBITDA</b>	15,482	10,781	-161	1,617	1,302	1,220	16,623	13,618
Income from investments included therein	70	-56	226	905	104	127	400	976
Depreciation/amortisation	907	1,008	616	483	182	160	1,705	1,651
<b>EBIT</b>	<b>14,575</b>	<b>9,773</b>	<b>-777</b>	<b>1,134</b>	<b>1,120</b>	<b>1,060</b>	<b>14,918</b>	<b>11,967</b>
Financial result							-2,392	-2,380
<b>Earnings before taxes (EBT)</b>							<b>12,526</b>	<b>9,587</b>
Taxes on income and earnings							3,452	1,665
<b>Net profit for the period</b>							<b>9,074</b>	<b>7,922</b>

\* Depreciations to author royalties are included in the EBITDA (see Notes 6 and 24).

The following table shows the geographic make-up of the segments:

(EUR K)	Germany		Foreign countries		Total	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
External sales	89,412	83,963	18,122	14,367	107,534	98,330

Turnover is assigned to the regions according to the location of the customer. Foreign turnover is mainly accounted for by Austria, Luxembourg and Switzerland.

Bastei Lübbe achieves close to or more than 10 percent of its income from its two largest clients. The amount of income received from these clients is distributed across the segments as follows (all in EUR K):

	Book		Non books		Novel booklets and puzzle magazines		Total	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
	23,221	24,147	681	666	0	0	23,902	24,813

Segmentation of assets, liabilities and investments on the basis of operative business areas is not carried out as these figures are not used as control variables at segment level.

Bastei Lübbe only has production sites in Germany. It is therefore unnecessary to perform a breakdown of segment assets and liabilities according to geographic aspects.

### 33. Capital Management

Equity comprises share capital less acquired own shares, capital provisions, net profit and cumulated other income (P Y: share capital of general partner, provisions and net profit).

As part of capital management, the Management Board endeavours to assure a strong equity base in order to strengthen the confidence of investors, potential investors and contractual partners with respect to the sustainability of Bastei Lübbe's business activities and to guarantee future business development.

Participation of employees in the Company in the form of employee share programmes has not been the intention so far.

The primary objective of Bastei Lübbe AG is to expand revenue, and to increase the EBIT in particular, as well as to achieve sustainable positive earnings with the aim in mind of increasing the value of the Company. The steering system used by the Management therefore largely focuses on performance data. It is therefore particularly necessary to conduct preliminary costing of all projects (including book projects, etc.). The corresponding tools are available here. Projects may then only be tackled if minimum earnings of more than 8 percent before interest and tax (EBIT) can be achieved. After their completion, all projects are recosted and discussed with key members of staff.

The Shareholder Meeting of 10 April 2013 resolved to credit the full net profit reported under commercial law for the 2013/2014 financial year of the company then operating under Bastei Lübbe GmbH & Co. KG, amounting to EUR K 7,283, to shareholder accounts.

## 34. Financial Instruments

The following financial instruments are reflected in the consolidated financial statements, broken down in categories as stipulated in IAS 39:

(EUR K)	Book value		Fair value	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
<b>Assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	12,163	79	12,163	79
Trade accounts receivable	14,829	18,059	14,829	18,059
Receivables from shareholders	0	3,972	0	3,972
(Debenture) Bonds	10,000	0	10,000	0
Other non-derivative financial assets	5,119	3,997	5,119	3,997
<b>Available for sale</b>				
Other equity investments	108	108	108	108
	<b>42,219</b>	<b>26,215</b>	<b>42,219</b>	<b>26,215</b>
<b>Liabilities</b>				
<b>Liabilities</b>				
...trade accounts receivable	13,105	14,356	13,105	14,356
... from bond issued	30,185	29,918	32,960	33,218
... to banks	0	6,164	0	6,164
... from finance leases	724	1,006	728	1,019
... to shareholders	0	654	0	654
Other non-derivative liabilities	2,870	2,191	2,870	2,191
	<b>46,884</b>	<b>54,289</b>	<b>49,663</b>	<b>57,602</b>

The methods and assumptions used to determine the fair values are as follows:

- cash and cash equivalents, trade receivables, other short-term assets, trade liabilities, short-term liabilities to banks and other short-term liabilities come very close to their carrying values, largely as a result of the short terms of these instruments.
- Long-term assets and receivables from bearer bonds not traded on an active market are valued by the Company based on parameters such as interest rate and creditworthiness. The carrying values of these receivables do not differ from their fair values at the balance sheet dates.
- The fair value of publicly-listed bonds is based on price quotations at the reporting dates.
- The fair value of obligations from finance leases is estimated by discounting future cash flows whilst applying interest rates for borrowings currently comparable in condition, default risks and residual terms.
- The fair value of other available-for-sale assets is not calculated, as no quoted market prices exist on an active market and the fair value cannot be reliably determined. These other available-for-sale financial assets are strategic participations in press distributorships. Given the lack of market transactions and



knowledge about the parameters that exert a relevant influence of the fair value of the assets, this was not determined. The Company currently has no intention to sell the assets.

Bastei Lübbe uses the following hierarchy to determine and show fair values:

- Level 1: prices quoted (remaining unchanged) on active markets for assets or liabilities
- Level 2: Input factors - except prices pursuant to Level 1 - that can be directly or indirectly observed for the asset or liability, and
- Level 3: factors not based on observable market data for the valuation of the asset or liability.

The calculation of fair values of all financial instruments recognised in the balance sheet and in these Notes is either based on the listed Level 1 prices (excluding the issued bond) or on the information and input factors referred to under Level 2. The use observable market parameters prevents the calculation from deviating from general market assumptions. There are no financial instruments of Level 3 of the fair value hierarchy.

The net profits and losses (before tax and investment income) recognised in the profit and loss statement are hereinafter presented according to the groups of financial instruments and categories.

(EUR K)	31/03/2014	31/03/2013
<b>Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	1	13
Trade accounts receivable	87	-35
<b>Held for trading</b>		
Derivatives without hedge relationship balanced	0	-1
	<b>88</b>	<b>-23</b>
<b>Liabilities</b>		
<b>Liabilities</b>		
... trade accounts receivable	45	5
	<b>45</b>	<b>5</b>

The net profits and losses of the categories "Loans and receivables" concerned value impairments in particular.

The net result of the category "Liabilities" pertained to the results of currency conversion as well as write-offs.

Currency differences were also recognised in cash and cash equivalents.

The net profits and/or losses in the category "Assets held for trading purposes" referred in particular to changes in fair value from financial derivatives in this category.

All profits and losses mentioned were recognised under other operative income or expenses.

With regard to trade receivables, interest income from the follow-up valuation according to the effective interest rate method was recognised under interest income in the amount of EUR K 36 (P Y: EUR K 78) as well as expenses in the amount of EUR K 42 (P Y: EUR K 0) from the discounting of new long-term receivables.

## 35. Financial Risk Management

Bastei Lübbe's financial instruments are subject to credit, liquidity, currency and interest rate risks. Financial risk management is responsible for limiting these risks by taking targeted action.

### Credit risk

At Bastei Lübbe, credit risks in the field of trade receivables are partially transferred in the form of trade credit insurance. Receivables greater than EUR K 50 from the books segment are covered by trade credit insurance. Adherence to the relevant trade credit limit is monitored on a monthly basis. There is essentially one main client for the novel booklets and puzzle magazines segment. The receivables are not covered by trade credit insurance. These receivables are regularly monitored for their adherence to the agreed payment conditions.

In addition, a large number of the books, merchandise, etc., sold are outsourced via VVA (Bertelsmann subsidiary in Gütersloh). Given the involvement of recourse factoring, VVA also liquidates the receivable against the clients, mainly booksellers. VVA carries out this duty for a large number of publishing houses, including the Random House Group. VVA has its own risk management system that checks the creditworthiness of individual debtors based on total payments. VVA issues regular and timely warnings to its contractual partners, incl. Bastei Lübbe, in this respect in the event of changing and worsening payment tendencies of individual clients. In consultation with Bastei Lübbe, these customers are then blocked from receiving further deliveries.

The maximum default risk for financial assets is EUR K 37,610 (P Y: EUR K 19,552).

### Liquidity risk

At Bastei Lübbe, the necessary liquidity is covered by the bond issued in October 2011 as well as the liquid assets received during the initial public offering. Bastei Lübbe also has a current account credit facility with the three principal banks, which is not currently being used. Daily inflow and outflow planning guarantees a permanent overview of liquidity requirements. In addition, actual liquidity requirements are compared with the planning and any differences analysed.

The following analysis of the agreed due dates for trade receivables and financial liabilities can be used to assess the liquidity risk.

**As per 31/03/2013**

<b>undiscounted cash outflows</b>						
<b>(EUR K)</b>	<b>Book value</b>	<b>total</b>	<b>up to 30</b>	<b>more than 30</b>	<b>more than</b>	
				<b>days, up to</b>	<b>180 days, more than</b>	
<b>days</b>	<b>180 days</b>	<b>up to 1 year</b>	<b>1 year</b>			
Trade accounts payable	14,356	14,356	4,855	4,897	4,604	0
Bond, incl. interest	30,874	40,125	0	0	2,025	38,100
Liabilities to banks	6,164	6,164	6,164	0	0	0
Finance leases	1,006	1,183	29	144	173	837
Liabilities to shareholders	654	654	49	605	0	0
Other non-derivative liab.	2,191	2,191	187	1,734	270	0
	<b>55,245</b>	<b>64,673</b>	<b>11,284</b>	<b>7,380</b>	<b>7,072</b>	<b>38,937</b>

**As per 31/03/2014**

<b>undiscounted cash outflows</b>						
<b>(EUR K)</b>	<b>Book value</b>	<b>total</b>	<b>up to 30</b>	<b>more than 30</b>	<b>more than</b>	
				<b>days, up to</b>	<b>180 days, more than</b>	
<b>days</b>	<b>180 days</b>	<b>up to 1 year</b>	<b>1 year</b>			
Trade accounts payable	13,105	13,105	4,237	5,029	3,839	0
Bond, incl. interest	30,874	38,100	0	0	2,025	36,075
Finance leases	724	837	29	144	172	492
Other non-derivative liab.	2,870	2,870	120	2,449	301	0

Gross inflows and outflows particularly include future interest payment obligations in addition to the carrying values of liabilities. The processing fees settled by the transaction costs of the bond are not taken into account here, as resulting outflows have already been effected. There are currently no financial liabilities with due dates beyond the repayment date of the bond (26 October 2016).

**Currency risk**

Foreign currency receivables and liabilities ensuing from contracts are covered by forward exchange transactions with investment grade banks.

With regard to receivables, no hedging was necessary in recent years as almost all transactions were performed in euro or receivables in foreign currency were of minor significance.

Concerning liabilities, currency forward transactions with runtime options were entered into for purchases in US dollars. At the balance sheet date, there were currency forward transactions with a nominal value of USD K 700 (equivalent to EUR K 511) and a negligible negative market value. All the forward exchange transactions entered into had a remaining term of up to one year.

**Interest rate risk**

Interest rate change risks are countered by suitable instruments from the derivatives market (e.g. exchanging fixed interest rates for variable ones). There is now a cap on interest for a loan that has now been discharged with a nominal amount of EUR K 2,750 and a market value of EUR 0. No borrowing is planned for the current financial year.

## 36. Contingent Liabilities, Operate Leasing and Other Financial Obligations

### (a) Contingent liability under joint and several liability for guarantees and cash advances

We are liable towards two banks from a joint and several guarantee and from a joint liability for an associate to the amount of EUR K 1,500. A prepayment guarantee amounting to EUR K 350 was also issued for a further associate. The risk of claims from these guarantees is classified as low as there are currently no grounds to believe that the associate will be unable to fulfil its payment obligations towards banks.

### (b) Operate leasing

Apart from the finance lease contracts already described as financial liabilities (refer to Note 18), the Company has also entered into rental and leasing contracts (land, office premises and buildings as well as fittings and equipment, e.g. vehicles and office machines), which are defined as operating leases according to their economic content. Extension and purchase options customary to the industry are contained in the underlying agreements. Office premises are rented for a fixed period of up to eight years. One rented site is renewed for a period of two years if neither of the parties objects to this extension at the latest nine months before the end of the rental agreement. There is also the option to renew an object lease twice again by five years after the fixed lease term.

Rental and lease payments of EUR 1,823 million (P: Y: EUR K 1,607) were made under these agreements in the past year. The non-cancellable minimum instalments from the operating lease agreements existing on the balance sheet date will fall due as follows in subsequent years:

(EUR K)	31/03/2014	31/03/2013
within one year	2,254	1,748
between 1 and 5 years	7,115	5,466
in more than five years	3,746	2,690
	<b>13,115</b>	<b>9,904</b>

### (c) Other financial obligations

Maturities of other financial obligations, with respect to open maintenance contracts in particular, are shown below:

(EUR K)	31/03/2014	31/03/2013
within one year	346	242
between 1 and 5 years	391	394
in more than five years	0	0
	<b>737</b>	<b>636</b>

## 37. Notes on Related Parties

The main shareholder of the former Bastei Lübbe GmbH & Co. KG was Mr Stefan Lübbe. Reference is made to Note 19 for information on receivables and liabilities concerning shareholders of the joint stock company. A consultancy agreement was signed with Mr Lübbe on 27 August 2013. A total of EUR K 319 in fees and expenses resulted from this agreement in the 2013/2014 financial year. Furthermore, a vehicle was also sold to Mr Lübbe at a price of EUR K 134. This price corresponded to an evaluation report obtained for such vehicle. No other transactions were carried out with shareholders of the joint stock company. Only the general partner received liability remuneration of EUR K 38 and a cost reimbursement of EUR K 1,224 in the previous financial year for her managerial duties.

Legal transactions were entered into with other related parties in the previous financial year. These were incorporated into Bastei Lübbe AG's income statement as follows:

(EUR K)	2013/2014	2012/2013
<b>Affiliated companies</b>		
Purchase of goods	0	-2
Sale of goods	20	14
other operating income	205	0
Services purchased	-90	0
Interest income	3	0
	138	12
<b>Associated companies</b>		
Purchase of goods	-52	-17
Sale of goods	64	27
Services rendered	120	30
Interest income	26	14
	158	54
<b>Executive/mgmt boards and related parties</b>		
Other operating expenses	-242	-362
	<b>54</b>	<b>-296</b>

The balance sheet includes the liabilities with the following associated parties as per the balance sheet date:

(EUR K)	31/03/2014	31/03/2013
<b>Affiliated companies</b>		
Trade accounts receivable	0	2
Other receivables	388	180
	388	182
<b>Associated companies</b>		
Trade accounts receivable	2	36
Other receivables	1,320	8
	1,322	44
<b>Executive/mgmt boards and related parties</b>		
Other liabilities	-8	-57
	<b>1,702</b>	<b>169</b>

### 38. Disclosures under section 285 No. 15 HGB

Until its conversion into a public limited company, Bastei Lübbe Verwaltungs GmbH, Cologne, was the personally liable partner of Bastei Lübbe GmbH & Co. KG. Its subscribed capital at this time amounted to EUR 81,000 (31 March 2013: EUR K 81,000).

### 39. Statement of compliance pursuant to section 161 AktG

The Statement of compliance has been made permanently available on the website of Bastei Lübbe at [http://www.luebbe.de/Investor-Relations/\\_investor\\_unternehmensfuehrung\\_de](http://www.luebbe.de/Investor-Relations/_investor_unternehmensfuehrung_de).

## 40. Executive Bodies

Bastei Lübbe GmbH & Co. KG changed its legal form to Bastei Lübbe AG by conversion resolution dated 9 July 2013. The conversion was recorded in the Commercial Register on 14 May 2013.

The member of the Supervisory Board are:

- Dr. Friedrich Wehrle, Stuttgart (Chair),
- Prof. Dr. Michael Nelles, Essen (Vice Chair),
- Prof. Dr. Gordian Hasselblatt, Cologne.

The total remuneration for the Supervisory Board for the 2013/2014 financial year amounted to EUR 135,000.00. This includes the fee for the advisory council of the former Bastei Lübbe GmbH & Co. KG, which was made up of the same individuals until Company conversion.

The following were appointed members of the Executive Board of Bastei Lübbe AG:

- Thomas Schierack, Cologne (Chair),
- Klaus Kluge, Cologne,
- Felix Rudloff, Cologne.

The total remuneration for the Executive Board, calculated pro rata for the 2013/2014 financial year, amounted to EUR 918,544.53.

Until the entry of its conversion in the Commercial Register, management of Bastei Lübbe GmbH & Co. KG was the responsibility of its general partner. Until 9 July 2013, this was Bastei Lübbe Verwaltungs GmbH, Cologne. It was represented by its managing directors:

- Stefan Lübbe, Bergisch Gladbach, Publisher (Chair)
- Thomas Schierack, Cologne, Lawyer
- Klaus Kluge, Cologne, Head of Publishing
- Hartmut Räder, Bochum, Businessman
- Felix Rudloff, Cologne, Head of Publishing

On 9 July 2013, Bastei Lübbe Verwaltungs GmbH left Bastei Lübbe KG as personally liable shareholder and joined DENUS Einhundertundneunzig Unternehmensverwaltungs GmbH (abbreviated to: DENUS GmbH) as personally liable shareholder. The managing director of DENUS GmbH is Mr Stefan Lübbe.

The total remuneration for the management, calculated pro rata for the 2013/2014 financial year, amounted to EUR 424,577.87.

## 41. Employees

An average of 288 (P Y: 242) staff were employed in the financial year.

## 42. Auditor's Fee

The auditor fee paid to the auditor within the meaning of section 319(1) sentences 1 and 2 HGB is broken down as follows:

(EUR K)	2013/2014	2012/2013
Statutory auditing services	53	56
Other consulting services	319	39
Tax advisory services	–	–
Other services	32	–
	<b>404</b>	<b>95</b>

Of the EUR K 404 paid in the previous financial year, EUR K 92, which can be classified as being for further advisory services, relates to the previous 2012/2013 financial year.

## 43. Notifications under sections 20(6) and 26(1) WpHG (section 160(1) No. 8 AktG)

The following obligatory notification was issued on 20 August 2013.

“Notice pursuant to section 20(6) AktG

1. Mr Stefan Lübke, Cologne, has informed us pursuant to section 20(1) and (4) AktG that it directly holds – even without the attribution of shares pursuant to section 20(2) AktG - more than one quarter of the shares of Bastei Lübke AG as well as a majority interest in Bastei Lübke AG. It also retains held shares in Lübke Beteiligungs-GmbH pursuant to section 16(4) AktG.
2. Lübke Beteiligungs-GmbH, Cologne, has informed us pursuant to section 20(1) and (3) AktG that it directly holds – even without the attribution of shares pursuant to section 20(2) AktG - more than one quarter of the shares of Bastei Lübke AG.”

Two voting right notifications were published on 2 June 2014:

“Bastei Lübke AG: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), intended for Europe-wide distribution

Lübke Beteiligungs-GmbH, 51063 Köln, Germany, informed us on 30 May 2014 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübke AG, Cologne, Germany, had gone under the threshold of 20 percent of the voting shares on 27 May 2014 and now amounted to 18.80 percent (corresponding to 2,500,000 voting shares).

Bastei Lübke AG: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), intended for Europe-wide distribution

Lübbe Beteiligungs-GmbH, 51063 Köln, Germany, informed us on 2 June 2014 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had gone under the threshold of 15 percent of the voting shares on 2 June 2014 and now amounted to 12.78 percent (corresponding to 1,700,000 voting shares).

#### 44. Events After The Balance Sheet Date

As per 16 May 2014, Bastei Lübbe obtained a 51 percent stake in Hamburg-based Daedalic Entertainment GmbH. The sellers were the former partners, who remain shareholders with a combined 49 percent stake in the Company. Daedalic Entertainment GmbH is well-known for its award-winning adventure- and story-based computer games. The firm is one of the best game developers and publishers in Germany. The game maker was elected "Studio of the Year" in 2009 and again last year. Daedalic Entertainment GmbH achieved an EBIT margin of just over 10 percent with turnover of around EUR 6 million in the 2013 financial year. By 2015, the Hamburg-based company plans to increase its turnover to approx. EUR 14 million and to raise its EBIT to over EUR 2 million. Holding a stake in Daedalic Entertainment GmbH enables Bastei Lübbe to considerably expand its national and international ranges, particularly in the digital sector. Besides eBooks pure and simple, enhanced eBooks, digital audio and combinations of these products (read & listen), we are now able to offer games.

We acquired a majority stake (60 percent) in Munich-based BookRix GmbH & Co KG on 22 May 2014, linked to an obligation to transfer 9 percent of this stake free of charge to executives of the acquired company. BookRix GmbH & Co. KG is one of the largest self-publishing platforms in Germany with huge growth potential. It already reaches around 560,000 users via its own eBook platform, and more than 4,000 new users register every month. BookRix supplies digital content to almost all online stores, including market leaders such as Amazon and iTunes. Around 1,000 new eBooks are currently published on the platform each month.

By investing in these two digital companies, Bastei Lübbe is consistently following its path with regard to the expansion of its high-growth digital sector and increased internationalisation. The total purchase price for both stakes amounts to EUR K 4,850. A further EUR K 3,500 are to be deposited into the specific-purpose reserve account of Daedalic Entertainment GmbH. The purchase price allocations have not yet been completed.

As a result of these company acquisitions, Bastei Lübbe AG will produce consolidated financial statements in the coming financial year. The effects of the IFRS standards to be applied thereafter to the financial statements are currently still being examined. The purchase price allocations have not yet been completed.

Reference is made to Note 42 with regard to voting right notifications published after the balance sheet date.

No further events have occurred since the balance sheet date that are of material importance for Bastei Lübbe AG and might result in a change in opinion regarding the company's position.

Cologne, 12 June 2014

Bastei Lübbe AG / The Executive Board



  
 Thomas Schierack                      Klaus Kluge                      Felix Rudloff



DAVID

BALDACCİ

DER KILLER



## 8. Legal representatives' statement of responsibility

### **Executive Board assurance pursuant to section 37(2) No. 3 WpHG in conjunction with sections 264(2) sentence 3 and 289(1) sentence 5 HGB.**

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, we declare that the financial statements of Bastei Lübbe AG, Cologne as per 31 March 2014 give a true and fair view of the assets, financial position and profit of the Company, and that the management report includes a fair review of the development and performance of the business and of the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Cologne, 12 June 2014

Bastei Lübbe AG

The Executive Board



Thomas Schierack



Klaus Kluge



Felix Rudloff

## 9. Copy of the auditor's opinion

Bastei Lübbe AG (formerly: Bastei Lübbe GmbH & Co. KG), Cologne:

We have audited the annual financial statements drawn up by Bastei Lübbe AG (formerly: Bastei Lübbe GmbH & Co. KG), Cologne, comprising balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and Notes, as well as the Management Report for the financial year from 1 April 2013 to 31 March 2014. The accounting and the preparation of the Annual Financial Statements and the Management Report in accordance with IFRS, as applicable within the EU, and the supplementary provisions of the Articles of Association, are the responsibility of the Company's legal representatives. It is our task to express an opinion on the consolidated financial statements and the management report based on our audit.

We have conducted our annual audit in accordance with section 317 HGB while observing the generally accepted German auditing standards determined by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany). These standards require that the audit be planned and performed such that misstatements and violations materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements and the management report in accordance with the applicable financial reporting framework are detected with an adequate degree of certainty. Knowledge of the business activities and the economic and legal environment of the Company, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and the management report are examined primarily on a random sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the Annual Financial Statements and Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, at which we have arrived based on our findings during the audit process, the Annual Financial Statements have been prepared in accordance with IFRS as applicable within the EU and the additional provisions of the Articles of Association, and give a true and fair view of the net assets, financial and earnings position of the Company in compliance with principles of proper accounting. The management report is consistent with the annual financial statements, and as a whole provides an accurate view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, 13 June 2014

Ebner Stolz GmbH & Co. KG  
*Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft*

Marcus Lauten  
*Auditor*

Monika Mezger  
*Auditor*

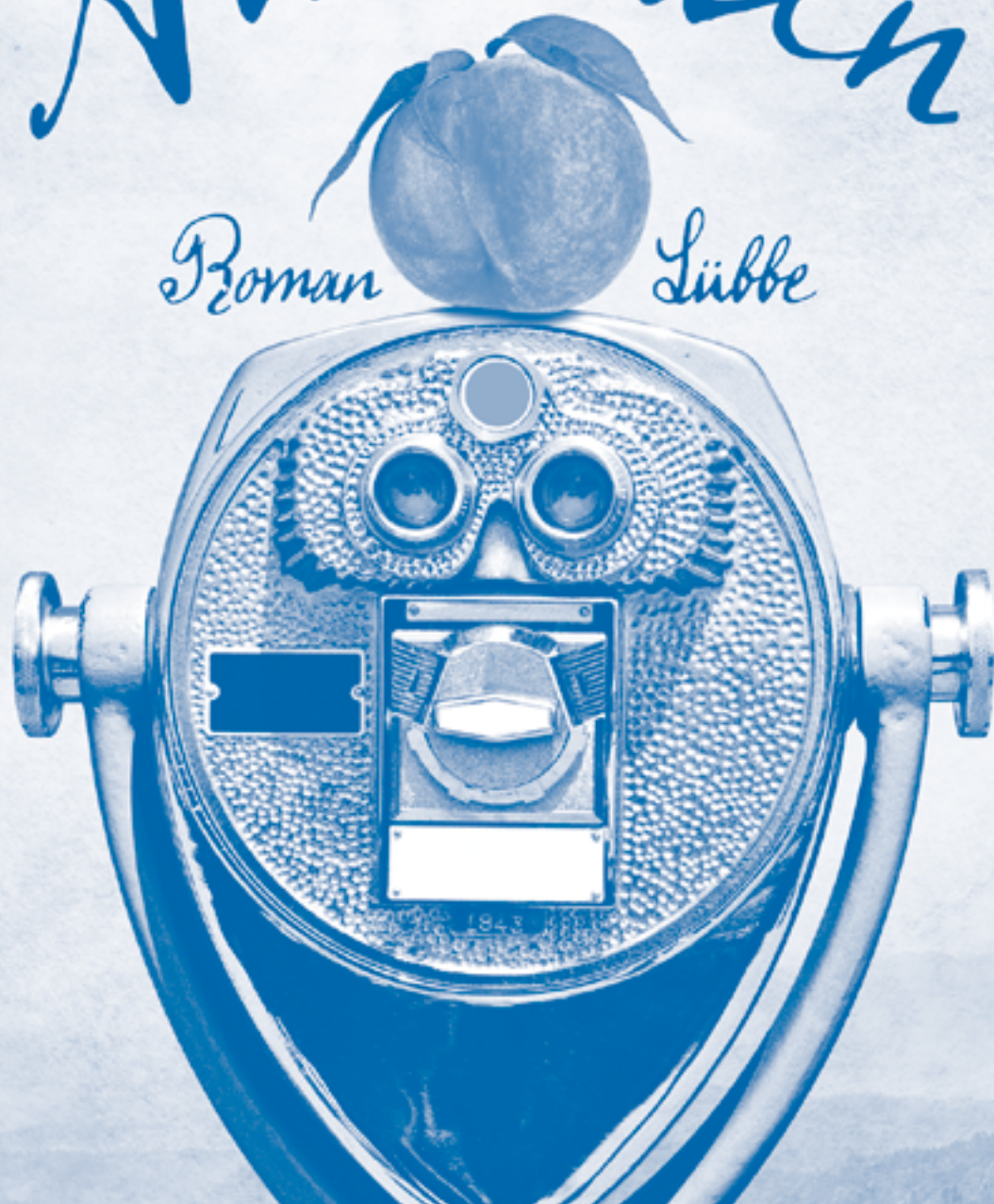


Franz Bartelt

# Paradiesische Aussichten

Roman

Liebe



## 10. Business calendar 2014/2015

<b>14 May 2014</b> .....	German Credit Conference (GCC), Düsseldorf
<b>20/21 May 2014</b> .....	MKK Munich Capital Market Conference, Munich
<b>30 June 2014</b> .....	Annual financial statements as per 31 March 2014 Statement of Conformity with GCGC Press conference on financial statements/Analysts' conference
<b>14 August 2014</b> .....	3-month report as per 30 June 2014 (Q1)
<b>12 September 2014</b> .....	Follow-up rating
<b>17 September 2014</b> .....	Annual General Meeting
<b>23 September 2014</b> .....	Capital market conference, Frankfurt-Egelsbach
<b>24 October 2014</b> .....	Interest payment for Bastei-Lübbe bonds (ISIN: DE000A1K0169)
<b>14 November 2014</b> .....	Semi-annual financial report as per 30 September 2014 (1st semi-annual report)
<b>25 November 2014</b> .....	German Equity Forum, Frankfurt/Main
<b>13 February 2015</b> .....	9-month report as per 31 December 2014 (Q3)

### Imprint

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The business report of Bastei Lübbe AG can be downloaded online as a pdf file at [www.luebbe.de](http://www.luebbe.de).

You can also find further corporate information online at [www.luebbe.de](http://www.luebbe.de).

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Apart from the employees of Bastei Lübbe AG, the following have contributed towards the drawing up of this business report:

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