

TIMUR VERMES



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**BASTEI
LÜBBE**

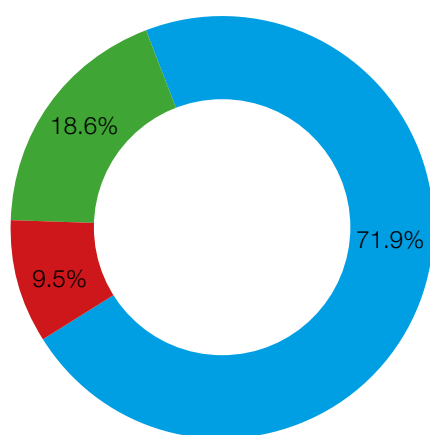
BUSINESS REPORT
2014/2015

Key data (IFRS)	2014/2015	2013/2014	Change in %
Business development in € million			
Group turnover	110.2	107.5	+2.5%
EBITDA	17.7	16.2	+9.3%
EBITDA margin in %	16.1%	15.1%	+6.7%
EBIT	14.5	14.5	+/-0%
EBIT margin in %	13.2%	13.5%	-2.3%
Consolidated earnings	10.2	8.6	+18.6%
Financial and assets position in EUR million			
Balance sheet total	124.3	107.6	+15.6%
Equity	60.7	51.5	+17.9%
Equity ratio in %	48.8%	47.9%	+1.9%
Share-related indicators in €			
Earnings per share (in €) *	0.80	0.75	+6.5%
Dividend per share (in €) **	0.30	0.28	+7.1%
Year-end price (in €)	7.90	7.46	+5.9%
Number of employees as of 31 March	420	322	+30.4%

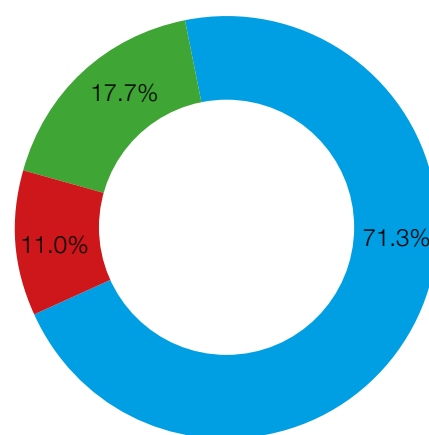
* See consolidated financial statement, Note No. 15 for calculation

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

Turnover 2014/15 by segment in %



EBITDA 2014/15 by segment in %



■ Books

■ Novel booklets and puzzle magazines

■ Non-books

Bastei Lübbe AG is a media company in the form of a publishing house. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, 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 subsidiaries Daedalic Entertainment GmbH, BookRix GmbH & Co. KG, BEAM AG, Präsenta Promotion International GmbH, Bastei Media GmbH, HPR Bild & Ton GmbH, and several other smaller companies, are part of the Bastei Lübbe Group (hereinafter "Bastei Lübbe").*

With a total of 420 employees, Bastei Lübbe achieved a turnover of € 110.2 million in the 2014/15 fiscal year. Bastei Lübbe especially stands for innovation and the development of new entertainment services. Customers both in Germany and also increasingly world-wide have been fans of our products for many years.



**BASTEI
LÜBBE**



BookRix

beam)))
der eBook Shop



**BASTEI
MEDIA**

Siebter Himmel
SCHÖNES ENTDECKEN

HPR
BILD & TON



*NB: Daedalic Entertainment GmbH and BookRix GmbH & Co. KG are fully consolidated; the subsidiaries BEAM AG and Präsenta Promotion International GmbH are consolidated "at equity"; Bastei Media GmbH, Siebter Himmel GmbH, HPR Bild & Ton GmbH, Bastei International Limited, Bastei LLC and the Czech company Moravská Bastei MOBA are not consolidated.



**BASTEI
LÜBBE**

The Bastei Lübbe divisions

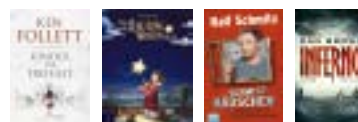
Books

The book segment is the core of Bastei Lübbe's business and includes all printed, audio and eBook products. Products are marketed under the labels Bastei Lübbe Hardcover, Bastei Lübbe Taschenbuch, Eichborn, Quadriga, Bastei Entertainment (digital products) and Bastei Lübbe Audio (audio books and plays). The portfolio also includes the children's and young adults' brands Baumhaus and Boje as well as the all-age imprint ONE.

BookRix GmbH & Co. KG and BEAM are also categorised as being in this segment.

Unlike other traditional publishers, Bastei Lübbe not only purchases the rights to the content but also develops its own content, to which the Company holds all world and territorial rights.

in EUR million	2014/15	2013/14	2012/13
Turnover	79.2	85.8	79.1
EBITDA	12.6	15.5	10.8



Novel booklets and puzzle magazines

The novel booklet and puzzle magazine segment includes novel booklets such as the cult series "Jerry Cotton" and "John Sinclair" as well as puzzle magazines such as "Mein großer Rätselspaß", "Kreuzwort Nr. 1", "Rätsel Sterne".

The first novel booklets were developed by Bastei Lübbe more than 60 years ago. The novel booklet and puzzle magazines sector continues to represent constant and solid business today.

in EUR million	2014/15	2013/14	2012/13
Turnover	10.5	10.2	8.7
EBITDA	1.9	1.3	1.2



Non-books

All other products are collected under the umbrella of the non-books segment. Firstly, gift items marketed under the Räder label and the merchandising goods by Präsenta are part of this sector. The segment was extended to include games in the fiscal year 2014/2015 through the participation in Daedalic Entertainment GmbH.

Synergies between book products and book-related products are to be created through the non-book business segment.

in EUR million	2014/15	2013/14	2012/13
Turnover	20.5	11.5	10.5
EBITDA	3.1	-0.6	1.6



The basic values of Bastei Lübbe

INNOVATION AND TRADITION

We focus on innovation and tradition. We combine 60 years of experience with the ability to set trends. We recognise and create success stories, drawing on longstanding experience. We strive to share and perfect our know-how in all areas. With us, the tried and trusted goes hand in hand with the new: We have the courage to step off the well-trodden path and to set off into new, unexplored territory.

CREATIVE DRIVE

We want to make a difference. We are therefore passionate about developing innovative ideas, inspiring ourselves and others. This is how ideas become successful products. But of course we also know where we're going: We know the markets and the challenges they present – and accept those challenges resolutely and boldly. We accept responsibility, even if success does not always follow and mistakes are to be recognised.

QUALITY

We set standards. We entertain our readers very well indeed. Since we understand what our customers want, we fulfil their wishes to the very best of our abilities. Our authors know too that we're not just competent but also work passionately to ensure that they are successful. We work efficiently to meet the challenges of the market, and can therefore deliver high quality at a fair price to dealers and readers.

PARTNERSHIP

We work together – with authors, business partners and colleagues – preferably on a long-term basis, with mutual trust, honesty and respect. We value open communication, even if that means having a difficult discussion from time to time. We take all perspectives into consideration when trying to come up with ideas and solutions. We particularly value face-to-face discussions and close personal contact with our authors. We like to make things clear from our perspective and want that from our partners too so that a constructive exchange of ideas can take place. In this, we always feel a sense of responsibility towards our publishing company and our authors. We are not afraid to make tough decisions when it comes to protecting these interests. This sense of responsibility is not limited to our own individual duties, but rather involves the entire Company.



Louise
WALTERS

Dem Glück
so nah

Roman

BASTEI
LÜBBE

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To Our Shareholders

Letter from the Executive Board to the Shareholders

Dear Shareholders,

The 2014/15 financial year was a transition year for Bastei Lübbe on the way from being a German-language publishing house to becoming an international digital media company. As a result, since the flotation in the last financial year, we have focused intensely on pulling out all the stops in order to promote the international digitalisation of the Company and encourage profitable growth in this area. These efforts have been successful in many different ways.

Bastei Lübbe acquired two majority shareholdings in the first quarter of the fiscal year just ended. In Daedalic Entertainment GmbH, headquartered in Hamburg, we have acquired one of the leading and most distinguished games developer/publishers in Germany, and see great potential to launch common projects on the market in the future. One such project is already in our sights – the worldwide marketing of the “Säulen der Erde” computer game, based on Ken Follett’s global bestseller of the same name, is planned for 2017. We have already concluded a multimedia contract with Ken Follett, author of the novel, which is one of the best-read books in Germany, and have agreed that a computer game will be launched at the same time as the launch of the third Kingsbridge book in autumn 2017. Bastei Lübbe has secured the global rights for this. Our Company plays a pioneering role with this contract, and for a good reason: We are convinced that not only will the book have a positive effect on the sales of the game but also that, conversely, the game will have a major impact on the marketing of the books.

The second shareholding is the majority acquisition of BookRix GmbH & Co. KG, one of the largest self-publishing platforms in Germany. This will in turn allow Bastei Lübbe direct access to digitally tried and tested, successful authors and their content.

The two shareholdings, and especially the combination of BookRix and Daedalic with our classic book sector, are the first building blocks towards our goal: the bridge that is to be built between the digital reading and gaming sectors.

The most important investment in the past financial year is, however, the acquisition of the beam-ebooks.de online shop platform. This will make it possible in the future for us to directly market our own series content and that from other publishers worldwide. BEAM is scheduled to launch as an international streaming platform for digital reading and audio serial content in 2016. We are working hard on implementation and are on the verge of kicking off across the globe with a truly innovative, new digital concept. To this end, BEAM will at first be offered in German and English, with Portuguese, Spanish and Mandarin to follow the years after.

It is clear in the balance sheets how important BEAM already is for the group : The acquisition of BEAM already required considerable investments in personnel, logistics and software in the 2014/15 fiscal year, also having an effect on Bastei Lübbe’s consolidated earnings in the reporting year. This development is likely to continue this fiscal year until the platform has been suitably installed and launched.

Since with web-based business models such as streaming services, it is vital to get as much exposure and connect with as many customers as possible in the shortest of times, and this in turn entails considerable marketing and PR expenditure, with effect as of 31 March 2015 the UK investor Blue Sky Tech Ventures

Limited has acquired from Bastei Lübbe AG a 55% share in BEAM AG, which has since been transformed into a stock company. This means that we will share costs in the future and limit the risks for Bastei Lübbe AG. It has also been agreed with Blue Sky Tech Ventures that further renowned investors will take up shares in BEAM AG. With a share of 45%, Bastei Lübbe remains the largest shareholder.

The share of digital products as a part of Bastei Lübbe AG's overall turnover has doubled almost on an annual basis in recent years. Incorporating turnover from digital audio and turnover from Daedalic, BEAM and BookRix, the digital share in overall turnover already equates to more than 21%. With the investment in the three companies BEAM, BookRix and Daedalic, we have been consistent in the reporting year in developing our high-growth digital sector as well as in our internationalisation. BEAM is also one of the first large projects in which we as a classic publishing company can increase synergies and cross-selling effects with our other shareholdings. All three subsidiaries were consolidated for the first time in the past fiscal year, these being Daedalic in the non-book segment and BookRix and BEAM in "books".

On our way to becoming an international and digital media company, amongst other things we want to reduce our dependence on individual leading titles. To this end, we are concentrating on the development and commercialisation of our own content, but also on purchasing content that can be commercialised digitally. One example of this is the Bastei LLC joint venture founded in the 2014/15 fiscal year with our American partner Imperative. The goal here is to develop content in English on the important American market – content which can then be marketed worldwide. This applies to series content in particular. Interesting titles and content which will boost Bastei Lübbe's international digital presence have already been identified in the reporting year. Furthermore, we have attained a markedly stronger market position through our cooperation with Imperative in the USA and are benefiting from direct communication with agencies and film producers.

Even though our strategic focus is on digitalisation, our main bread and butter for the years to come will remain our bestselling authors, and we recognise that printed books will still be sold in large numbers. In this respect, we have developed and implemented numerous top title campaigns with the stationary book trade in Germany in the past financial year. It is worth highlighting here the hardcover release of "Kinder der Freiheit", the third volume of the Ken Follett trilogy. The classic book business will also be one of our goals for this current fiscal year. We assume that the bricks-and-mortar book business will continue to develop steadily.

For the 2014/15 financial year, we have created for the first time an IFRS-consolidated financial statement in which the majority shareholdings in Daedalic Entertainment GmbH, BookRix GmbH & Co. KG and the shareholdings in BEAM GmbH are consolidated. We can look back on a successful financial year with regard to operations. Sales revenues and income have developed in accordance with our expectations. The sales revenue of € 110.2 million is an increase on that of the previous year (€ 107.5 million). We achieved the following turnover in the different segments: Books € 79.2 million (previous year: € 85.8 million); non-book € 20.5 million (previous year: € 11.5 million); novel booklets and puzzle magazines € 10.5 million (previous year: € 10.2 million). The EBITDA of € 17.7 million has exceeded that of the previous year (€ 16.2 million). The € 14.5 million EBIT for the reporting year is at the same level as in the previous year (€ 14.5 million). Digital turnover rose from € 15.5 million in the previous year to € 23.3 million in the reporting period, already accounting for more than 21% of turnover.

The balance sheet total came in at € 124.3 million as per the balance sheet date of 31 March 2015, compared to € 107.6 million as per 31 March 2014. Equity increased in the last financial year from € 51.5 million to € 60.7 million, with the equity ratio rising accordingly from 47.9% to 48.8%. Operative cash flow was € 6.1 million, compared to € 12.7 million in the previous year. Cash and cash equivalents at the end of the reporting period amounted to € 13.6 million, compared to € 22.2 in the previous year.

And speaking of success: The payment of dividends depends on the economic foundation. As long as this guarantees long-term sustainable business development, we would like to continue with our shareholder-friendly, sustainable dividend policy. For the 2014/15 financial year, the Executive Board and the Supervisory Board will propose at the Annual General Meeting to be held on 16 September 2015 that a dividend of € 0.30 per share be paid out. This represents an attractive dividend return of 4% in relation to a share price of € 7.50. The long-term goal of paying out at least 40% of the annual net profit to the shareholders as dividends remains unchanged.

Our primary focus in the current 2015/16 fiscal year is still to continue consistently down the path to digitalisation and internationalisation. With participation in BEAM and BookRix, Bastei Lübbe has positioned itself favourably to benefit from readers' growing demand for eBooks and to be able to react quickly to new trends. We would also like to sustainably integrate BookRix and Daedalic Entertainment, as well as to develop BEAM, as already discussed, to become the leading series platform for streaming content in reading and audio internationally. Reaching these targets will keep us busy not only in 2015, but also through into 2016.

Bastei Lübbe has extended its Executive Board in the reporting period. Jörg Plathner was appointed as an additional Executive Board member with effect from 1 September 2014. He has been responsible since then for the digital business sector. By expanding the Executive Board, Bastei Lübbe wishes to reflect the growing importance of the digital media business sector to the success of the Company and in doing so has set the course for further growth on the domestic and international markets.

We are not the only ones convinced of this long-term strategy: Recently we have been able to welcome Allianz Global Investors, a renowned strategic investor, into the circle of Bastei Lübbe AG's shareholders. Following the reporting date in April 2015, the Allianz Group company announced that it had exceeded the reporting threshold of 3% and 5%, and secured voting rights of 9.77% as of 8 April 2015.

In terms of operations, Bastei Lübbe continues to aim for a solid performance. The 2015/2016 fiscal year will also be a transition year. Structures will still have to be put in place to launch BEAM in 2016 and to develop Daedalic. We can thus anticipate a slightly increased turnover with a somewhat lower EBITDA in the 2015/16 financial year. From the 2016/2017 fiscal year onwards, we then expect increased turnover and results in the international digitalisation, BEAM and Daedalic sectors.

Just to clarify once more: Bastei Lübbe AG has embarked on an exciting journey of growth towards becoming a digital multimedia company. Our success is founded on our dedicated employees, and we thank them warmly for their continued commitment and dedication. We also thank our customers, business partners and authors for their faithful and constructive cooperation. And we can assure you, dear shareholders, that we will continue to do everything in our power to increase the value of your Company in the long term, and would be delighted to continue to have you with us on this journey.

Unfortunately Bastei Lübbe AG also had some very sad news in what was a successful 2014/15 fiscal year. Our publisher Stefan Lübbe passed away suddenly and unexpectedly in October 2014. Stefan Lübbe, son of Ursula Lübbe and Gustav H. Lübbe, the founder of the publishing house, had led the Company from the beginning of the millennium to where it is today. In particular, he had foreseen years ago the developments in the digital sector which we see today, and made sure that Bastei Lübbe assumed a leading position in this field. With this in mind, we will continue to lead and nurture the Company. The employees, the Executive Board and the Supervisory Board bid a fond farewell to Stefan Lübbe and will always honour his memory with profound gratitude.

Cologne, 11 June 2015

Bastei Lübbe

The Executive Board



Thomas Schierack

Klaus Kluge

Felix Rudloff

Jörg Plathner

The Executive Board of Bastei Lübbe



Felix Rudloff
Director, Programme

Jörg Plathner
Director, Digital

Thomas Schierack
Chairman

Klaus Kluge
Director, Marketing
& Sales

The highlights of the financial year 2014/15

Once a year, the Company's foyer is entirely given over to the authors, when Bastei Lübbe invites the press and trade representatives for a preview of the upcoming programme and allows the authors to present their books themselves on the stage. During relaxed chats with chairman Peter Großmann, Motsi Mabuse, Luca Di Fulvio, Bettina Zimmermann, Hubertus Meyer-Burckhardt, Hajo Schumacher and Andreas Eschbach appeared before the more than 100 guests in May 2014 and drummed up a great deal of interest in their books.



The first AGM at Bastei Lübbe attracted more than 300 guests. The foyer was not big enough to host so many, so a large marquee had to be erected in front of the building to allow all the shareholders to obtain a comprehensive insight into the Company.



2014 was also THE Ken Follett year. With "Kinder der Freiheit", the bestselling author brought his Century Trilogy, which began with "Sturz der Titanen" and "Winter der Welt", to a powerful and furious conclusion in the autumn. In addition, Bastei Lübbe and Ken Follett not only concluded a contract straightaway for a new book, but will also be launching the global bestseller "Säulen der Erde" as a computer game together with our subsidiary, the outstanding game developers Daedalic.





There were several other reasons to celebrate. Ken Follett showed his appreciation to all his publishers worldwide by rocking the “Orange Peel” club at the Frankfurt Book fair together with his band “Damn Right, I’ve Got the Blues”. Bastei Lübbe honoured the author, who has been closely associated with the Company since 1978, and his long-standing project by presenting him with a piece of history: An original piece of the Berlin Wall which features the cover of his “Kinder der Freiheit” in acrylic now stands in his garden in England with another also decorating the Company premises. The British author attended the unveiling in Cologne-Mülheim in person, and signed the piece of German history there and then.



Bastei Lübbe has also appeared every time at the Frankfurt and Leipzig book fairs – the most important dates in the book industry – with numerous authors, who were able to meet with not only journalists and reporters but also with their fans. Cult star Heino, teeny heartthrob Cro and the popular cowboys Sascha and Alec from The BossHoss were barely able to escape the throngs of fans.





Betty and Mahtob Mahmoody, with whose story just about everyone has been familiar since the release of the global bestseller “Nicht ohne meine Tochter” and whose new book “Endlich Frei”, published in March 2015, is an exciting follow-up, also thrilled readers at the Leipzig Book Fair with a face-to-face discussion and chat.

Bastei Lübbe on the capital market

The price development of Bastei Lübbe's shares

The share indexes were operating in a volatile environment in the 2014 fiscal year. Political topics such as the conflict in Ukraine, unrest in Iraq and Syria, the dramatic drop in oil prices at the end of the year and the expiry of the US Federal Reserve Bank's bond purchase programme challenged the markets. Subsequently, the German key DAX index demonstrated little momentum in 2014, with a moderate plus of 2.6%. Then, at the beginning of 2015, the stock exchanges were buoyed by the monetary policy of the European Central Bank as well as by low commodity prices. The DAX rose by 23% in the first quarter of 2015.

Bastei Lübbe AG shares showed a gain of 5.9% in the 2014/15 fiscal year. Share certificates opened at a trading price of € 7.46 on 1 April 2014, and closed at € 7.90 on 31 March 2015. Shares reached an annual high on 25 June 2014 at € 8.70. The Bastei Lübbe share price troughed on 16 October 2014 at € 6.87. The average daily trade volume of Bastei Lübbe shares (Xetra and Frankfurt Stock Exchange floor trading) in the 2014/15 financial year ran to 27,465 shares (previous year: 26,856 shares). Based on 13,300,000 shares and a closing price of € 7.90, Bastei Lübbe AG's market capitalisation increased due to the positive price performance to approx. € 105.1 million as of 31 March 2015 (previous year: € 99.2 million at a closing price of € 7.46).

Shareholding structure

The current shareholding structure is as follows: The largest shareholder of Bastei Lübbe AG is Birgit Lübbe with a share of 36.10%. Allianz SE has held 9.77% of the shares since 8 April 2015. The Roggen family holds a 9.02% participation in Bastei Lübbe AG. The Executive Board and the Supervisory Board have a 2.48% stake in the share capital of Bastei Lübbe AG. 42.63% of shares are in free float. Lübbe Beteiligungs-GmbH has not held any shares in Bastei Lübbe AG since 16 April 2015.

Investor Relations

We have continued our goal-orientated communication and open dialogue with the capital market participants throughout the reporting year. The Executive Board has actively sought discussion with the editors of financial and economic media during the year, and has conducted various face-to-face talks and interviews with national media. Additionally, Bastei Lübbe participated in the German Equity Forum, the German Credit Conference, the DZ Bank Equity Conference, the Prior Capital Market Conference, the Munich Capital Market Conference and various roadshows in London, Frankfurt, Amsterdam, Antwerp, Brussels, Zurich and Munich. The quarterly reports were accompanied by telephone conferences.

The Executive Board presented business performance during the 2013/14 reporting year on 30 June 2014 at the first financial statement press conference. Besides a presentation of the 2013/2014 annual financial statements, investors, analysts and journalists had the opportunity to obtain first-hand information about Bastei Lübbe AG's strategic development moving on.

A milestone in the 2014/15 fiscal year was the first Annual General Meeting of Bastei Lübbe AG following the stock market listing on 17 September 2014. At this meeting, which was held at Bastei Lübbe AG's head office in Cologne, the Executive Board informed shareholders and their representatives in detail about business development, performance and the statement of accounts for 2013/14. Performance for the first quarter of

2014/15 as well as the future prospects for Bastei Lübbe were also presented. Around 64% of the share capital was represented at the stockholders' meeting. Large majorities of shareholders concurred with the suggestions of the administration on all the agenda items. The detailed agenda items as well as the voting results can be downloaded from the Investor Relations section of the Company website.

A second investor day on 24 February 2015 at Bastei Lübbe AG's head office was also a key event in the Company calendar. More than 50 private and institutional investors as well as journalists took the opportunity once again to talk with the management. The Executive Board presented the status quo, the current business figures as well as in particular Bastei Lübbe's future strategy for its transformation from a classic publishing house to an international media company.

In addition to further roadshows and conferences in the 2015/2016 financial year, the second annual press conference will take place on 1 July 2015.

Bastei Lübbe satisfies all important publicity and transparency standards as a company in the strictly-regulated Prime Standard of the Frankfurt Stock Exchange. Oddo Seydler Bank AG acts as designated sponsor. Potential investors can obtain further information from the Investor Relations section of the homepage at <https://www.luebbe.com/en/investor-relations/homepage-investor-relations>.

Analyst Research

The research companies Oddo Seydler Bank AG, Berenberg Equity Research, DZ Bank AG and Warburg Research accompanied Bastei Lübbe AG through the reporting year with their coverage. The studies suggest purchasing Bastei Lübbe shares at a target share price of up to € 13.00. Subsequent to the reporting year, the Solventis Wertpapierhandelsbank published a research study recommending a target price of € 11.50. The full research studies are available for download on Bastei Lübbe AG's homepage at <https://www.luebbe.com/en/investor-relations/the-share/research>.

Dividend Proposal for the 2014/15 Financial Year

Bastei Lübbe AG would like to have their shareholders continue to participate in the positive business performance of the past fiscal year this year. The Executive Board and the Supervisory Board will propose at the Annual General Meeting on 16 September 2015 that a dividend of € 0.30 per share be paid out. Taking the Company's own shares that are not entitled to dividend payments into the equation, this represents a payout of € 3,960,000.00. The Bastei Lübbe 2014/15 annual financial statements under commercial law, on which the resolution on the dividends to be paid out is to be based, show a net profit of € 10,779,894.73. The remaining amount of € 6,819,894.73 will be carried forward to the next accounting period.

It continues to be Bastei Lübbe AG's goal to have a continuity-orientated, shareholder-friendly dividend policy which provides for 40%-50% of distributable net income to be paid out to shareholders. This is contingent on such dividend payouts being compatible with long-term, sustainable business development.

Share information

Total number of shares:	13,300,000 (no-par-value shares)
Amount of share capital:	€ 13,300,000.00
SIN:	DE000A1X3YY0
WKN:	A1X 3YY
Abbreviation:	BST
Market segment:	Regulated market (Prime Standard)
Designated sponsor:	Oddo Seydler Bank AG

ARTO PAASILINNA



Heißes
Blut,
kalte
Nerven
Roman

LÜBBE

Group management report

Bastei Lübbe

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, audio books, eBooks, games 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.

Unlike a traditional publishing house, Bastei Lübbe represents the entire value chain. This means that content and rights are not just bought but are rather developed in-house in cooperation with several authors. The advantage is that Bastei Lübbe owns all language and territorial rights to the content. On the sales side, Bastei Lübbe works with trade partners and various platforms, just like all other traditional publishing houses. Rights not commercialised by ourselves are sold abroad, for example through licence sales. In addition, Bastei Lübbe aims to sell content via its own platform.

Bastei Lübbe's core market is Germany, Austria and Switzerland. The Company has been developing its international business activities over the last few years. These means that not only German titles are developed and sold, but also titles in English and Mandarin. Depending on the legal situation, the titles are then distributed in German-speaking countries and worldwide.

Bastei Lübbe's main locations are Cologne, Munich, Hamburg and Bochum.

Bastei Lübbe breaks down its business activities into three segments: **“books”**, **“novel booklets and puzzle magazines”** and **“non-books”**. There will be a fourth segment: **“digital”** from the 2015/16 financial year onwards. The sale of digital content plays an increasingly important role at Bastei Lübbe. For this reason, the generated turnover and costs from digital content should be represented in a separate segment.

The **books** segment comprises all print, audio and eBook products which can be considered books. This also includes digital series. The books segment sells products under various labels, mainly in hardcover, paperback, softcover, audio (digital and physical) and eBook formats.

It is worth highlighting here the hardcover release of “Kinder der Freiheit”, the third volume of the Ken Follett trilogy, in the past fiscal year. The titles “Endlich Frei” by Mahtob Mahmoody and “Tante Poldi und die sizilianischen Löwen” by Mario Giordano were well-placed on the market in the closing weeks of the fiscal year. “Er ist wieder da” by Timur Vermes has been one of the outstanding success stories in the paperback division. During the year, “Inferno” by Dan Brown and “Winter der Welt” by Ken Follett have also seen great success in this division, however. In the children's and young adults' division, the highlight has been the ninth volume “Böse Falle” by Jeff Kinney.

Bastei Lübbe acquired a majority shareholding in BookRix GmbH & Co. KG in Munich in May 2014. BookRix is a leading digital distributor of self-publishing titles in Germany, with around 12,000 eBooks on sale, and furthermore operates the largest independent online platform for self-publishing on the German-language Internet. The Company sells eBooks by its authors in a network of more than 60 shops. The advantage for the author is that he/she has to work with just one central partner for sales and billing. One particular strength of BookRix is its sales-promotional marketing activities that are specially tailored towards eBooks and self-publishing – professional visibility management, for example.

An IFRS-consolidated financial statement in which BookRix GmbH & Co. KG will be fully consolidated in the “books” segment is to be drawn up for the first time in 2014/15.

The segment **“novel booklets and puzzle magazines”** includes printed novel booklets and puzzle magazines.

The Company’s unbroken tradition over the last 60 years in the novel booklet sector has been successful yet again in the 2014/15 fiscal year. As one of the largest and most important players in the novel booklet sector, the publishing house has established a total of 33 series on the market.

In addition to the Jerry Cotton series, which has been in publication almost since the founding of the Company and which set a unique new record in December 2014 with the publication of volume 3,000, there are a number of other series that have been successful over a period of decades, such as Der Bergdokter, Doktor Stefan Frank, Geisterjäger John Sinclair and the westerns by star author G.F. Unger that have yearly sales in the millions.

Since the novel booklets are classified as press products, the marketing of the booklets is handled for the most part by Pressegrasso. Another very important marketing channel is the station bookshop, which has long been considered the classic sales point for novel booklets. This point of sale is just about perfect for customers who want to purchase something entertaining to read and prefer short, exciting stories to a more voluminous book.

The 2014/15 fiscal year was characterised by steady sales and targeted widening of the range on offer with new series, leading to a slight increase in turnover on a market generally considered to be well-established. This successful strategy is indicative of the future direction, and will be continued with a new range of novel booklet series in the 2015/16 financial year.

The puzzle magazines are published under the “PMV” label. PMV published 31 puzzle magazines through Bastei Lübbe in the 2014/15 financial year, with a total of 183 editions. The sales and distribution of these magazines were conducted through the national Grosso and station bookshops, on German-speaking foreign markets as well as seasonally in the European holiday destination areas.

Ten new objects were launched in the past fiscal year; the content of these objects is optimised continually and reorientated towards current market conditions. An extensive cover redesign for the whole portfolio was initiated at the end of the 2014/15 fiscal year. The quantity and quality of the portfolio and the editions sold have continuously secured PMV its place in the top five entertainment puzzle magazine publishers in the German-speaking area.

Some of the most successful magazines are “Mein großer Rätselspaß”, “Kreuzwort Nr. 1”, “Rätsel Sterne” and “Kreuzwort Riesen”.

The 2014/15 fiscal year was characterised by the innovations in portfolio management that were introduced in March 2014 on the part of the press wholesalers. The goal of the new sectoral regulations is the customer-friendly presentation of a press portfolio, arranged according to locale and demand. This includes a much greater consideration of customer-specific shelf space utilisation in range selection, delivery numbers and shelf times on the basis of valid sales data.

Judged against the downward trend on the entire press market, the puzzle sector can be characterised as being relatively stable. It was and still is conspicuous that ever more new market participants are hitting the already tightly-packed shelves, meaning that turnover has to be shared among ever greater numbers of titles. This mainly involves copy-cat products, but a number of puzzle book roll-outs under the name of a well-known brand can also be seen.

The **“non-book”** segment comprises gift items sold under the Räder label, as well as merchandise and similar products and the shareholding in Daedalic Entertainment GmbH.

Räder has been one of the few vendors in the high-quality home and dining accessories sector to demonstrate an anti-cyclical, positive performance in the past financial year. Significant success factors include both the newly-established and more female-focused spring and autumn collections, as well as the establishment of national and increasingly international sales channels. Räder was able to more than double its turnover in the preceding nine months in exports alone. This means that today, Räder has parts of its collection available at Harrods, Printemps, John Lewis or Loft. Even the three large key companies in the book trade (Thalia, Mayersche, Hugendubel) are starting to show positive growth again following interim declines in sales.

Bastei Lübbe acquired a majority shareholding in Daedalic Entertainment GmbH in the first quarter of the 2014/15 fiscal year. With its headquarters in Hamburg and Düsseldorf, the company is considered to be one of the best games developers and publishers in Europe.

Daedalic Entertainment develops and markets high-quality cross-platform computer and video games worldwide. The focus is on producing outstanding entertainment software with a strong narrative character. To this end, the company has around 100 employees and, through the Daedalic Writer's Room, has at its disposal a team of writers that is unique in the global games industry. In recent years, Daedalic has won the German Developer Prize (Deutscher Entwicklerpreis) – including “Studio of the Year” – a total of 21 times, and has been awarded the German Computer Game Prize six times. Daedalic has set new standards in the adventure game genre with titles such as Silence, State of Mind and The Devil's Men.

With its shareholding, Bastei Lübbe has tapped the fast-growing market for computer and video games as well as mobile entertainment, the synergies with their core business being utilised step-by-step through close cooperation. For instance, the Cologne-based media company announced the first ever multimedia, international agreement with global bestseller Ken Follett in November.

Daedalic Entertainment GmbH is to be fully consolidated into the “non-book” segment in the 2014/15 fiscal year, and then into the new “digital” segment from the 2015/16 fiscal year onwards.

Subsidiaries to be consolidated “at equity” into the three segments

In September 2014, the online shopping platform beam-ebooks.de was acquired via a company established for this purpose in August 2014 (BEAM GmbH, Cologne, which was converted into a PLC in March 2015). The platform is to be developed into a worldwide streaming platform for digital series reading and audio content, via which Bastei Lübbe can market its content (see the “Goals and Strategy” section). The UK investor Blue Sky Tech Ventures Limited bought a 55% participation in BEAM AG from Bastei Lübbe AG with effect from 31 March 2015. Bastei Lübbe still has a 45% share in BEAM AG. This means that BEAM AG will no longer be fully consolidated from 31 March 2015, but rather will be evaluated in accordance with the “equity method” (“at equity”) that is explained in IAS 28.

Präsenta Promotion International GmbH is also an associate within the meaning of IAS 28, and will be allocated to the “non-books” segment and valued in the consolidated balance sheet in accordance with the “at equity” method.

Subsidiaries that will not be consolidated

Bastei Lübbe also has shareholdings in the following non-consolidated companies in the reporting period: Moravská Bastei MOBA, s.r.o., Brno (Czech Republic) (90% shareholding), Bastei Media GmbH, Erfurt (100% shareholding), as well as a 100% shareholding in Bastei International Limited in Hong Kong, a 25% shareholding in HPR Bild & Ton GmbH, Cologne, a 100% shareholding in Siebter Himmel Bastei Lübbe GmbH (a bookshop in Cologne), a 100% shareholding by BookRix GmbH & Co. KG in BookRix Verwaltungs GmbH, Munich, the *Komplementärin* [general partner] in BookRix GmbH & Co. KG, as well as a 75% shareholding in Daedalic Entertainment Studio West GmbH through Daedalic Entertainment GmbH, and a 50% shareholding in Bastei LLC, Santa Monica, California, USA, entered in the register of the competent court in Delaware.

Bastei Lübbe AG also has smaller shareholdings in various book and press distribution companies; however, these are all less than 5% each.

Goals and Strategies

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 therefore be placed on the books segment, particularly in the digital sector. This segment's share in Bastei Lübbe's total turnover is close to 72%.

Growth in the digital sector was not quite as high in Germany in 2014 as it had been the year before. Whereas it was up by 60.5% in 2013, the increase in the consumer market last year was only 7.6%. The number of eBook consumers has, on the other hand, grown considerably (from 3.4 million to 3.9 million individuals). The increase in the number of self-publishing titles, which are sold for a much lower price than publisher's titles, is considered by the Executive Board to be the reason for the slower growth in turnover on the eBook market.

Despite slow growth in 2014, the sector expects that the eBook share of trade will continue to grow. The Executive Board of Bastei Lübbe also expects to see sustainable long-term growth, and particularly in the international digital sector over the next few years.

The share of digital products as a part of overall turnover has doubled almost on an annual basis in recent years. Digital turnover in 2014/15 comprises turnover from the Bastei Entertainment department, audio digital turnover and the turnover from BookRix, BEAM and Daedalic. Together this accounts for a total turnover of € 23.3 million, or 21.1%.

¹ <http://www.boersenverein.de/ebook-markt>

In order to be able to reach our goals, the following strategic focus has been formulated:

- Development of own material
- Further development of own sales/streaming platform
- Internationalisation
- Expansion of the Daedalic product portfolio

Development of own material

In contrast with other publishing houses, Bastei Lübbe has already been concentrating on the development of its own content in the novel booklet sector for several decades. This focus has been carried over into the book sector in recent years. In this, one of Bastei Lübbe's priorities is to develop especially national and international series content. To this end, the joint venture Bastei LLC was founded in the USA with the Imperative company. The shareholding in BookRix GmbH & Co. KG also resulted in Bastei Lübbe gaining authors and new content.

Further development of own sales/streaming platform

Aside from developing its own content, Bastei Lübbe has also decided to explore in-house and new avenues in the exploitation of content. To this end, the beam-ebooks.de online shop platform was acquired in October 2014. BEAM is a platform based in Germany, which at the moment mostly distributes DRM-free digital content. The aim is to develop BEAM to become the world's leading streaming platform for series content. The Company's own nationally- and internationally-developed series content will be marketed worldwide through this platform. For this purpose, contact has been established with other publishers, in particular those in other countries, who own the rights to series content. BEAM is to be launched in 2016 in German and English in the appropriate countries, with Portuguese, Spanish and Mandarin to follow.

By acquiring the beam-ebooks.de online shop platform in September 2014, as well as taking up a majority share in the BookRix GmbH & Co. KG self-publishing platform in May 2014, Bastei Lübbe has positioned itself well for taking advantage of the increasing reader demand for e-books, and will be able to react quickly to new trends.

Internationalisation

The goal of internationalisation embraces the group's entire value chain. In addition to producing international content ourselves, another focal point is the national and international acquisition of comprehensive rights, where possible global rights, particularly for digital international exploitation.

Content in English and Mandarin is already being developed at Bastei Lübbe, alongside content in German. We plan to include Portuguese and Spanish as additional languages. The English and Mandarin products are to be further developed in cooperation with partners in the USA and China.

Bastei Lübbe has come one step closer to this goal in the 2014/15 fiscal year. In September 2014, Bastei Lübbe AG and Imperative Entertainment, a multi-platform entertainment studio based in the USA, founded together the joint venture "Bastei LLC". The goal of this joint venture is to combine the publishing expertise of Bastei Lübbe, especially in the print and digital sectors, and the Company's powerful innovative ability with the experience of Imperative Entertainment in the international film and entertainment business, developing good, promising material together in the future and marketing that material internationally in English and other languages.

Intensive talks will also be held with potential Chinese partners. Bastei Lübbe plans to cooperate with Chinese publishing houses in content development as well as in digital and physical sales and marketing.

Bastei Lübbe content will be distributed worldwide via a variety of channels. Domestic sales will be handled by Bastei Lübbe itself and international sales likewise or via partners. Another possibility for the commercialisation of content is the sale of international licences.

In this respect, the clear strategy for the next few years is to continue to exploit even more international digital content worldwide.

Expansion of the Daedalic product portfolio

Growth on the games market continues to rise. Like before, there is great activity in the market for video games. The major game developers have shown that there is a clear trend towards fewer but bigger titles which can then be marketed better. This is the path that Daedalic will also take. Technically, Daedalic has already been operating for years like the major competitors worldwide. In terms of both personnel and technology, Daedalic has the means to produce a game within a budget of € 1 million, but also within a budget of between € 5-8 million. Together with Bastei Lübbe, the first meetings in the USA have already taken place with film producing companies in particular that hold the licences for series brands to be marketed worldwide. Alongside the classic development of games as in the past, Daedalic wants to acquire top licences in the future, developing and marketing them as games. If possible, Bastei Lübbe will develop and market the respective e-book series at the same time. We expect our turnover to multiply in the next few years with Daedalic alone.

Corporate steering

Executive bodies

As a public limited company under German law, Bastei Lübbe AG has a dual management and supervisory structure. In September 2014, Bastei Lübbe AG expanded its Executive Board to four members with the appointment of Jörg Plathner. The Executive Board now consists of the following members: Thomas Schierack (Chair), Klaus Kluge (Director, Marketing and Sales), Felix Rudloff (Director, Programme) and Jörg Plathner (Director, Digital). The Executive Board reports regularly to the Supervisory Board. The reports mainly deal with business policies and strategies, 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 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 internal corporate governance system

The paramount objective of Bastei Lübbe is to continually increase the value of the Company through growth and concentration of fields of business that offer the best chances of development, and an improvement in profitability.

The Executive Board and Supervisory Board take various corporate steering measures. The basis of the strategic company planning is an annually-updated three-year plan with profit and loss calculations, investments and liquidity. For the fiscal year that follows immediately, as well as a top-down target definition, the turnover planning is also calculated bottom-up, in detail and with product orientation in mind. Budget planning for the following fiscal year is derived on the basis of the final planning. Company steering is based on a monthly target/performance comparison with regard to overall turnover, segment turnover and balance sheets.

At Bastei Lübbe, the following financial indicators are of primary importance for company steering (in each case, in comparison of target, performance and previous year):

- development of turnover
- development of EBITDA/EBIT at group level
- turnover and EBITDA/EBIT of the segments

Bastei Lübbe gave priority to reporting on the development of EBIT in the 2013/14 fiscal year. In the light of Bastei Lübbe's growth strategy and of the expansion in investment activity associated with it, the EBITDA has been presented as a comparison since the 2014/15 fiscal year.

Furthermore, non-financial performance indicators such as employee numbers or social commitment are not used at Bastei Lübbe for steering purposes since no quantifiable statement can be made as to the causal relationships.

Overall and industry economic conditions

Macroeconomic conditions

Following a slight upturn in 2013, the recovery of the global economy slowed in 2014. The conflict in Ukraine and the sanctions associated with it did a lot to unsettle the financial markets. The elections in Greece and continued discussions about the country's ability to meet its financial obligations added to the market turmoil. The situation in Russia also had a negative effect on the world economy. Both the experts from the International Monetary Fund (IMF) and from the World Bank adjusted their growth predictions for 2014 downwards several times. According to the IMF, the global economy grew by 3.3% in 2014. In its earlier predictions, the Fund had expected a growth of 3.7%.²

The growth rates of individual regions continue to vary widely. According to the Leibniz Institute for Economic Research, however, the expectations of companies across all countries had risen slightly at the beginning of 2015. The cause is said to be, amongst other things, the considerable drop in the price of oil. The ifo index, too, had risen slightly from 95.0 to 95.9 points in the first quarter of 2015 due to better economic expectations. All in all, however, global expectations were lacking in dynamic energy at the beginning of 2015.³

Important indicators came again from the emerging markets. With a gain in gross domestic product GDP from 7.4% to 7.6% in the previous year, China was once again the engine of world economic growth in 2014. The labour market in the world's second-largest economy remained stable and the middle class continued to grow.⁴ At the end of 2014, however, the economic climate took a turn for the worse in China too.⁵ The IMF also lowered its 2015 predictions for the Middle Kingdom from 7.1% to 6.8%.⁶ In other words, an element of uncertainty had crept in about China as the long-term driving force behind the economic climate.

² <http://www.spiegel.de/wirtschaft/soziales/ivf-warnt-vor-weltwirtschaftskrise-a-995868.html> (as of: 15 February 2015)

In 2014, the economic momentum in the Eurozone remained precarious in comparison. The IMF calculated growth in GDP of 0.8% in total for the Eurozone over the specified period.⁷ These weak economic conditions continued into the beginning of 2015. The risks involved with Greece's ability to pay its debts and the fraught situation in Ukraine have contributed significantly to this development. In contrast, unemployment figures in Spain showed an improvement: Although, at more than 20%, unemployment is still at a very high level, the number of people without a job dropped significantly in March 2015.⁹

Germany demonstrated a plus of 1.4% in economic performance in 2014 according to the IMF.¹⁰ The domestic jobless rate also showed a positive trend, dropping slightly to stand at 6.7%.¹¹

The rate of inflation also remained comparatively low, with a year-on-year rise of 0.9%. This trend continued into the beginning of 2015.¹² The flash indicator from the Institute of Economic Research in Halle (IWH) showed further gains of 0.5% in GDP for the first quarter of 2015.¹³

The USA also reported a positive economic performance for 2014. According to the IMF, the GDP of the largest economy grew by about 2.2% in 2014. The inflation rate remained at the level of the previous year, however.¹⁴ Following the slow-down in GDP growth at the end of 2014, early indicators show a further downturn in the first quarter of 2015.¹⁵ However, experts at the IMF still expect a positive development for 2015 as a whole, based on robust domestic demand.¹⁶

The industry environment in the segments of Bastei Lübbe AG's business activities

Fewer printed books were sold in Germany in the past year. The domestic stationary **book trade** registered a 2.1% reduction in turnover for 2014. The down-turn was even more pronounced in Austria and Switzerland, at -3.4% and -4.9%, respectively. In total, around € 10 billion was spent on books in Germany in 2014. Experts lay the blame for this negative development on the fact that there were fewer strong bestsellers compared to the previous year.¹⁷ In January 2015, turnover in the stationary range, station bookstores, warehouse and E-commerce sales channels dropped by 1.2% below the level of that of the same month one year previously.¹⁸ The slight downward trend continued into February 2015.¹⁹ Paperbacks and fiction titles were however still in demand. February 2015 was also a strong month for non-fiction, the most successful product group at the time, with a sales increase of 3.4% on the same period in the previous year. Children's and young adults' books also saw moderate growth of 0.8%. All other segments demonstrated a fall in sales figures in February 2015 in comparison with the same month in the previous year.²⁰

³ <http://www.cesifo-group.de/de/ifoHome/facts/Survey-Results/World-Economic-Survey/World-Economic-Climate/Archive/2015/World-Economic-Climate-20150212.html> (as of: 7 April 2015)

⁴ <http://blog.zeit.de/china/2015/01/20/chinas-wirtschaftsdaten-enttaeuschen/> (as of: 7 April 2015)

⁵ <http://www.iwh-halle.de/c/start/prognose/prog.asp?Lang=d> (as of: 7 April 2015).

⁶ <http://blog.zeit.de/china/2015/01/20/chinas-wirtschaftsdaten-enttaeuschen/> (as of: 7 April 2015)

⁷ <http://www.spiegel.de/wirtschaft/soziales/iwf-warnt-vor-weltwirtschaftskrise-a-995868.html> (as of: 15 February 2015)

⁸ <http://www.iwh-halle.de/c/start/prognose/prog.asp?Lang=d> (as of: 7 April 2015).

⁹ <http://www.faz.net/agenturmeldungen/unternehmensnachrichten/arbeitslosenzahl-in-spanien-sinkt-weiter-13523812.html> (as of: 7 April 2015)

¹⁰ <http://www.spiegel.de/wirtschaft/soziales/iwf-warnt-vor-weltwirtschaftskrise-a-995868.html> (as of: 15 February 2015)

¹¹ <http://de.statista.com/statistik/daten/studie/1224/umfrage/arbeitslosenquote-in-deutschland-seit-1995/> (as of: 3 March 2015)

¹² <https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/Preise/Verbraucherpreisindizes/Verbraucherpreisindizes.html> (as of: 7 April 2015)

¹³ <http://www.iwh-halle.de/c/start/prognose/prog.asp?Lang=d> (as of: 7 April 2015)

¹⁴ <http://de.statista.com/statistik/daten/studie/165718/umfrage/inflationsrate-in-den-usa/> (as of: 5 February 2015)

¹⁵ <http://www.finanznachrichten.de/nachrichten-2015-03/33271904-usa-nimmt-beim-bip-wachstum-voruebergehend-das-tempo-raus-452.htm> (as of: 7 April 2015).

¹⁶ <http://www.tagesschau.de/wirtschaft/weltwirtschaft-waehrungsfonds-prognose-101.html> (as of: 15 February 2015)

The developments in the book market are increasingly characterised with the advance in digitalisation. The Internet is gaining ever more significance as a sales channel. E-books, flat-rate readers, self-publishing platforms for authors and so on are game-changers for the public's reading habits and, at the same time, for the entire industry. E-books in particular are enjoying ever growing popularity in Germany, and are establishing themselves more and more on the domestic book market. According to the industry organisation Bitkom, as many as roughly one-quarter of all Germans were reading digital books in 2014. That is up 3% year-on-year. The new Elektronisches Publizieren (Electronic Publishing) index also shows this continuing pattern of growth. It has climbed to 13.4 points in 2014 from 13.1 points in 2013. A positive development in the specialist media is an impetus for growth here. It is becoming ever easier to combine digital and analogue, especially in the bricks-and-mortar book trade.²¹

Experts agree that electronic books have become an essential component of the book market. A total of 5.7% of the population aged ten and over – that is 3.9 million people – have purchased eBooks in the past year. 84% of eBook turnover is in the fiction sector (novels and crime fiction). Guidebooks as well as children's and young adults' books account for around 5% each. In non-fiction/encyclopaedias, the figure was 6%.²²

eBooks are popular amongst all age groups. 31% of 14-29 year olds are hence already reading digital books, whilst the number for 30-49 year olds is hardly much lower, at 30%, and even 27% of 50-64 year olds are regularly turning to e-books.²³

eBooks represented a share in turnover of 4.3% in 2014, following a share of 3.9% on the German consumer book market in 2013.²⁴ The market potential in this sector remains large. The reasons for this include technological advances that allow ever-increasing battery life, larger storage capacity, reader-friendly screen technologies as well as new synchronising functions across different reading devices. The following figures show that reading digital content is not limited to eBook readers: More than half of eBook reader users in Germany (57%) read their eBooks on their laptop or notebook computer. Around 44% use their smartphone, whilst 30% read e-books on a tablet and 27% on an eBook reader.²⁵

The outlined reorganisation of the sector will have a major impact on business volume and the most important source of profit for Bastei Lübbe. The Company's Executive Board is expecting the entire digital sector to make up more than 50% of total group turnover three to four years from now. In this light, Bastei Lübbe wants to further develop this digital sector.

Judged against the downward trend on the press market as a whole, the **novel booklet and puzzle market** can be characterised as being relatively stable. It was and still is conspicuous that ever more new participants in the puzzle market are hitting the already tightly-packed shelves, meaning that turnover has to be shared among ever greater numbers of titles. This mainly involves copy-cat products, but a number of puzzle book roll-outs under the name of a well-known brand can also be seen.

¹⁷ cf. Nine-month report, Bastei Lübbe

¹⁸ <http://www.buchmarkt.de/content/61421-branchen-monitor-buch-meldet-sachbuch-weiter-vorn.htm> (as of: 6 April 2015)

¹⁹ http://www.buecher.at/show_content.php?sid=94&detail_id=8274 (as of: 6 April 2015)

²⁰ http://www.buecher.at/show_content.php?sid=94&detail_id=8274 (as of: 6 April 2015)

²¹ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=948400 (as of: 6 April 2015)

²² <http://www.heise.de/newsticker/meldung/E-Book-Markt-waechst-in-Deutschland-nur-noch-einstellig-2565570.html> (as of: 6 April 2015)

²³ cf. Nine-month report, Bastei Lübbe

²⁴ <https://www.test.de/E-Books-Markt-waechst-weniger-stark-als-erwartet-4830722-0/>, (as of: 7 April 2015.)

²⁵ cf. Nine-month report, Bastei Lübbe

The **non-book** segment comprises the **gift item** sectors as well as, for the first time in the current financial year, the **games industry** too. The **gift market** is cyclical, and traditionally peaks in the Christmas season business in the November and December months. The entire Christmas season business is said to have brought in € 15 billion in Germany in 2014. According to a survey by the Gesellschaft für Konsumforschung (Society for Consumer Research – GfK), Germans each spent an average of € 285 on presents in 2014. This represents € 3 less than the previous year, but nevertheless indicates a robust, stable development on the gift market.²⁶ As one of the few providers in the segment of high-quality home and dining accessories (with a market share of approximately 33% in one of the primary sectors in this area), Räder was able to continue its anti-cyclically positive turnover increase with an increase of almost 28% compared to the same period in the previous year.

The games industry, which is also relevant for Bastei Lübbe, has further increased in significance during the reporting period. The total market for computer and video games increased by 11% in 2014 to reach € 2.67 billion.²⁷ According to the Bundesverband Interaktive Unterhaltungssoftware (Federal Association for Interactive Entertainment Software – BIU), Germany is one of the biggest markets for digital games worldwide, with a turnover of € 2.67 billion. Game apps for tablets and smartphones in particular have become one of the most important growth drivers for the digital games market. In the first half of 2014 alone, turnover from game apps rose by 133% to € 114 million compared to the same period in the previous year. With its majority share in Daedalic Entertainment GmbH from Hamburg, a multiple-award-winning publisher and developer of computer games, Bastei Lübbe AG has tapped into the fast-growing game app market. Through close cooperation with Daedalic, Bastei Lübbe wishes to gradually utilise synergies in its core business and considerably grow the Daedalic segment in the coming years.²⁸

Computer and video games were also popular at the 2014 Frankfurt Book Fair, and today stories are increasingly being told through a whole range of media. This led to a delegation from the book industry being invited by the Frankfurt Book Fair and Frankfurt Story Drive to attend gamescom 2014 in Cologne in August 2014. In return, a delegation from the games industry attended the Frankfurt Book Fair in October 2014. The delegation's trip offered players in the computer and video games industry the opportunity to establish personal contacts with international decision-makers in the industry and compare notes on possible joint ventures, potential customers and new sales areas. This is yet more evidence that Bastei Lübbe is on the right track with its strategy of making sustainable investments in this area. The first concrete projects are already on the table: For instance, the Cologne-based media company was able to declare the first ever multimedia, international agreement with global bestseller Ken Follett in November.²⁹

²⁶ <http://www.wiwo.de/unternehmen/handel/geschenke-zum-fest-wofuer-wir-zu-weihnachten-681-euro-ausgeben/11013132.html> (as of: 17 April 2015)

²⁷ <http://www.biu-online.de/de/presse/newsroom/newsroom-detail/datum/2015/03/13/gesamtmarkt-fuer-computer-und-videospiele-waechst-2014-um-11-prozent.html> (as of: 7 April 2015)

²⁸ cf. Nine-month report, Bastei Lübbe

²⁹ cf. Nine-month report, Bastei Lübbe

The Earnings, Assets and Financial Position

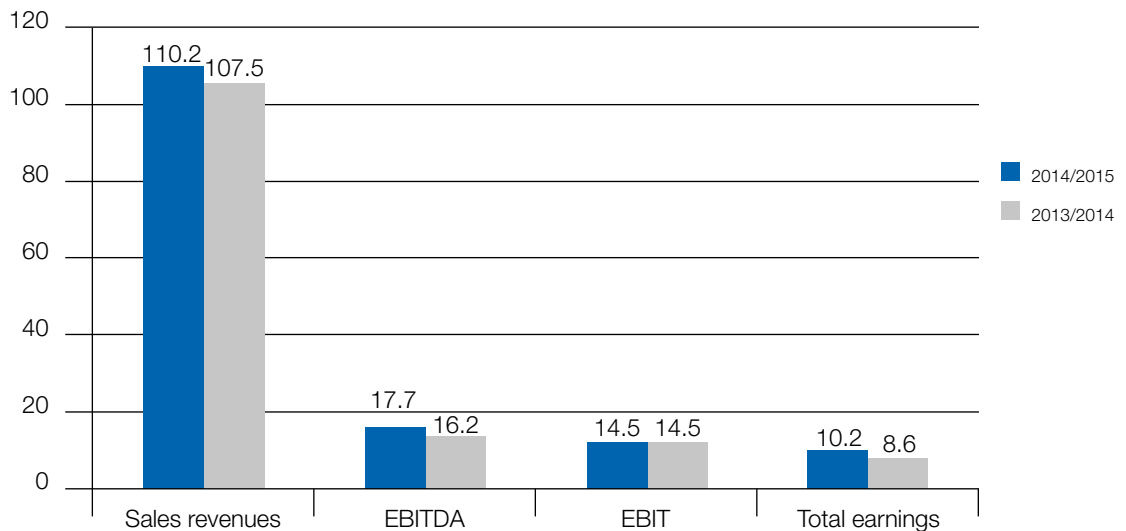
General statement by the Executive Board

The 2014/15 financial year was pleasing for Bastei Lübbe, but was also marked by unexpected expenditure and earnings. A consolidated financial statement is being drawn up for the first time. Both revenue and EBITDA were slightly up in comparison to the year before; EBIT was at the same level as the previous year.

Financial performance

Sales revenue rose in the financial year according to plan, from € 107.5 million in the year before to € 110.2 million. Daedalic Entertainment GmbH contributed € 6.0 million to this total, BookRix GmbH & Co. KG € 1.2 million and BEAM AG € 0.2 million. These companies were consolidated for the first time. Revenue developed as follows at segment level: “Books” slightly less than planned: € 79.2 million (previous year: € 85.8 million); “non-books” more than planned: € 20.5 million (previous year: € 11.5 million); “novel booklets and puzzle magazines” slightly more than planned: € 10.5 million (previous year: € 10.2 million). The rise in revenue, particularly in the “non-book” sector, can be attributed among other things to a positive development in the Räder division, but also to the fact that turnover from Daedalic (€ 6.0 million) was consolidated in this segment for the first time. In “books”, the revenue of the previous year could not quite be matched this time around. This was particularly because Bastei Lübbe had published a new Dan Brown in the previous year and this had brought in around € 4 million more in revenue in that financial year than the third volume of the Ken Follett trilogy, “Kinder der Freiheit”, did this year. Revenue in the “novel booklets and puzzle magazines” segment saw a slight increase.

The EBITDA also exceeded targets, reaching € 17.7 million in comparison to € 16.2 million in the previous year. Here, the “books” segment contributed € 12.6 million (previous year: € 15.5 million), the “non-book” segment € 3.1 million (prev. year: € -0.6 million), and the “novel booklets and puzzle magazines” segment € 1.9 million (prev. year: € 1.3 million). In the “books” segment, the EBITDA dropped and was slightly less than planned, whereas in the other two segments, performance was satisfactory and exceeded expectations. The decrease in the “books” segment can be traced back to the corresponding drop in sales revenue, amongst other things, also due to the previous year’s Dan Brown effect. The overall outcome for Bastei Lübbe this year is marked by unexpected earnings, but also by unplanned expenditure, both particularly in association with digitalisation and internationalisation. The sale of a 55% share in BEAM led to a gain of just under € 7.3 million, including the appreciation of the shares remaining with Bastei Lübbe (45%). This amount is partially off-set through significant unscheduled expenditure such as start-up costs for the integration of the shareholding, unscheduled amortisation, artists’ social insurance expenses, etc.



The EBIT also exceeded targets in the reporting period, reaching € 14.5 million just as the year before. All segments contributed here too. The EBIT of the “book” segment is € 11.7 million (previous year: € 14.6 million); the EBIT of the “non-book” segment is € 1.1 million (prev. year: € -1.2 million) and the EBIT for the “novel booklets and puzzle magazines” is € 1.8 million (prev. year: € 1.1 million).

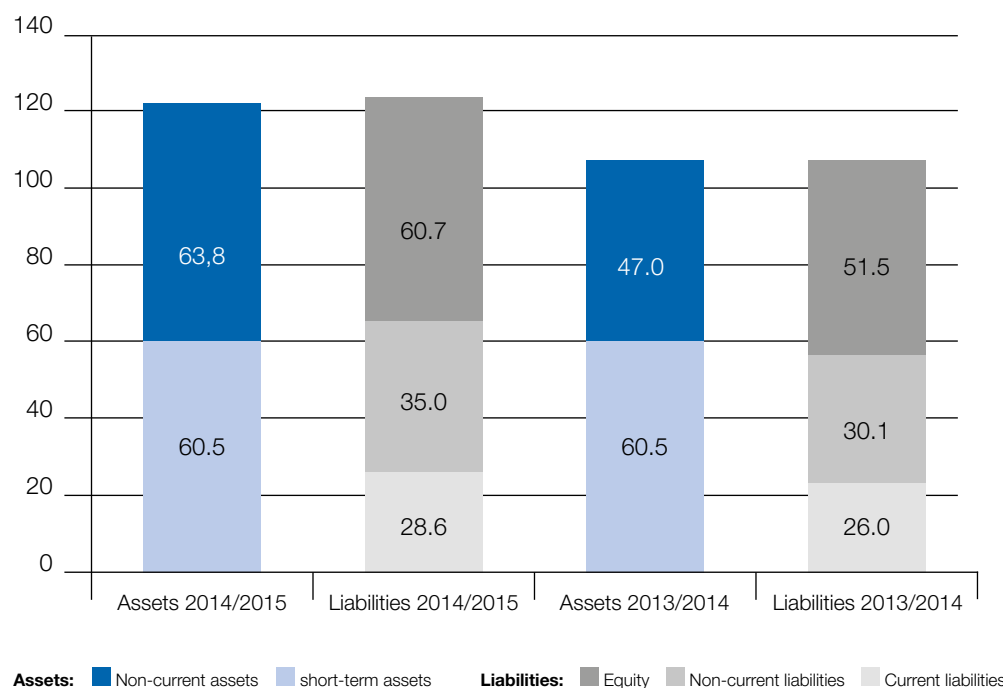
The consolidated net income was also better than planned and is € 10.2 million, compared to € 8.6 million in the year before.

Material costs were disproportionate and slightly over budget, at € 53.1 million compared to € 49.0 million in the previous year. This can be traced back to € 1.3 million more in outgoings for “royalties and amortisation of author royalties” contingent on amortisation, but was also caused by an increase in “expenses for purchased services” from € 25.1 million in the previous year to € 28.9 million. Part of the increase is the result of higher costs for Räder – from € 3.8 million to € 6.2 million.

Personnel expenses also went up as expected, namely from € 19.2 million to € 21.8 million. This is due in particular to the expansion of the respective departments in terms of personnel in connection with the creation of in-house content and the digital international marketing of this content. Associated revenue from this staff reinforcement is not yet reflected in the past financial year.

“Other operating costs” also rose slightly higher than budget, from € 25.1 million to € 27.0 million in the reporting period. Here, advertising and travel costs in particular rose from € 8.0 million to € 9.5 million. This too can be traced back to increased costs, amongst other things, due to preparation for internationalisation and digital business, especially in connection with the creation of in-house content. It should be mentioned here that a back-payment also had to be paid to the artists’ social security fund in the amount of almost € 0.5 million.

Assets position



The balance sheet total amounts to € 124.3 million as of 31 March 2015, up from € 107.6 million in the previous year. The balance sheet total therefore increased by € 16.7 million. This pronounced increase in the balance sheet total is the result, amongst other things, of the rise in “intangible assets” from € 11.1 million to € 26.1 million.

On the assets side of the balance sheet, the long-term assets increased by € 16.8 million, and amounted to € 63.8 million as of 31 March 2015, up from € 47.0 million in the previous year. This rise resulted in particular from an increase in goodwill from € 2.1 million to € 7.3 million, and in “other intangible assets” from € 9.0 million to € 18.7 million. The rise in intangible assets is mostly associated with the acquisitions during the reporting period.

The “Inventory of pre-paid author royalties” stands at € 24.2 million, following € 26.2 million in the previous year. “Shareholdings valued at equity” also rose from € 1.8 million in the year before to € 5.7 million as of 31 March 2015. The increase can be attributed to the valuation of BEAM as of the reporting date.

At € 60.5 million, “short-term assets” are valued at around the same figure as for the same period in the previous year. “Inventories” have increased slightly year-on-year, up from € 18.9 million to € 19.7 million. “Trade receivables” were at € 13.6 million last year, and are now at € 16.8 million. “Financial assets” now amount to € 9.4 million, compared to € 15.1 million in the last comparable period. This is a result of the company acquisitions during the reporting period.

In terms of liabilities, equity rose from € 51.5 million last year to € 60.7 million as of 31 March 2015. This includes € 2.6 million of equity shares held by external shareholders. The equity ratio is 48.8% (47.9% in the previous year).

“Non-current liabilities” increased from € 30.1 million to € 35.0 million as of 31 March 2015. Amongst other things, this can be attributed to a rise in deferred tax liabilities from € 0 to € 2.5 million, and to an increase in “other liabilities” from € 0 to € 2.6 million.

“Current liabilities” have also risen from € 26 million to € 28.6 million as of the reporting date. This increase is associated with a rise in income tax liabilities from € 2.5 million to € 4.2 million and with a rise in “other liabilities” from € 0.4 million in the previous year to € 1.9 million as of 31 March 2015.

Financial situation/liquidity/financing

Cash flow from operating activities was € 6.1 million in the reporting period, compared to € 12.7 million in the previous year. Cash flow from investment activities was € -10.3 million compared to € -3.2 million in the previous year, and cash flow from financing activities was € -4.4 million compared to € -12.6 million the year before.

Cash and cash equivalents at the end of the reporting period amounted to € 13.6 million (previous year: € 22.2 million).

In addition to equity, the Company is financed by a loan of a nominal € 30 million, which remains payable by October 2016. Bastei Lübbe also has a current account credit facility with the three principal banks, which is however not being used.

Bastei Lübbe still possesses a stable financial and liquidity structure, and is in a position to fulfil its payment obligations at all times. Negotiations are currently in place with the principal banks concerning a refinancing of the bond by way of a corresponding syndicated loan. The Company expects that suitable contracts will be signed within the next four months which will likely lead to an annual reduction in interest payments of around € 1.3-1.5 million.

Employees

As of the end of the fiscal year, the group had 420 employees, compared to 322 employees in the 2013/2014 fiscal year. For the first time, the employees of the subsidiaries Daedalic (92 employees) and BookRix (7 employees) were included in the total number of employees for the past year.

12 young people completed their vocational training in the financial year, and eight served an internship.

These figures do not include employees of the non-consolidated companies BEAM AG, Bastei Media GmbH, PRÄSENTA PROMOTION INTERNATIONAL GmbH and Siebter Himmel or the Czech subsidiary Moravská Bastei MOBA, s.r.o., Brno (Czech Republic).

Around 2/3 of the employees are female and 1/3 are male. In terms of age structure, almost 21% of the employees are under 30, 28% are between 30 and 39, 23% are between 40 and 49 and 21% are between 50 and 59.

Our employees form the foundation for Bastei Lübbe AG's success. The further development of a corporate culture based on partnership is one of the primary goals of our personnel strategy. With that in mind, an employee survey will be carried out in the 2015/16 fiscal year, three years after the last, to gauge employee satisfaction and to identify potential for improvement.

We take an individual approach to our training activities, promoting employees' strengths and giving them support. This enables our employees to discuss individual development prospects and further training at annual meetings. The majority of our employees have years of experience in our sector. Key members of staff share in our business success by way of bonuses.

Social commitment

As a media company, we are also well aware of our high level of social responsibility. We reach millions of readers every year with our novel booklets, puzzle magazines, books and eBooks. The content that we distribute thus has an impact on our readers' opinions. We also take our social responsibility into account when selecting our range, down to the individual titles. With our non-fiction books in particular we try to accompany 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 Lübbe Foundation, associated with the Lübbe family, supports this effort in particular through children's literature projects and so on.

Responsibility across the value chain

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 also to make sparing use of resources. When purchasing paper and printing, we attach great importance to the consideration of our sustainability strategy.

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 gift items sector, we have numerous contracts with suppliers and manufacturers in Asia. Here, employees of Bastei Lübbe are informed at least once a year about local working conditions and have representatives in Asia who also check these working conditions during the year.

Corporate Governance

The Company has addressed once more the content of the German Corporate Governance Code in the 2014/15 fiscal year. With a few exceptions, Bastei Lübbe adheres to the recommendations and suggestions of the Corporate Governance Code. The Executive Board and the Supervisory Board adopted a resolution on 28 May 2015 to issue a limited declaration of compliance pursuant to section 161 of the Companies Act (Aktengesetz - AktG), according to which the Company, with the exception of numbers 4.2.3 and 5.1.2,

complies with the recommendations of the German Corporate Governance Code in the version dated 24 June 2014, published in the Federal Gazette on 30 September 2014. The current declaration of compliance, as well as all earlier declarations of compliance, are permanently available to shareholders on the Company website (see <https://www.luebbe.com/en/investor-relations/corporate-governance/corporate-governance-statement>). Further information on Corporate Governance can be found in the “Corporate Governance Report”.

Supplementary report

The following notifications in accordance with section 20(6) of the Companies Act and notices published under section 26(1) of the German Securities Trading Act (Wertpapierhandelsgesetz- WpHG) (section 160(1) No. 8 AktG) came in following the reporting date.

On 9 April 2015, a voting rights notification was made public:

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

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 9 April 2015 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had gone below the thresholds of 5% and 10% of the voting rights on 2 April 2015 and now amounted to 3.008% (corresponding to 400,000 voting rights).”

Two voting right notifications were published on 13 April 2015:

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

Allianz SE, Munich, Germany, informed us on 10 April 2015 in accordance with section 21(1) of the Securities Trading Act (WpHG) that its share in the voting rights of Bastei Lübbe, Cologne, Germany, had exceeded the thresholds of 3% and 5% of the voting rights on 8 April 2015 and amounted to 9.77% on this date (corresponding to 1,300,000 voting rights).

The voting rights are attributed to Allianz SE pursuant to section 22(1) sentence 1 No. 1 WpHG and section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights attributed to Allianz SE pursuant to section 22(1) sentence 1 No. 1 WpHG were attributed via the following companies controlled by Allianz SE, whose respective voting rights in Bastei Lübbe were 3% or more:

Allianz Deutschland AG and Allianz
Lebensversicherungs-AG

At the same time, these voting rights were also attributed to Allianz SE by a shareholder whose voting rights in Bastei Lübbe were 3% or more, in accordance with section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG:

Allianz Lebensversicherungs-AG

At the same time, Allianz SE, Munich, Germany, informed us on 10 April 2015 in accordance with section 21(1) WpHG in conjunction with section 24 WpHG that:

1. The share in the voting rights of Bastei Lübbe of Allianz Deutschland AG, Munich, Germany, exceeded the thresholds of 3% and 5% on 8 April 2015 and amounted to 9.77% (corresponding to 1,300,000 voting rights). These voting rights were attributed to Allianz Deutschland AG pursuant to section 22(1) sentence 1 No. 1 WpHG.

The voting rights attributed to Allianz SE were held via the following companies controlled by Allianz SE, whose respective voting rights in Bastei Lübbe were 3% or more:

Allianz Lebensversicherungs-AG

2. The share in the voting rights in Bastei Lübbe, Cologne, Germany, of Allianz Lebensversicherungs-AG, Stuttgart, Germany, exceeded the thresholds of 3% and 5% on 8 April 2015 and amounted to 9.77% (corresponding to 1,300,000 voting rights).

3. The share in the voting rights in Bastei Lübbe, Cologne, Germany, of Allianz Asset Management AG, Munich, Germany, exceeded the thresholds of 3% and 5% on 8 April 2015 and amounted to 9.77% (corresponding to 1,300,000 voting rights). These voting rights were attributed pursuant to section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights were attributed from a shareholder whose voting rights were 3% or more in accordance with section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG:

Allianz Lebensversicherungs-AG

4. The share in the voting rights of Bastei Lübbe, Cologne, Germany, of Allianz Global Investors GmbH, Munich, Germany, exceeded the thresholds of 3% and 5% on 8 April 2015 and amounted to 9.77% (corresponding to 1,300,000 voting rights). The voting rights were attributed pursuant to section 22(1) sentence 1 No. 6 WpHG.

The voting rights were attributed from a shareholder whose voting rights were 3% or more in accordance with section 22(1) sentence 1 No. 6 WpHG:

Allianz Lebensversicherungs-AG”

“Amendment to the publication of 9 April 2015, 11:19 a.m. CET - Bastei Lübbe: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), intended for Europe-wide distribution

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 13 April 2015 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had gone below the thresholds of 5% and 10% of the voting rights on 8 April 2015 and now amounted to 3.008% (corresponding to 400,000 voting rights).”

On 20 April 2015, the voting rights notification was made public:

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

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 20 April 2015 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 3% of the voting rights on 16 April 2015 and now amounted to 0 percent (corresponding to 0 voting rights).

No further events have occurred that are of material importance for Bastei Lübbe and might result in a change in opinion regarding the Group’s position.

Risk and opportunity report

Risk management system

The primary objective of Bastei Lübbe AG is to expand revenue and to increase the EBITDA in particular, as well as to achieve 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 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.

In the 2014/15 fiscal year, the Executive Board decided with the agreement of the Supervisory Board to carry out a complete risk inventory that would go beyond the early risk detection system required by the Companies Act, and to put suitable measures into place for a risk management system.

The aim of the risk management system is to promptly identify risks for the Group so that counter-measures can be taken and controls effected. Calculable, appropriate, controllable risks are entered into consciously 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 is regularly monitored. The steering measures and risk situations are revised and updated on request, but at least once a year.

The risk management system regulates the recognition and examination of risks in the following areas in particular:

- Strategic risks
- Operative risks
- Financial risks
- Personnel risks
- Regulatory/legal risks

Overall risk management is the responsibility of the Executive Board. The Executive Board defines the risk policy and decides on the risks to be taken as well as on the steering measures. Where risks emerge that have a major impact on the risk situation of the Company, the Executive Board is informed immediately. The Executive Board regularly reports to the Supervisory Board on risk management.

Despite these efforts, the opportunity and risk management system cannot guarantee total certainty with re-

gard 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.

Accounting-related risk management system and internal control system

The goals of the accounting-related risk management system and internal control system are to ensure the reliability of external and internal accounting and the timely provision of information. In addition, reporting should be a representation of the asset, financial and profit situation of Bastei Lübbe corresponding to the true circumstances.

One core function of the accounting and financial reporting processes is the steering of Bastei Lübbe and its operational units. This is based on the targets set by the Executive Board. Based on the three-year plan and the monthly forecast planning, a rolling medium-term plan is compiled.

As a rule, the four-eye principle is implemented for reporting and as part of the closing processes. In addition, organisational measures are in place in connection with access permission to accounting and financial systems.

Bastei Lübbe's accounting process is designed to be appropriate to the size of the Group.

The accounting-related business data of the integrated Group companies are collected together at Group headquarters. Group headquarters monitors compliance with accounting provisions as well as content-related compliance with work-flows.

Significant information and facts that are relevant to the accounting of the integrated Group companies are discussed with the individual departments before compilation, and are critically assessed by accounting as to their conformity with the applicable accounting regulations. The content of the final reports of the included Group companies is analysed regularly and is checked for accuracy involving other departments. If necessary, Bastei Lübbe engages external support in the preparation of the consolidated financial report.

Aside from risks arising from non-compliance with accounting regulations, risks could also arise from the failure to meet formal dates and deadlines. To avoid this sort of risk, and also in order to document work-flows within the preparation of the consolidated financial report, Bastei Lübbe has created a reporting calendar. It provides information on the time-line and on responsibilities. Bastei Lübbe uses the calendar to monitor compliance with the predetermined work-flows as well as with predetermined deadlines. This enables status tracking so that risks can be recognised promptly and eliminated.

Significant risks

Risk assessment consists of the components' probability of occurrence and degree of impact on the earnings, assets and financial positions and cash flow. In the identification of significant risks, all facts are assessed with regard to their financial significance, although a "gross" assessment is made, i.e. without consideration of any possible risk-limiting measures. Moreover, the probability of occurrence is determined for each risk.

Significance is determined based on the following criteria:

			< 40 %	40-60 %	> 60 %
	Low	negligible	L	L	M
	Medium	moderate	L	M	M
	High	significant	M	H	H

Negligible: Effect on assets, financial and profit situation < €1 million

Moderate: Effect on assets, financial and profit situation €1-5 million

Significant: Effect on assets, financial and profit situation > €5 million

Combining the components, we distinguish between high risk (considerable need for action), medium risk (action possibly required) and low risk (no acute need for action to be taken). Below is an overview of all identified gross risks (risks to which Bastei Lübbe is exposed and which can be avoided or reduced through implemented measures). Following on, only the risks that were identified in the last risk inventory as medium or high risks will be looked at more closely.

Pos.	Risk classification	Type of risk	Description
1	Strategic risks	Promising titles absent from range	medium
2	Strategic risks	Poor financial results from holdings	medium
3	Operative risks	IT risks	medium
4	Financial risks	Loss of assets because of risks faced by holdings	medium
5	Personnel risks	Key persons risk	medium
6	Governance	Possible governance risks (e.g. inadequate efficacy of the Supervisory Board or poor cooperation of the management)	low
7	Organisational structure	Inadequate or inappropriate organisational structure	low
8	Strategic risks	Lack of adaptability to changing competitive conditions	low
9	Strategic risks	Investments which fail to achieve desired success	low
10	Strategic risks	Lack of knowledge/transparency regarding market changes in entertainment field, such as film, TV and music	low
11	Operative risks	Lack of availability of titles, particularly top titles	low
12	Operative risks	Losses through too tightly budgeted turnover in the case of fixed costs that cannot be reduced so quickly	low
13	Operative risks guarantees	Undesirable economic development due to the payment of excessive	low
14	Operative risks	Major defects in IT hardware or damage caused by defects in implemented software	low
15	Financial risks	Credit risks	low
16	Financial risks	Liquidity risks	low
17	Financial risks	Bad debts	low
18	Financial risks	Budget overruns	low
19	Financial risks	Currency risks	low
20	Financial risks	Interest rate risk	low
21	Personnel risks	Qualification of employees	low
22	Personnel risks	Lack of integrity of employees	low
23	Regulatory/ Legal risks	Breaches of copyright/infringement of rights of personality	low
24	Regulatory/ legal risks	Changes in general legal framework: price maintenance, VAT	low
25	Regulatory/ legal risks	Trade secrets/product piracy	low
26	Regulatory/ legal risks	Breach of data protection	low
27	Regulatory/ legal risks	Inaccurately-drafted permissions/contracts	low
28	Regulatory/ legal risks	Capital market law risks	low
29	Regulatory/ legal risks	Tax law risks	low

Promising titles absent from range

It is conceivable that at the beginning of a financial year or shortly before, not enough titles – top titles, especially – were bought to generate the necessary turnover and profit for the year. Too little sales revenue can lead to losses, given that fixed costs cannot be quickly reduced.

Bastei Lübbe plans content within a time-frame of 18 to 24 months. This applies to the books segment, both for physical as well as digital products. For the digital and physical sectors, a list of content is produced, arranged according to genre, content and release date. This arrangement means that it can be seen easily and identified early on if one or more titles are lacking in a genre for the fiscal year. Lists are compiled on a monthly basis and made available to the management and to the Executive Board.

Poor financial results from holding companies

Bastei Lübbe's economic success will continue to depend on the financial results of our holdings. There is the risk with new shareholdings that the hoped-for integration does not succeed. This could have a negative impact on Bastei Lübbe's profitability.

Shareholdings are steered by Bastei Lübbe with performance in mind. Business assessments of the holdings are compiled on a monthly basis in some cases, but in any case quarterly. These are compared with the target figures. Deviations are analysed.

Once every quarter (after presentation of the respective consolidated accounts), the directors of the holdings meet in Cologne for talks with the Executive Board of Bastei Lübbe. Here, all significant events of the last quarter are discussed and important new projects presented.

IT risks:

Bastei Lübbe has its own IT department. Significant tasks are outsourced so that the Company can remain capable of operating, at least partially and for a certain time, without internal IT structures. This means that the direct economic risk is reduced considerably. Particular mention should be made here of 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 payroll department.

Loss of assets because of risks faced by holding companies

Any losses for our subsidiaries can mean losses for Bastei Lübbe. It can also happen that participation value needs to be amortised in the case of the continued failure of the subsidiary.

The income statements and selected key business figures are analysed by means of a standardised monthly reporting system. Deviations from the annual targets are reported to the Executive Board as part of the reporting system. Several times per year, a forecast for the whole year is put together for all individual companies as well as on a Group level and compared to the yearly budget.

Key persons risk

The key persons include all important decision-makers and “engines” of the company. The aim is to limit or compensate for the effects on the company of the loss of a key person. All consolidated companies were therefore required to name the respective key persons and to report what short/long-term substitution, replacement and succession solutions are in place.

Opportunity report

As well as reducing and avoiding risk, Bastei Lübbe’s risk management programme includes the long-term securing of the Company by balancing opportunity and risk. This means that opportunities are regularly identified, analysed and evaluated as to how the Company might target and exploit them. Analogous to the significant risks, opportunities exist in the following areas:

- Strategic opportunities, such as market opportunities, changes in competition, developments with customers and suppliers
- Operative opportunities
- Financial opportunities
- Personnel opportunities
- Regulatory/legal opportunities

The identified significant opportunities will be described below.

Significant opportunities

Strategic opportunities

Strategic opportunities arise from altered market conditions. Bastei Lübbe has particularly identified the mega trends of digitalisation and internationalisation as well as changes in customers’ reading behaviour as being particularly relevant for the future of the business.

Opportunities through digitalisation

Increasing digitalisation enables Bastei Lübbe to access new areas of business. Numerous special electronic eBook readers such as Kindle or Tolino which provide the customer with a convenient digital reading experience have come onto the market in recent years. Books are also increasingly being read on smartphones or tablets. More and more artists in the music and film industries, for example, are offering their digital content over the Internet.

Bastei Lübbe has been very early, compared to other publishers, in developing and marketing digital content. In this way, we have taken on a pioneer role in the digital media business, and this should be further expanded in future.

Alongside the considerable growth in digital business, the trend has also clearly been veering away from purchasing single items of content and towards subscription models or flatrates for digital content via streaming technology. So far, the book industry has been slower to “go digital” than the film or music industries, but it holds a far greater development potential, given that the book industry is around three times larger on a global level. Bastei Lübbe has recognised the enormous potential of the subscription and streaming markets

for reading content, and is working hard to develop a worldwide platform for short-format reading content through BEAM AG. The product is to be developed strictly on the lines of the “mobile first” concept.

Opportunities through internationalisation

The focus of our turnover continues to be in Germany. Our internationalisation strategy supposes that our internationally-generated revenue will continue to grow. In order to reach this goal, Bastei Lübbe is working on the development of in-house content (Own IPs/Intellectual Properties), alongside the international streaming platform described above. The advantage is that Bastei Lübbe will not only own the German-language and territorial rights, but will also be able to market the content in all languages right across the globe. Should Bastei Lübbe choose not to exploit all the rights itself, these may also be sold as licences.

Bastei Lübbe already produces a considerable number of titles in English and in some cases in Mandarin in addition to German.

In the 2014/15 financial year, a joint venture was founded together with Imperative Entertainment, a multi-platform entertainment studio based in the USA, in order to develop international content. Cooperation for the creation of content is also being developed in China.

The titles will be marketed through various channels, not just in German-speaking areas but also worldwide. Internationalisation will continue to be pushed in the coming years. Alongside the direct sale of content, cooperation with marketing partners and the development of the international licence business is also possible.

Opportunities through changed reading habits

People’s reading habits are changing. Some people now want in digital form the content that they read before in analogue form. Others, especially young people, read much less, frequently not reading books at all, but preferring to spend their time on their smartphones.³⁰ Publishers must react to these altered reading habits and for example address these young book customers with an appropriate range of material. If Bastei Lübbe were able to reach this young generation of people with changed reading habits, there would be huge potential for the future.

Other opportunities

Bastei Lübbe also tries to take advantage of other opportunities that come along. For example, raising profit with the same or lower expenditure by acquiring a promising title on favourable terms or through efficient processes (operative opportunities). We also try as far as possible to take advantage of beneficial developments in interest rates and currency exchange rates (financial opportunities) or to utilise highly-qualified, competent managers and employees to the best of their abilities (personnel opportunities). Other opportunities may arise from changes in the legal or regulatory framework.

³⁰ http://www.buchreport.de/nachrichten/verlage/verlage_nachricht/datum/2015/04/22/warum-bedroht-candy-crushden-buchmarkt-herr-markowetz.htm

Forecast

Economic conditions

The precarious geopolitical situation could well influence the financial markets significantly this year too. Further turbulence on the markets due to the conflict in Ukraine and in the Middle East cannot be ruled out. Several experts have revised their forecasts for global GDP growth in 2015 downwards. The IMF is now expecting global economic performance to grow by 3.5% this year, having originally predicted 3.8%³¹ The reasons given by the IMF for the more pessimistic forecast are weaker prospects in China, Russia, Japan and the Eurozone. Weaker investment could also put a damper on global GDP growth.³² Analysts from Deutsche Bank predict a plus in the world economy of 3.6% for 2015.³³ Whether the global economy can live up to the predictions depends for example on interest rate policy in the USA and in the EU, the development in oil prices, the Ukraine crisis, developments in the Middle East, the Euro-Dollar exchange rate and Greece's finance policy.³⁴ These are all influencing factors which are virtually impossible to forecast at the present time.

The recovery of the world's largest economy, the USA, is set to continue this year, and this will have a positive effect on global economic development. The IMF expects a GDP plus of 3.6%. Reasons for this positive development include an improved situation on the labour market as well as strong domestic demand due to lower energy prices.

Instability is set to continue in Europe for the time being. The IMF has lowered its previous forecast, and now expects GDP growth in the Eurozone of 1.2% for 2015. Growth in economic performance is likely to remain at this level throughout 2016 too.³⁵ Despite a positive tendency on the labour market in some EU countries, several risk factors continue to cause uncertainty and a reluctance to invest on the part of companies. The low oil prices can only offset this development to an extent.

On the other hand, the forecasts for Germany are more optimistic. The German economy has significantly revised its GDP forecast for 2015 upwards. Economic performance should now grow by about 1.3% instead of the 0.8% that was predicted in the autumn.³⁶ The reasons for this include the weak Euro and the low oil price. The stable conditions on the labour market are also having a positive effect on consumption and contribute to the expected plus figures. The IMF is also expecting growth of 1.3% in Germany this year. For 2016, the experts are even predicting a plus of 1.5%. The continuing danger of deflation will remain a risk factor in the coming year.³⁹

The economic slowdown is set to continue in China for the time being. According to IMF predictions, growth this year should drop again to 6.8%, and so to less than the 7.1% expected at first. An overheated property market and high debt are significant risk factors, according to experts.⁴⁰

³¹ <https://www.tagesschau.de/wirtschaft/weltwirtschaft-waehrungsfonds-prognose-101.html> (as of: 7 April 2015)

³² <https://www.tagesschau.de/wirtschaft/weltwirtschaft-waehrungsfonds-prognose-101.html> (as of: 8 April 2015)

³³ <http://www.fr-online.de/arbeits-soziales/prognosen-die-wirtschaftsaussichten-fuer-2015,1473632,29459748.html> (as of: 8 April 2015)

³⁴ <http://www.fr-online.de/arbeits-soziales/prognosen-die-wirtschaftsaussichten-fuer-2015,1473632,29459748.html> (as of: 8 April 2015)

³⁵ <https://www.tagesschau.de/wirtschaft/weltwirtschaft-waehrungsfonds-prognose-101.html> (as of: 8 April 2015)

³⁶ <http://www.handelsblatt.com/politik/konjunktur/nachrichten/bip-wachstum-dihk-hebt-prognose-fuer-2015-kraeftig-an/11356700.html> (as of: 8 April 2015)

³⁷ (as of: 8 April 2015)

³⁸ <https://www.tagesschau.de/wirtschaft/weltwirtschaft-waehrungsfonds-prognose-101.html> (as of: 8 April 2015)

³⁹ <http://www.fr-online.de/arbeits-soziales/prognosen-die-wirtschaftsaussichten-fuer-2015,1473632,29459748.html> (as of: 8 April 2015)

⁴⁰ <http://www.fr-online.de/arbeits-soziales/prognosen-die-wirtschaftsaussichten-fuer-2015,1473632,29459748.html> (as of: 8 April 2015)

The future situation in the industry

The book industry

According to the German Publishers' and Booksellers' Association, turnover in the industry dropped by 2.1% in 2014.⁴¹ This negative trend continued into 2015. In February 2015, turnover in the book trade through retail book trade, eCommerce, discount stores and station bookshop channels was down 0.7% on the same period in the previous year. In the different edition forms, both hardcover and softcover as well as physical audio books, demonstrated a drop in revenue. In contrast, paperback books developed positively, showing a plus of 3.6%. Strong titles such as Guilia Enders' "Darm mit Charme" or Hape Kerkeling's "Der Junge muss an die frische Luft" noticeably cranked up non-fiction book revenue, with a plus of 3.4%. Fiction and children's/young adults' books also managed to generate new value.⁴²

Despite the slightly negative trends in revenue development, the book industry has had a confident start to 2015, according to the German Publishers' and Booksellers' Association. Above all, local booksellers have been able to demonstrate a strong development with personal assistance and innovative concepts.⁴³ The symbiosis between printed and electronic products also provides plenty of room for innovative ideas in the book industry. Campaigns such as "Vorsicht Buch!" ("Watch out! Book!") and reading holidays can further intensify reader interest. In addition, the 20th anniversary of UNESCO's World Book Day was celebrated worldwide at the end of April 2015. Common projects by the German Publishers' and Booksellers' Association and the Stiftung Lesen (German Reading Foundation) are also able to draw the attention of the public to this topic.

PwC experts expect that fiction revenues will continue to rise and will be worth over €5 billion in 2015. Revenue from non-fiction and reference books, by contrast, is set to remain at last year' level in the months to come.⁴⁴ The growing number of new titles in self-publishing and of hybrid authors, who combine self-publishing with classic publishing services, will have a considerable influence on the book industry in the coming months, say market observers.⁴⁵

EBooks continue to be a success story. Their revenue share was up to 4.3% in 2014 from 3.9% in the previous year. According to experts, demand for eBooks in local bookshops that are well-positioned online is increasingly noticeable.⁴⁶ The number of digital books available in Germany last year was around 300,000. Experts expect this tendency to rise. Competition could also intensify through new self-publishing and blacklist titles, thanks to new printing technology.⁴⁷ In the light of the comparatively low market saturation by eBooks so far, and of the trend to combine analogue and digital, steady growth in the eBook sector is however likely.

⁴¹ <https://tredition.de/buchmarkt-2015/> (as of: 9 April 2015)

⁴² http://www.boersenblatt.net/artikel-branchen-monitor_buch_februar_2015.951779.html (as of: 9 April 2015)

⁴³ <https://tredition.de/buchmarkt-2015/> (as of: 9 April 2015)

⁴⁴ <http://de.statista.com/statistik/daten/studie/164550/umfrage/prognostizierter-umsatz-auf-dem-buchmarkt-in-deutschland-seit-2005/> (as of: 9 April 2015)

⁴⁵ <https://tredition.de/buchmarkt-2015/> (As of: 9 April 2015)

⁴⁶ http://www.boersenverein.de/de/portal/Pressemitteilungen/158417?presse_id=896804 (as of: 9 April 2015)

⁴⁷ <https://tredition.de/buchmarkt-2015/> (as of: 9 April 2015)

The novel booklet and puzzle market

With the exception of the sub-groups “Heimat/Berg” (homeland/mountains) and “Arzt” (doctor), the **novel booklet** segment as a whole has demonstrated a drop in revenue in the past months in comparison to the same period in the year before.⁴⁸ In contrast to the puzzle magazine market, however, there is only one other large market participant in the classic novel booklet sector aside from Bastei Lübbe, according to a Media Control study. Bastei Lübbe continues to be the leading German supplier of men’s novel booklets. Together with strong customer loyalty, Bastei Lübbe attaches great importance to wider distribution. The Company’s core markets also include Austria and Switzerland. Novel booklets are also supplied to other European countries during the holiday and seasonal periods. One important characteristic of the novel booklet segment is our base of regular customers. The main target group for the novel booklet and puzzle magazine sector is the over-50s, offering further potential in the coming years. Multiple purchases are also a common occurrence. A positive image and strong customer loyalty are hence also crucial in this segment in light of the market characteristics. Bastei Lübbe can draw on years of experience here.

The **puzzle market** has seen a downturn in the last months, and has presented a decrease of 6.2% in turnover compared to the same period last year. However, the situation looks different in the sub-category in which Bastei Lübbe is most active. The puzzle market is characterised by a heterogenous target group.⁴⁹ Thanks to new formats such as sudoku, the puzzle fan community in Germany is becoming both larger and younger.⁵⁰ An especially loyal and passionate readership is another characteristic of this more than 100-year-old segment. According to experts, hardly any form of media can afford to cancel the crossword puzzle these days.⁵¹ Additionally, most customers will pick up two or three magazines every week.⁵² Despite intense competition, experts describe the puzzle market as stable.⁵³ The challenges are the establishment of new formats and the changes that have come with the new digital age.⁵⁴ All of this can have a positive influence on the number of puzzle fans in Germany in the coming years.

Games

The games industry is looking forward to the years to come with optimism. The experts from PwC expect a yearly growth rate on the computer and video game market of 5.9%. One significant driver behind this growth is new technology as well as the rapid spread of smartphones and tablet PCs. Ever more modern devices and higher Internet speeds make it possible to download more and more easily. In addition, the quality of the games is becoming closer to those of games consoles. The PwC experts are predicting that more than 5 million mobile phone users will pay for games on their phones in 2015.⁵⁵ Despite the strong market position of games consoles, the industry is currently achieving its high growth rates with mobile phone games.⁵⁶ The share of downloads in the turnover with PC and console games also presents a positive

⁴⁸ See quarterly report, Bastei.

⁴⁹ <http://www.stuttgarter-nachrichten.de/inhalt.raetsel-boom-munteres-kaestchendenken.73305f66-33b7-4bd4-a476-9c01306e47bf.html> (as of: 9 April 2015)

⁵⁰ <http://www.ksta.de/ausgehen/raetsel-loesen-macht-gluecklich,15957022,16924094.html> (as of: 9 April 2015)

⁵¹ <http://www.stuttgarter-nachrichten.de/inhalt.raetsel-boom-munteres-kaestchendenken.73305f66-33b7-4bd4-a476-9c01306e47bf.html> (as of: 9 April 2015)

⁵² <http://www.vdz.de/branchen-portraits-rcr/> (as of: 9 April 2015)

⁵³ <http://www.stuttgarter-nachrichten.de/inhalt.raetsel-boom-munteres-kaestchendenken.73305f66-33b7-4bd4-a476-9c01306e47bf.html> (as of: 9 April 2015)

⁵⁴ <http://www.vdz.de/branchen-portraits-rcr/> (as of: 9 April 2015)

⁵⁵ <http://www.pwc.de/de/technologie-medien-und-telekommunikation/spielebranche.jhtml> (as of: 9 April 2015)

⁵⁶ <http://www.pwc.de/de/technologie-medien-und-telekommunikation/spielebranche.jhtml> (as of: 9 April 2015)

trend in Germany. This rose between 2013 and 2014 from around 11% to 23%.⁵⁷ All in all, the predictions for revenue on the video game market show a clear upward trend worldwide. Mobile phone games are no exception. The turnover volume through these apps is expected to rise from €6.8 billion in 2013 to more than € 10 billion in 2017.⁵⁸

The gift and promotional products market

The **gift items market** also shows signs of solid growth.⁵⁹ This has been confirmed in a survey on planned average expenditure on Christmas presents in Germany. Consumers intended to spend an average of €285 each on Christmas gifts in 2014 – around 1% less than the year before, and about €40 more than in 2010.⁶⁰ According to market analysts, Germans spend a total of €27 billion on presents annually.⁶¹

After a record year in 2014 with a turnover volume of around €3.48 billion (2013: €3.44 billion), the German **promotional products industry** remains confident. In a study by the Association of Promotional Products Business Association (Gesamtverband der Werbeartikel-Wirtschaft), 62% of the companies surveyed indicated that they were maintaining their communication budget for promotional products at the current level; around 30% expected to spend more on promotional products. In 2015, companies also want to focus on the theme of sustainability, having an additional positive effect on the development of the industry.

Outlook

The 2015/2016 fiscal year will be a year of transition and development. Even though the digital share of turnover is already more than 21%, Bastei Lübbe will have to invest more in digital development and digital internationalisation in the ongoing fiscal year in terms of personnel and finance. This is particularly the case in the development of the BEAM platform, but is also true for the development and internationalisation of the game manufacturer Daedalic GmbH. The target is to have digital turnover reach at least 50% of the overall turnover in the 2018/2019 fiscal year.

As regards revenue, Bastei Lübbe expects a slight rise in consolidated revenue in the 2015/2016 fiscal year to just about €115 million. In the next two financial years, revenue should then rise by more than 10% each year. This will result from the then higher digital revenue of the parent company, as well as from the digital revenue accrued from BEAM and Daedalic. The new “digital” segment will cause sources of income to shift within our business segments. Digital book revenue, digital audio revenue, revenue from BookRix and from Daedalic will be integrated into the revenue of the “digital” segment. Up until now, digital revenue, digital audio revenue, as well as revenue in the “book” segment and that from Daedalic, has been collected together under the “non-book” segment. Because of this shift, there will be changes in the segment reports in the 2015/16 fiscal year. If these segment changes were to already be applied to the 2014/15 fiscal year, the following statements for the coming year could be made: Turnover in “books” will decline slightly. Turnover in the “digital” segment will increase significantly; turnover in “non-books” will rise slightly, and turnover in “novel booklets and puzzles” will remain stable.

⁵⁷ <http://de.statista.com/statistik/daten/studie/317104/umfrage/anteil-der-downloads-am-umsatz-mit-pc-und-konsole-spielen-in-deutschland/> (as of: 9 April 2015)

⁵⁸ <http://de.statista.com/statistik/daten/studie/160518/umfrage/prognostizierter-umsatz-in-der-weltweiten-videogames-branche/> (as of: 9 April 2015)

⁵⁹ <http://de.fashionmag.com/news/Studie-Markt-fur-Geschenkartikel-wachst-weiter;264321.html#.VSVzLWY9w7A> (as of: 9 April 2015)

⁶⁰ <http://de.statista.com/statistik/daten/studie/208623/umfrage/durchschnittliche-ausgaben-fuer-weihnachtsgeschenke-in-deutschland/> (as of: 9 April 2015)

⁶¹ <http://de.statista.com/statistik/daten/studie/208623/umfrage/durchschnittliche-ausgaben-fuer-weihnachtsgeschenke-in-deutschland/> (as of: 9 April 2015)

The EBITDA for the 2015/16 fiscal year will drop slightly below the EBITDA for the past fiscal year. The reason behind this is continued necessary investments in BEAM and Daedalic, as well as in our own digital international area, the effects of which on turnover and EBITDA will not be seen until the 2016/17 fiscal year and thereafter. The EBITDA in the “book” and “digital” segments will drop slightly, with the EBITDA in “non-book” and “novel booklet and puzzle magazines” remaining stable. For the 2016/17 financial years and thereafter, considerable growth in the EBITDA can be expected depending on a rise in digital turnover in particular. The EBITDA is likely to see double-figure growth rates in this period.

As regards the assets and financial position, it should be noted that these will develop in the same range as the year before.

The 2015/16 fiscal year will be marked by the development of digital revenue. It will be shaped by the fact that the BEAM platform, in which Bastei Lübbe has a 45% shareholding, is scheduled for launch in this fiscal year. BEAM will be the platform through which Bastei Lübbe will distribute its own digital series worldwide in the next few years. To this end, German and international series are currently being developed and written at Bastei Lübbe. For the international series, Bastei Lübbe is in negotiations with international partners, in particular concerning the acquisition of eBook rights and game rights to well-known series already that have released been on the film market. These will then be used not only as an eBook for Bastei Lübbe, but also as a game to be developed by Daedalic GmbH, and marketed as a brand worldwide. This should result in considerable synergies for Bastei Lübbe. The first of these co-developed games are to be launched in the 2016/17 fiscal year, and by 2017/18 at the latest.

With the implementation of this strategy and this concept, Bastei Lübbe would position itself internationally as a copyright holder, copyright manager (publisher) and distributor. This would be an international position towards which no other book publisher in the digital arena is currently working so hard and so consistently.

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

Remuneration report

It was decided at the AGM held on 17 September 2014 that, in accordance with the German Corporate Governance Code, the individualised remuneration of the Executive Board and Supervisory Board would be published.

Executive Board remuneration

The Supervisory Board is responsible for setting the individual Executive Board remuneration. The remuneration of the Executive Board is orientated towards ensuring that the Company develops in a sustainable fashion. The remuneration therefore comprises fixed and variable components.

The compensation of the Executive Board is composed of the following:

- Non-variable compensation
- Fringe benefits such as benefits in kind and other compensation
- Variable compensation

The non-variable compensation is a set remuneration related to the entire fiscal year and paid out in equal instalments. It is reviewed regularly by the Supervisory Board.

In the 2013/14 fiscal year, the variable compensation was calculated on the basis on EBIT in accordance with IFRS. It was decided at the Supervisory Board meeting held on 26 March 2015 that, from the 2014/15 fiscal year onwards, the basis of calculation for the management bonus is the consolidated EBITDA in accordance with IFRS. The variable remuneration consists of an immediately-effective component and a component arranged as a long-term incentive. The short-term bonus, which makes up 70% of the total variable remuneration, is paid out when it has been ascertained that the goals for the past fiscal year have been met. The longer-term component, which makes up 30% of the whole variable compensation, remains in the Company for a further two years. Each 15% is only paid out in the next two years when an EBITDA margin of at least 5% was achieved in those fiscal years.

Contrary to the recommendation in 4.2.3 of the GCGC, the remuneration of the Executive Board members, as a whole and with regard to its variable remuneration elements, is not subject to limits on the amount of asset ceilings. Within the framework of contractual negotiations with the members of the Executive Board, an upper limit on the amount of variable compensation could not be set. When concluding future contracts with new Executive Board members, Bastei Lübbe intends to place limits on the amount of variable remuneration.

Fringe benefits include essentially the use of company cars; Mr Plathner's compensation package also includes reimbursement for the costs of running two households.

The members of the Executive Board did not receive any pension benefits in the 2014/15 financial year. It was decided at the Supervisory Board meeting held on 26 March 2015 that the Executive Board members would receive retirement provision in the amount of €20,000 annually from 1 April 2015 onwards.

The entire remuneration of the Executive Board for the 2014/15 fiscal year, as well as allocations in non-variable and variable compensation, is shown in the tables below (recommended by the Corporate Governance Code). Since the Executive Board remuneration is being disclosed for the first time this year, a view of benefits granted and of allocations is presented for the 2014/15 financial year only. The remuneration for Mr Plathner represents proportionate compensation for the months September 2014 until March 2015.

Remuneration of the Executive Board (Benefits granted)

in KEUR	Thomas Schierack Chairman since 9 July 2013			Klaus Kluge Director, Marketing & Sales since 9 July 2013		
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
	Initial value	min.	max.	Initial value	min.	max.
Fixed compensation	400	400	400	260	260	260
Fringe benefits	12	12	12	7	7	7
Sum of non-variable compensation	412	412	412	267	267	267
One-year variable compensation						
Management bonus	155	0	unlimited	93	0	unlimited
Multi-year variable compensation						
Management bonus 2014/15-2016/17	66	0	unlimited	40	0	unlimited
Management bonus 2013/14-2015/16		0	unlimited		0	unlimited
Sum of variable compensation	221	0		133	0	
Pension benefits	-	-	-	-	-	-
Total remuneration	633	412	unlimited	400	267	unlimited

in KEUR	Felix Rudloff Director, Programme since 9 July 2013			Jörg Plathner Director, Digital since 1 Sep 2014		
	2014/15	2014/15	2014/15	2014/15	2014/15	2014/15
	Initial value	min.	max.	Initial value	min.	max.
Fixed compensation	200	200	200	146	146	146
Fringe benefits	9	9	9	12	12	12
Sum of non-variable compensation	209	209	209	158	158	158
One-year variable compensation						
Management bonus	93	0	unlimited	54	0	unlimited
Multi-year variable compensation						
Management bonus 2014/15-2016/17	40	0	unlimited	23	0	unlimited
Management bonus 2013/14-2015/16		0	unlimited		0	unlimited
Sum of variable compensation	133	0		77	0	
Pension benefits	-	-	-	-	-	-
Total remuneration	342	209	unlimited	235	158	unlimited

Remuneration of the Executive Board (allocations)

	Thomas Schierack Executive Board Chairman since 9 July 2013	Klaus Kluge Director, Marketing & Sales since 9 July 2013	Felix Rudloff Executive Board Programme since 9 July 2013	Jörg Plathner Executive Board Digital since 1 Sep 2014
in KEUR	2014/15	2014/15	2014/15	2014/15
Non-variable compensation	400	260	200	146
Fringe benefits	12	7	9	12
Sum of non-variable compensation	412	267	209	158
One-year variable compensation				
Management bonus FY 2013/14	131	78	78	-
Multi-year variable compensation				
Management bonus FY 2012/13	-	-	-	-
Management bonus FY 2011/12	-	-	-	-
Sum of variable compensation	131	78	78	0
Pension benefits	-	-	-	-
Total remuneration	543	345	287	158

Contrary to the recommendation in No. 4.2.3 of the German Corporate Governance Code, no provision is made that payments to Executive Board members in the event of prior termination of their Executive Board mandates must not exceed the value of two annual salaries, including ancillary benefits (severance payment cap). The reason for this is that, within the contractual negotiations, and particularly because of the previous management services at the general partner of Bastei Lübbe GmbH & Co. KG, an agreement on a severance payment cap could not be reached.

Supervisory Board Remuneration

Under the Articles of Association, the remuneration of members of the Supervisory Board must consist exclusively of non-variable components. No separate compensation for committee work is accrued since establishing committees is not expedient in the case of having three members of the Supervisory Board.

Compensation is paid out after the end of the financial year.

The total remuneration of the Supervisory Board and their allocation for the financial year 2014/15 are illustrated in the following table:

	In KEUR	Non-variable
Dr. Friedrich Wehrle, Chair of the Supervisory Board		60
Prof. Dr. Michael Nelles, Vice Chair		45
Prof. Dr. Gordian Hasselblatt		30
Total remuneration FY 2014/15		135

Other disclosures under section 289(4) of the German Commercial Code (HGB)

Composition of subscribed capital

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

According to the available voting right notifications, only Birgit Lübbe, Cologne, held more than 10% of the voting rights on 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 for the Executive Board. The Supervisory Board may furthermore assign sole power of representation to one or all members of the Executive Board. The Supervisory Board may allow one or all Executive Board members to conclude legal transactions with themselves as legal representatives of a third party (exemption from the restriction contained in section 181, Alt.2 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). In accordance with section 8 of the Articles of Association of Bastei Lübbe, 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 held on 10 September 2013:

1. Pursuant to section 71(1) No. 8 AktG, the Company is 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) by more than 5% during the respective last ten trading days. 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 71(1) No. 8 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 offering them to all shareholders when acquired own shares are sold at a price

which does not fall below or exceed the stock market price of Company shares of the same unit class by more than 5% at the time of sale. This authorisation is limited to a maximum total of 10% of the share capita of the Company. The applicable stock market price within the meaning of the aforementioned regulation is 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 before the sale of the share.

3. The Executive Board is furthermore permitted, with the consent of the Supervisory Board, to incorporate its own shares in full or in part without further resolutions of the Annual General Meeting.
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, participations in companies or parts of a company. The value (price) at which shares of the Company may be used according to the authorisation referred to in these paragraphs may not go more than 5% under the stock market price of Company shares of the same unit class at the time of sale. 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.
5. The subscription right of the shareholders is excluded from the implementation of the measures beyond the stock exchange listed at 2 and 4 above. The authorisation described in 2 and 4 above may be used wholly 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 Bastei Lübbe or, at the option of Bastei Lübbe, the purchase of his own bearer bonds by Bastei Lübbe (or, at 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% 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 have occurred in any of the following situations:

- a) Bastei Lübbe becomes aware that a person who at that time does not belong to the direct or indirect circle of shareholders, or persons acting in concert within the meaning of section 2(5) of the German Securities Acquisition and Takeover Act (WpÜG) (in each case, a "buyer"), has/have directly or indirectly become the legal or beneficial owner of more than 50 % of Bastei Lübbe's voting rights, 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 Fiscal Code (Abgabeordnung), or on the basis of testamentary disposition, is not deemed to be a buyer;

or

b) the merger of Bastei Lübbe with a third party (any party apart from a subsidiary of Bastei Lübbe, whereby a party who has acquired the voting rights directly or indirectly as a family member within the meaning of section 15 of the Fiscal Code 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 Bastei Lübbe, or the sale to a third party of all or substantially all assets (consolidated) of Bastei Lübbe. This does not apply in the case of mergers or sales in connection with legal transactions, following which (i) in the event of a merger the (existing) owners of 100% of the voting rights of Bastei Lübbe in the future will have at least the majority of voting rights in the receiving legal entity, directly or indirectly, after such a merger and (ii) in the event of the sale of all or substantially all assets, the receiving legal entity is or becomes a subsidiary of Bastei Lübbe.

Concluding remarks 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 herewith declare that, for the legal transactions listed in the dependency report, the Company has received adequate consideration since the existence of 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 interest of Bastei Lübbe or of one of its affiliated companies.

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Corporate Governance

Supervisory Board report



Dr. Friedrich Wehrle

Dear Shareholders,

The 2014/15 financial year was marked by investments in the digital growth strategy at Bastei Lübbe and the associated acquisition of the BookRix self-publishing book platform, the Daedalic Entertainment GmbH game developers and the beam-ebooks.de shop platform. The Supervisory Board took an active part in this process through consultation and discussion with the Executive Board.

In the report below, the Supervisory Board provides an overview of its activities in the previous financial year and of the results of the audit that was carried out on the 2014/15 annual financial statements. In the reporting year, the Supervisory Board diligently performed all control and consulting duties incumbent upon it by law, the Articles of Association and the rules of procedure. Further, the Supervisory Board closely followed the work of the Executive Board, regularly advised the Executive Board in the management of the Company and supervised the Company's management by receiving reports from and holding joint meetings with the Executive Board. Moreover, the Supervisory Board satisfied itself as to the legality, regularity, effectiveness and efficiency of Company management. We did not avail ourselves this reporting year of the possibility to inspect the books and records of the Company (section 111(2) of the Companies Act). This was unnecessary due to the regular, intensive and satisfactory reports from the Executive Board, the auditing by and discussions with the auditors, as well as the supplementary monitoring measures described below. 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.

A variety of issues were discussed in detail in the 2014/15 financial year. 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, the 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 in every regard.

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

In compliance with section 110(1) sentence 1 of the Companies Act, the supervisory body held a total of four ordinary meetings and two extraordinary meetings in the 2014/15 fiscal year. With the exception of the ordinary meeting held on 16 July 2014, which was attended by Dr. Wehrle by telephone conferencing, all Supervisory Board members attended all ordinary meetings. The ordinary meetings took place on 16 June 2014, 11 September 2014, 10 November 2014 and 9 February 2015, each time in Cologne. With the exception of the extraordinary meeting held on 2 March 2015, where Prof. Dr. Nelles was excused, all Supervisory Board members attended all extraordinary meetings. The two extraordinary meetings took place on 2 March and 26 March 2015, both in Cologne. Where necessary, the Supervisory Board adopted resolutions in writing.

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

- current development of the business in the 2014/15 financial year,
- presentation of company liquidity,
- investment planning,
- planning and budget for 2015/2016,
- scheduling for the 2015/2016 financial year and planning of the first Annual General Meeting,
- future development and strategy of the Company and its segments,
- personnel planning,
- internationalisation with regard to the USA and China,
- acquisitions,
- the development of the BEAM streaming platform,
- the programme for autumn 2015/16, as well as
- activities on the capital market.

We also discussed the following topics at the individual meetings of the 2014/15 fiscal year:

Ordinary meeting held on 16 June 2014

At the meeting held on 16 June 2014, the Executive Board reported to the Supervisory Board on the 2013/2014 annual financial statements. The Supervisory Board discussed this report in detail. The business situation and outlook for the current year were also discussed. The auditor took part in the meeting for this point of order. In addition, the whole Executive Board was present for this, and provided supplementary and explanatory information. At the meeting held on 16 June 2014, the Supervisory Board approved the annual financial statements of the Company as of 31 March 2014, having carried out a thorough examination. Further, the Supervisory Board discussed the agenda for the 2014 AGM, including proposed resolutions from management.

Ordinary meeting held on 11 September 2014

The the meeting held on 11 September 2014 focused on the reporting by the Executive Board on the first quarter as well as on the current business developments in the months of July and August 2014. The Executive Board also reported on the joint venture negotiations in China and the USA. Potential company acquisitions were also on the agenda. Further, the Executive Board gave a comprehensive overview of the strategy and a forecast of the expected turnover in the 2017/18 financial year.

Ordinary meeting held on 10 November 2014

Along with a report by the Executive Board on current business developments, the financing of Bastei Lübbe in consideration of the bond repayment in 2016 was the topic of the meeting held on 10 November 2014. The building up and further development of the BEAM platform were also discussed at length. Furthermore, the Executive Board reported on the company participations and on the joint venture in the USA.

Ordinary meeting held on 9 February 2015

The Supervisory Board held its fourth ordinary meeting of the 2014/15 fiscal year on 9 February 2015. At this meeting, the Executive Board presented a detailed report on the figures from the third quarter. Planning for the 2015/16 fiscal year and the following years was also discussed at length. The Executive Board also reported on the business plan and the investor presentation to BEAM.

Extraordinary meeting held on 2 March 2015

The topic of BEAM and further strategy regarding BEAM were discussed in detail at the extraordinary meeting of the Supervisory Board held on 2 March 2015. The resolution was also unanimously adopted at this meeting to convert BEAM GmbH into BEAM AG.

Extraordinary meeting held on 26 March 2015

The possible sale of a 55% participation of BEAM GmbH to a UK investor was resolved on at the extraordinary meeting of the Supervisory Board held on 26 March 2015. Executive Board contracts and the financing of the bond repayment were also discussed.

Efficiency review

The Supervisory Board carried out an efficiency review for the first time in the 2014/15 fiscal year, and will carry out such an audit on an annual basis in the future, as recommended in the Corporate Governance Code. The Supervisory Board considers Bastei Lübbe to have sufficient organisational structures and systems to enable the Supervisory Board to appropriately fulfil its obligations under the law and the Articles of Association. The rules of procedure for the Supervisory Board and regulated procedure, the definition of transactions requiring approval and the prompt and sufficient provision of information to the members of the Supervisory Board are the factors that are decisive in determining the Supervisory Board's ability to fulfil its supervisory duties in the prescribed way. In addition to their qualifications and professional experience, the members of the Supervisory Board possess the expertise required of a member of the Bastei Lübbe Supervisory Board in order to fulfil their tasks efficiently.

Composition of the Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe is made up of three members. The Supervisory Board was made up of the following members in the 2014/15 fiscal year:

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

No committees were formed in the 2014/15 fiscal year.

Changes to the Executive Board

With effect from 1 September 2014, Mr Jörg Plathner was appointed by the Supervisory Board as new member of the Executive Board of Bastei Lübbe. Jörg Plathner will be responsible for the digital media segment, and brings membership of the previously three-member Executive Board to four.

German Corporate Governance Code

The Supervisory Board has once more addressed the content of the German Corporate Governance Code in the 2014/15 fiscal year. With a few exceptions, Bastei Lübbe AG adheres to the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board adopted a resolution on 28 May 2015 to issue a limited declaration of compliance pursuant to section 161 of the Companies Act (Aktiengesetz - AktG), according to which the Company, with the exception of numbers 4.2.3 and 5.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 24 June 2014, published in the Federal Gazette on 30 September 2014. The current declaration of compliance, as well as all earlier declarations of compliance, are permanently available to shareholders on the Company website. (Further information on Corporate Governance can be found in the "Corporate Governance Report").

Audit of the annual financial statements and the group management report 2014/15

At Bastei Lübbe's AGM on 17 June 2014, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, was chosen as the auditor for the fiscal year 2014/15. The audit order was placed by the Supervisory Board, after KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, had presented a declaration of independence to the Supervisory Board as required by No. 7.2.1 of the Corporate Governance Code. KPMG Wirtschaftsprüfungsgesellschaft, Cologne, has audited the annual financial statements prepared by the Executive Board in accordance with IFRS regulations, including the status report as well as the Company's management report for the 2014/15 financial year, and has given its unqualified audit opinion thereof. The abovementioned documents, the suggestion of the Executive Board on the distribution of net profit, as well as the audit report by KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, were presented to the Supervisory Board members in a timely manner. They were dealt with in the accounts review meeting of the Supervisory Board on 15 June 2015, at which the Executive Board discussed the annual financial statement and status report including the group management report and the suggestion for the distribution of net profit, and the auditor from KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, reported in detail on the results of the audit. Comprehensive answers were given for all questions by the Executive Board and the auditor during the meeting. After making its own examination of the annual financial statements, the status report, the management report and the group management report as well as of the proposal from the Executive Board with regard to the appropriation of net profit, the Supervisory Board had no reason to raise any objections to the annual financial statements, the status report, the management report and the group management report. The Supervisory Board agreed with the Executive Board in its estimation of the situation of the Company, and approved the annual financial statements and group management report for the 2014/15 financial year, which have therefore been 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 in accordance with section 312 of the Companies Act for the 2014/15 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 15 June 2015 pursuant to section 313(3) AktG:

Following our audit, which we performed in accordance with professional standards, we herewith 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 considerations rendered by the Company were not unreasonably high.

At the balance sheet meeting, the auditor reported on the essential results of the audit and was also available to answer questions from Supervisory Board members. Following its 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 auditor.

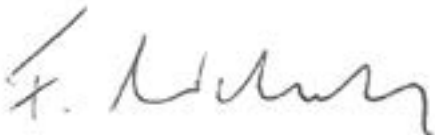
The 2014/15 fiscal year was overshadowed by the sudden passing of Stefan Lübbe, publisher and majority shareholder of Bastei Lübbe, in October 2014. Stefan Lübbe had shaped the development of the Bastei Lübbe Group since the beginning of the millennium and was for example the driving force behind establishing the Company's leading position on the digital market. Stefan Lübbe had already transferred operational management of the business to the Executive Board in 2013. We owe him a great debt of gratitude and will continue to honour his memory.

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 and energetic dedication in the 2014/15 financial year. The Supervisory Board thanks the shareholders of Bastei Lübbe for the interest and trust that they have placed in the Board and in the Company as a whole.

Cologne, 15 June 2015

For the Supervisory Board



Dr. Friedrich Wehrle/Chair of the Supervisory Board

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 the 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 24 June 2014, and was published on 30 September 2014. 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. We publish further information on our corporate governance practices on the Internet at <https://www.luebbe.com/en/investor-relations/corporate-governance/directors-dealings>. Our declarations of compliance with the Code, Articles of Association as well as a summary of directors' dealings are also downloadable at this address.

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.

Under section 15a 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 where such transactions reach or exceed a total annual value of €5,000. The Europe-wide publication requirement and all other reportable share transactions are detailed on our website in the Investor Relations/Directors' Dealings section.

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

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

Details of the persons subject to the disclosure requirement				
Surname:	Kluge	Wehrle	Schierack	Plathner
First name:	Klaus	Dr. Friedrich	Thomas	Jörg
Company:	Bastei Lübbe		Bastei Lübbe	Bastei Lübbe
Function:	Management body	Administrative or Supervisory Body	Management body	Management body
Information about the reportable transaction				
Description of the financial instrument:	share ISIN/WKN of the financial instrument: DE000A1X3YY0	share ISIN/WKN of the financial instrument: DE000A1X3YY0	share ISIN/WKN of the financial instrument: DE000A1X3YY0	share ISIN/WKN of the financial instrument: DE000A1X3YY0
Transaction type:	Sale	Sale	Purchase	Purchase
Date:	1 March 2015	13 November 2014	17 October 2014	16 October 2014
Price:	7.813	7.15	7.086	7.00
Currency:	EUR	EUR	EUR	EUR
Number of shares:	10,000	2,000	1,000	1,000
Total volume:	79,194.16	14,300.00	7,159.75	7,028.82
Place:	XETRA Frankfurt	XETRA Frankfurt	XETRA Frankfurt	XETRA Frankfurt

Details of the persons subject to the disclosure requirement			
Surname:	Felix	Schierack	Kluge
First name:	Rudloff	Thomas	Klaus
Company:	Bastei Lübbe	Bastei Lübbe	Bastei Lübbe
Function:	Management body	Management body	Management body
Information about the reportable transaction			
Description of the the	share ISIN/WKN of the financial instrument: DE000A1X3YY0	share ISIN/WKN of the financial instrument: DE000A1X3YY0	share ISIN/WKN of the financial instrument: DE000A1X3YY0
Transaction type:	Purchase	Purchase	Purchase
Date:	16 October 2014	15 October 2014	13 October 2014
Price:	7.15	7.085	7.26
Currency:	EUR	EUR	EUR
Number of shares:	2,000	2,000	2,000
Total volume:	14,385.80	14,311.96	14,510.95
Place:	Tradegate	Quotrix	XETRA Frankfurt

Declaration on management in accordance with section 289a of the Commercial Code

Good corporate governance forms the foundation for responsible management. The Executive Board and Supervisory Board are keen to bring the management and supervision of the Company into 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 in accordance with section 289a HGB are also available on the website of Bastei Lübbe in the "Investor Relations" section.

Statement of conformity

Statement of compliance of the Executive Board and the Supervisory Board of Bastei Lübbe 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 herewith declare that:

The recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Federal Ministry of Justice in the Official Part of the Federal Gazette (Bundesanzeiger) on 30 September 2014, in the version dated 24 June 2014, have been complied with and continue to be complied with by Bastei Lübbe with the following exceptions:

Ceiling on amount of compensation of the Executive Board in general and of the variable component of the compensation (No. 4.2.3 (2) sentence and 4.2.3 (4)):

Contrary to the recommendation in 4.2.3 of the GCGC, the remuneration of Executive Board members, as a whole and with regard to its variable remuneration elements, is not subject to limits on the amount of asset ceilings. Furthermore, no provision is made that payments to Executive Board members in the event of prior termination of their Executive Board mandates must not exceed the value of two annual salaries, including fringe benefits (severance payment cap). The reason for this is that, within the contractual negotiations, and particularly because of the previous management services at the general partner of Bastei Lübbe GmbH & Co. KG, a ceiling on the amount of variable compensation as well as an agreement on severance payment cap could not be reached. When concluding future contracts with new Executive Board members, Bastei Lübbe intends to place limits on the amount of variable remuneration.

Diversity on the Executive Board (No. 5.1.2 (1) sentence 2)

When appointing members of the Executive Board, the Supervisory Board takes into consideration not only that the appointed members meet the personal and professional requirements and those with regard to experience that are necessary to exercise the office. Efforts are also made to ensure that the Executive Board is characterised by a diversity in opinion and experience amongst its members. The aspect that women should also be appropriately represented on such boards should be particularly considered when applicants are being selected.

Information on corporate governance practices

Bastei Lübbe also voluntarily complies with 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 No. 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 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. When appointing Executive Board members in future, it will be verified whether a shorter appointment term is expedient.

Working methods of the Executive and Supervisory Boards

As a German public limited company, Bastei Lübbe is subject to German company 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, the basic principle for responsible corporate governance is to guarantee that the Executive Board and Supervisory Board cooperate efficiently by way of responsible, transparent corporate governance and control structure. Thus a large number of issues were discussed in detail between the Executive Board and Supervisory Board in the 2014/15 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 in 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, and of the further strategic development of the Company and of its shareholdings. 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 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 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 in the Company, the Executive Board of Bastei Lübbe 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 upon.

However, all issues that have been assigned to the entire Executive Board by law are dealt with and resolved 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 on all issues and priority topics that are relevant to the Company as a whole. The corresponding information and reporting requirements of the Executive Board are determined in detail 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 is achieved on the Executive Board, and represents the Company in public.

The Executive Board of Bastei Lübbe meets once a week as a rule. In the 2014/15 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, investor relations, personnel, IT and the novel booklet and puzzle magazines segment; Mr Klaus Kluge, who is responsible for sales and marketing and for "non-books", "merchandising" and "gift books"; Mr Felix Rudloff, who is responsible for programme and PR; and Mr Jörg Plathner, who has been responsible for the entertainment (digital media) section since September 2014. 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. Jörg Plathner was appointed on 1 September 2014, also for a term of 5 years, that is until 31 August 2019.

Working methods of the Supervisory Board

The Supervisory Board is charged with advising and monitoring the Executive Board 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 and the Supervisory Board's rules of procedure contain comprehensive guidelines for the work of the Supervisory Board.

The Supervisory Board of Bastei Lübbe 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 experience in the industry 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 included three shareholder representatives in the 2014/15 fiscal 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 were appointed to the Supervisory Board of Bastei Lübbe by resolution of the founders of Bastei Lübbe until the conclusion of the Annual General Meeting which will discharge the Supervisory Board for the financial year ending 31 March 2018.

Dr. 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 vis-à-vis third parties. He is in constant and regular contact with the Executive Board, particularly with the Chair, including outside meetings, and discusses major events and pending decisions affecting the Company. No members of the Bastei Lübbe Supervisory Board are former members of the Executive Board.

The German Corporate Governance Code recommends that Supervisory Boards 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 has not currently formed any committees. The members of the body are thus jointly responsible for all issues to be resolved on. 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 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 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 the Bastei Lübbe website. Press releases and other Company news are also made available here. The current as well as all previous Statements of Compliance with the German Corporate Governance Code will also be made available on the Company website.

Pursuant to section 15a WpHG, members of the Executive Board and Supervisory Board of Bastei Lübbe 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 website at <https://www.luebbe.com/en/investor-relations/corporate-governance/directors-dealings>.

Financial accounting and auditing

The annual financial statements of Bastei Lübbe as well as the interim reports conform to International Financial Reporting Standards (IFRS) pursuant to the provisions of the International Accounting Standards Board. At the general meeting held on 17 June 2014, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, was chosen as auditor for the financial year 2014/15.

Cologne, May 2015

For the Supervisory Board



Dr. Friedrich Wehrle
Chair

For the Executive Board



Thomas Schierack
Chair

ETHAN
CROSS

THRILLER

ICH BIN
DER
SCHMERZ

BASTEL
LÜBBE

Consolidated financial statements as per 31 March 2015

Consolidated Profit and Loss Statement of Bastei Lübbe, Cologne for the period from 1 April 2014 to 31 March 2015

	Note	2014/2015 KEUR	2013/2014 KEUR
Sales revenue	21.	110,194	107,534
Change in inventories of finished goods and work in progress	22.	474	1,067
Other operating income	23.	8,552	926
Cost of materials			
a) Expenses for raw materials, supplies and operating materials and purchased goods	24.	-288	-813
b) Expenses for purchased services	24.	-28,926	-25,074
c) Expenses for fees and depreciation of royalties	24.	-23,845	-23,088
		-53,059	-48,975
Personnel costs	25.		
a) Wages and salaries		-18,822	-16,361
b) Social security contributions and expenses for pensions and benefits		-3,004	-2,832
		-21,826	-19,193
Other operating expenses	26.	-27,012	-25,136
Result from at-equity-accounted investments	27.	70	-455
Other earnings from investments	27.	278	400
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		17,671	16,168
Depreciation/amortisation	28.	-3,160	-1,705
Earnings before interest and taxes (EBIT)		14,511	14,463
Financial result	29.	-2,226	-2,392
Earnings before taxes (EBT)		12,285	12,071
Taxes on income and earnings	30.	-2,037	-3,452
Net profit or loss for the period		10,248	8,619
Of which attributable to:			
Shareholders of Bastei Lübbe	15.	10,610	8,619
Equity shares held by external shareholders	31.	-362	0
		10,248	8,619
Earnings per share (basic) (with reference to the net result for the period for shareholders of Bastei Lübbe)	15.	0.80	0.75

Consolidated Statement of Comprehensive Income of Bastei Lübbe, Cologne, for the period from 1 April 2014 to 31 March 2015

	Annex Note	2014/2015 KEUR	2013/2014 KEUR
Net profit or loss for the period		10,248	8,619
Other profit/loss	14.		
Do not repost to the Profit and Loss Statement			
Actuarial losses		11	-41
- of which attributable to minority interests		0	0
Total earnings		10,259	8,578
Of which attributable to:			
Shareholders of Bastei Lübbe		10,621	8,578
Equity shares held by external shareholders		-362	0
		10,259	8,578

Consolidated balance sheet of Bastei Lübbe, Cologne, as of 31 March 2015

	Note	31 March 2015 KEUR	31 March 2014 KEUR	1 April 2013 KEUR
Non-current assets				
Intangible assets	5.	26,055	11,080	10,182
Inventory of prepaid royalties	6.	24,165	26,213	25,236
Fixed assets	7.	3,423	3,703	3,344
At-equity-accounted investments	4.	5,669	1,774	2,229
Financial investments	8.	1,850	1,706	1,451
Trade receivables	11.	1,219	1,257	1,207
Deferred tax claims	9.	1,429	1,311	1,029
		63,810	47,044	44,678
Current assets				
Inventories	10.	19,674	18,884	17,801
Trade receivables	11.	16,841	13,572	16,852
Financial assets	8.	9,411	15,119	3,997
Income tax receivables	9.	32	197	125
Shareholder receivables				3,972
Other receivables and assets	12.	951	581	1,134
Cash and cash equivalents	13.	13,624	12,163	79
		60,533	60,516	43,960
Total assets		124,343	107,560	88,638
Equity				
Share of equity attributable to shareholders of the parent company				
Subscribed capital (2013: Equity shares of limited partners)	14.	13,200	13,250	1,534
Capital reserves (2013: provisions)	14.	25,871	26,170	14,401
Net profit	14.	19,004	12,105	10,768
Accumulated other income	14.	-37	-48	-6
		58,038	51,477	26,697
Equity shares held by external shareholders	14.	2,641	0	0
		60,679	51,477	26,697
Non-current liabilities				
Provisions	16./17.	218	354	411
Deferred tax liabilities	9.	2,523	0	0
Financial liabilities	18.	29,687	29,732	29,767
Other liabilities	20.	2,620	0	0
		35,048	30,086	30,178
Current liabilities				
Financial liabilities	18.	4,185	4,047	9,512
Trade liabilities	18.	12,240	13,105	14,356
Income tax liabilities	9.	4,219	2,540	362
Provisions	17.	6,071	5,930	6,536
Liabilities to shareholders				654
Other liabilities	20.	1,901	375	343
		28,616	25,997	31,763
Total liabilities		63,664	56,083	61,941
Total liabilities		124,343	107,560	88,638

Consolidated cash flow statement of Bastei Lübbe, Cologne, for the consolidated financial statements for the financial year ending 31 March 2015*

	2014/2015 KEUR	2013/2014 KEUR
Net profit or loss for the period	10,248	8,619
+/- Depreciation/appreciation of intangible assets and property, plant and equipment	3,160	1,704
+/- Other non-cash expenses/income	198	723
+/- Increase/decrease in provisions	5	-704
-/+ Profit/loss from the disposal of intangible assets and property, plant and equipment	12	28
- Profit from the disposal/transition of consolidated companies	-7,255	0
-/+ Increase/decrease in income tax receivables and liabilities incl. deferred tax claims and liabilities	1,965	2,250
-/+ Increase/decrease in inventories, receivables from goods and services as well as other assets that cannot be allocated to investment or financing activities	-1,669	601
+/- Increase/decrease in trade liabilities and other liabilities that cannot be allocated to investment or financing activities	-574	-540
Cash flow from current business	6,090	12,681
- Outflow of funds for investments in intangible assets	-5,392	-1,611
+ Income from the disposal of property, plant and equipment	23	211
- Outflow of funds for investments in property, plant and equipment	-735	-1,589
- Outflow of funds for investments in financial assets	-145	-255
- Outflow of funds for the acquisition of fully-consolidated companies less currency acquired in the context of acquisition	-4,016	0
Cash flow from investment activities	-10,265	-3,244
+ Receipts from the issue of shares	0	24,750
- Outflows for transaction costs relating to the issue of shares	0	-1,314
- Outflows for the acquisition of own shares	-351	-377
- Disbursements to shareholders (dividends)	-3,710	0
+/- Contributions/withdrawals by former limited partnership shareholders	0	-3,964
- Outflow of funds for the repayment of bonds and loans	-303	-6,448
Cash flow from financing activities	-4,364	12,647
Changes in cash and cash equivalents with effect on payments	-8,539	22,084
+ Cash and cash equivalents at start of period	22,163	79
= Cash and cash equivalents at end of period	13,624	22,163

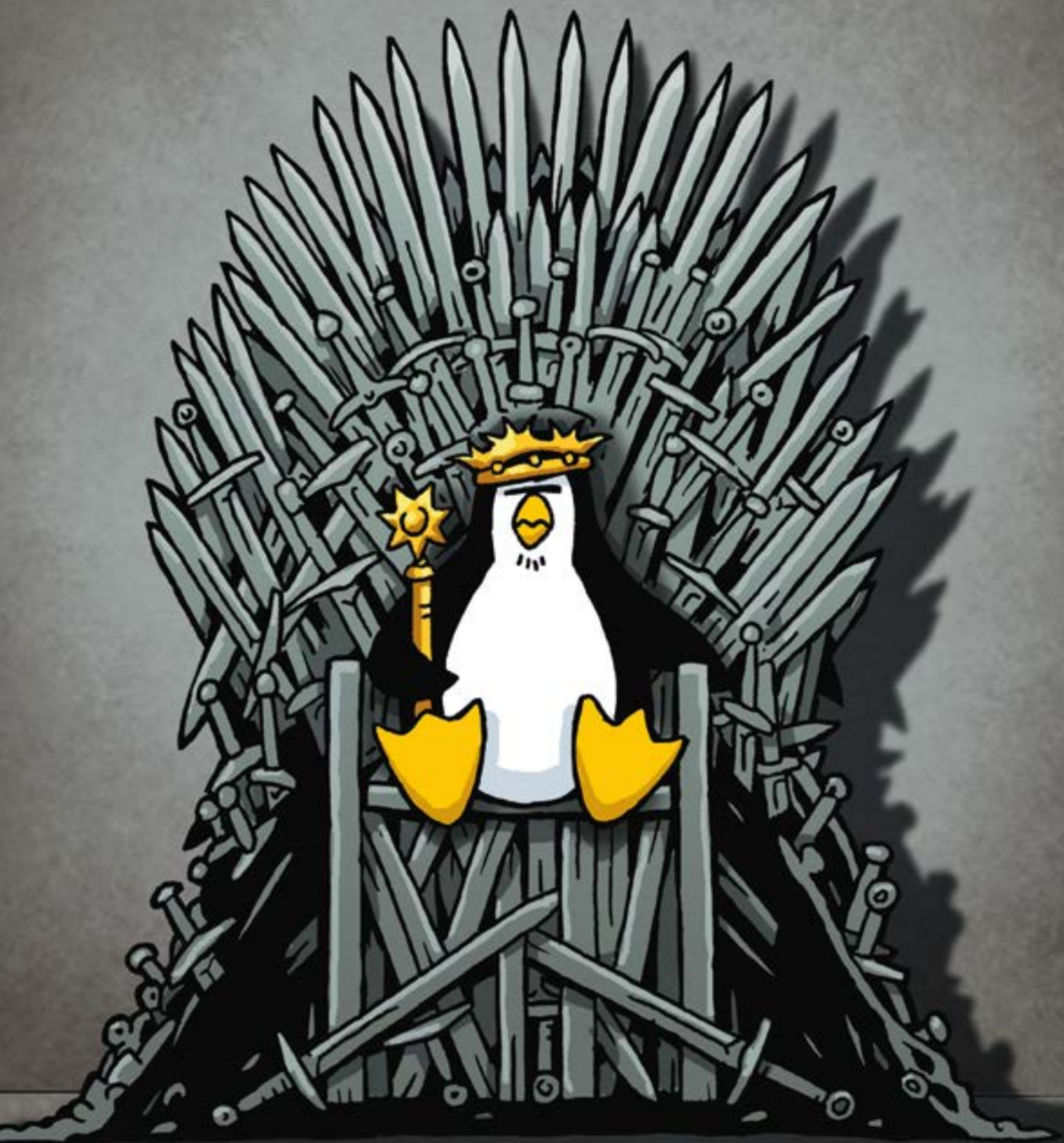
* see explanatory notes on the consolidated

Consolidated statement of change in equity of Bastei Lübbe, Cologne,
for the consolidated financial statements as per 31 March 2015*

	Capital shares			Parent company			Shares minority		BL AG Equity KEUR
	Subscribed share capital KEUR	of limited partners KEUR	Share capital rücklage (P.Y. provisions) KEUR	Share capital rücklage (P.Y. provisions) KEUR	Net profit KEUR	Accumulated other income KEUR	Equity KEUR	Equity KEUR	
As of 1 April 2013	0	1,534	14,401	10,768	-6	26,697	0	26,697	
Dividends paid/ allocation of shareholder accounts									
Conversion to a public limited company	10,000	-1,534	-8,466	-7,283		-7,283	0	-7,283	
Issue of shares	3,300		20,562			23,862	0	23,862	
Acquisition of own shares	-50		-327			-377	0	-377	
Other changes				1	-1	0	0	0	
Net profit or loss for the period				8,619		8,619	0	8,619	
Amounts recognised directly in equity				-41		-41	0	-41	
Total earnings				8,619	-41	8,578	0	8,578	
As of 31 March 2014	13,250	0	26,170	12,105	-48	51,477	0	51,477	
As of 1 April 2014	13,250	0	26,170	12,105	-48	51,477	0	51,477	
Dividends paid									
Changes in the group of consolidated companies				-3,710		-3,710	0	-3,710	
Transfer of shares held	0		2			2	3,003	3,003	
Acquisition of own shares	-50		-301			-351	0	-351	
Other changes				-1		-1	0	-1	
Net profit or loss for the period				10,610		10,610	-362	10,248	
Amounts recognised directly in equity				11		11	0	11	
Total earnings				10,610	11	10,621	-362	10,259	
As of 31 March 2015	13,200	0	25,871	19,004	-37	58,038	2,641	60,679	

* see explanatory notes on the consolidated financial statements, Note 14

Volker Dornemann
BÖSE PINGUINE
Cartoons



LÜBBE

Explanatory notes to consolidated financial statement as of 31 March 2015

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1. General information

Bastei Lübbe AG (hereinafter also “parent company”) has its registered offices at Schanzenstrasse 6-20, 51063 Köln, Germany.

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, merchandise as well as computer games. The key areas of activity of the Bastei Lübbe group (hereinafter also “Bastei Lübbe” or the “Company”) are described in the notes to the segment reporting (Note 34).

As a listed public limited company, and in accordance with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 on the application of international accounting standards (OJ EC No. L 243 p. 1), Bastei Lübbe is required to prepare a consolidated financial statement in accordance with the International Financial Reporting Standards (IFRS) recognised by the European Union. IFRS financial statements were prepared for the financial year from 2012/2013 in connection with the initial public offering. In order to be able to determine IFRS-based comparable figures for previous years for the statement of 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).

After acquiring majority shareholdings in two companies as of the beginning of the current financial year (see “4. Shareholdings”), the Company became obliged to prepare a consolidated financial statement according to IFRS for the first time for the financial year 2014/2015, and therefore also for the corresponding quarterly reports. In the context of adopting the IFRS for preparing the consolidated financial statement as of the beginning of the current financial year, the requirements and facilitations stipulated in IFRS 1 apply once more. The abovementioned IFRS transition date (1 April 2011) also applies to the first IFRS-compliant consolidated financial statement.

2. Accounting principles

(a) Underlying accounting regulations

The consolidated financial statements as of 31 March 2015 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 (KEUR). Totals and percentages were calculated on the basis of non-rounded euro amounts, and may deviate from a calculation performed on the basis of the reported thousand-euro amounts.

The consolidated financial statements for the financial year from 1 April 2014 to 31 March 2015 were prepared by the Executive Board on 11 June 2015, and will be submitted to the Supervisory Board for approval on 15 June 2015.

Please refer to Note 46 for information on events after the balance sheet date occurring until 11 June 2015, 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 consolidated financial statements are 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 consolidated financial statements 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, estimations and discretionary decisions affect future cash flows with interest deducted, in particular in the context of impairment tests, the determination of amortisation methods, particularly to the inventory 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, estimations and discretionary decisions. No adjustments were made to previous assumptions. 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 and valuation 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. 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. Compared to the IFRS-based financial statement for the financial year 2013/2014, no changes were made to the accounting and valuation methods when preparing the consolidated interim financial statement, with one exception: Even those IFRS standards are now applicable and being applied which exclusively relate to

consolidated financial statements. The same applies to the principles and methods of the assumptions and estimates required in the context of consolidated financial statements.

(a) Consolidation principles and cut-off date

The capital consolidation of all fully-consolidated companies was performed according to the purchase method at the date of factual control (date of acquisition). Correspondingly, this also holds true for companies that are valued at equity. Assets and liabilities of the consolidated companies were valued at their fair values insofar as the corresponding purchase price allocations have already been completed.

Equity shares held by other, non-controlling shareholders are accounted for separately in equity. In addition, hidden reserves and hidden losses of non-controlling minority shareholders are also disclosed for company acquisitions and indicated in the "equity shares of minority interests". No use is made of non-controlling shareholder voting rights with regard to business or company asset accounting practices.

At-equity-accounted investments are initially recognised at acquisition cost according to IAS 28. This also includes the transaction costs. Upon initial recognition, the consolidated P&L includes the group share in the comprehensive income of all investments accounted for according to the equity method. Investments accounted for under the equity method are treated in accordance with the principles applying to full consolidation, with any goodwill being included in the recognition of the investment, and non-scheduled amortization of this goodwill being included in income from associated companies in the financial result. This recognition of investment will be continued accordingly until there is no longer any significant influence or joint control. Companies that are no longer fully consolidated subsidiaries due to a partial sale of their shares and which need to be accounted for under the at-equity method due to the continuing influence of the Group will be assessed at fair value at the time of the transition.

Revenues, expenses and income, as well as receivables and liabilities between group companies, will be offset against each other and eliminated.

Interim profits from internal trade receivables, as well as from the sale of property, plant and equipment between consolidated companies, incl. associated companies and joint ventures, will be eliminated insofar as the impact on group assets, finances and income is not of secondary importance. So far there have been no interim profits to be eliminated.

Consolidation entries take income tax effects into account, while recognising deferred taxes where applicable.

Only the parent company has a financial year that differs from the calendar year. All other consolidated companies close their financial year as of 31 December. For the purposes of the consolidated financial statements, these companies prepare interim financial reports at the corresponding cut-off dates.

(b) Intangible assets

Acquired intangible assets (with the exception of the prepaid royalties referred to under (c)) 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. Internally-generated intangible assets are capitalized at cost and amortised on a straight-line basis over their useful lives. Scheduled depreciation is based on the following useful lives and depreciation rates:

	Useful life Year	Depreciation rate %
Other intangible assets		
Software	3-5	20.00-33.33
Internally-developed computer games	5	20.00
Publishing and title rights	8-15	6.67-12.50

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

Unscheduled impairment losses are recorded where this is deemed appropriate in the course of the impairment tests that are performed. For goodwill and intangible assets with indeterminable useful lives, these tests are performed at least on an annual basis; for intangible assets subject to scheduled amortisation, at any time when reasons for impairment exist. 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 the previous law. This means that the scheduled and unscheduled depreciation and impairment losses effected in earlier periods are maintained and goodwill offset against equity without impacting income is not subsequently capitalised.

(c) Inventory of prepaid royalties

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

Up to and including the financial year 2012/2013, prepaid royalties were divided, according to estimations of anticipated 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 pro rata guaranteed fee for hardbacks also included royalty shares 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.

Given that digital products, and therefore backlist turnover, are becoming increasingly important, the depreciation method was adjusted for prepaid royalties as of the financial year 2013/2014, 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 to the actual royalty until the actual guaranteed fee has been used up.

The values of the inventory 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, anticipated 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 will be 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 directly connected to the losses in turnover incurred thereby, and thus are to be considered gross proceeds in order to ensure proper economic allocation.

(d) 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) was 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 %
Land and buildings		
Leasehold improvements	8-10	10.00-12.50
Technical equipment, plant and machinery		
	5-10	10.00-20.00
Other equipment, operating and business equipment		
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, unscheduled impairment is noted during the performance of impairment tests if there are reasons to presume an impairment. Appropriate reversals are undertaken where the reasons for the impairment loss cease to apply.

(e) 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. These generally correspond to individual business fields or publishing houses.

(ii) Implementing the impairment tests

The impairment tests compare the residual carrying values of the individual cash-generating units 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 company or business field, based in particular on past experiences.

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 (books segment as well as ZGE Räder and Präsentä) or 1.5 percent (ZGE Daedalic), which does not exceed the assumed average market or industry growth.

In order to identify the net present value, the discount rate is determined on the basis of weighted capital costs; it is based on a base rate in accordance with IDW Standard S1 for company valuation (1.00 % on the balance sheet date) as well as a market risk premium in the amount of 6.75 % (upper threshold of the scope recommended by IDW) and - taking into account other factors - amounts to 6.94% on 31 March 2015 for the entire books segment as well as for ZGE Räder and Präsentä (before taking account of tax effects; ZGE Daedalic: 9.10 %) or 4.69 % after tax (ZGE Daedalic 6,15 %) (2013/2014: 8.38 percent or 5.66 percent, respectively).

Also as far as the variation of the main factors is concerned, no need for a devaluation was identified in any of the separate sensitivity analyses for the impairment tests.

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 assume here that higher cash flow growth can be realised in principle for electronic media 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.

(f) 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 contracting party in a leasing agreement who bears 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 scheduled 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.

(g) 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 that are 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 the initial recognition of the asset, there is objective evidence of impairment and this loss has an impact on the expected future cash flow 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 anticipated 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.
- Although 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 either (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) the transfer of the authority to dispose of the asset, but not the transfer or retention of essentially all opportunities and risks associated with ownership of the financial asset.

(iv) Cash and cash equivalents

Cash and cash equivalents on 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 bank account.

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 to be 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 the subsequent periods. Changes in value are recorded through profit or loss. The Company does not hold any assets in this category.

(vi) Loans and receivables

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 being 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 unscheduled 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.

(h) Financial investments

Investments in affiliated and associated companies or joint ventures 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.

(i) 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 anticipated 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.

(j) 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 Other Income 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.

(k) 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 can be measured reliably, including in the form of estimates. All known uncertain liabilities and risks concerning the past financial year are taken into consideration in the performance amount with the highest probability of occurrence. If the anticipated scope of obligation is reduced by a changed estimate, the provision is reduced on a pro rata basis, and income is 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 that is commensurate with the market and term.

(l) 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 where experience leads one to anticipate returns.

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 as per the date of their being caused.

Financial income mainly includes interest income and interest expenses. 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.

(m) 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 appears to be sufficiently 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 also recorded directly in equity. They are recorded as income in all other cases.

(n) New regulations applied for the first time in the financial year

Apart from the applicable accounting standards for consolidated financial statements which were to be applied for the first time, this consolidated financial statement was subject for the first time to accounting standards and interpretations amended, supplemented or newly published by the IASB, which have been recognised by the EU and hence were binding on Bastei Lübbe in the 2014/2015 financial year.

Unless expressly indicated, none of the new or amended standards and interpretations had any considerable effect on the consolidated financial statements of Bastei Lübbe.

The following table contains a detailed listing of the standards and interpretations to be used as of 31 March 2015:

Standard	Title	Date of entry into force*
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	transition guidance	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	investment entities	1 January 2014
Amendments to IAS 27	Separate financial statements	1 January 2014
Amendments to IAS 28	Investments in associates and joint ventures	1 January 2014
Amendments to IAS 32	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting of hedging transactions	1 January 2014

(*Date of entry into force refers to financial years commencing at this date or a later date)

IFRS 10 – Consolidated financial statements

This standard comprehensively redefines the term “control”. If a company has a controlling interest in another company, the parent company must consolidate the subsidiary. According to the new concept, “control” is to be deemed to exist if the potential parent company has a controlling interest of the potential subsidiary in the form of voting rights or other rights, participates in positive or negative return flows from the subsidiary and can influence these flows due to its decisional authority.

Bastei Lübbe has been applying this standard since the initial preparation of a consolidated financial statement.

IFRS 11 – Joint arrangements

IFRS 11 establishes new rules for the accounting of joint arrangements. According to the new concept, a joint activity must either be classified as a joint operation or as a joint venture. It is to be deemed a joint operation if the joint controlling parties have direct rights for assets and liabilities arising from obligations. The individual rights and obligations are indicated on a pro rata basis in the balance sheet. In a joint venture, the joint controlling parties have rights for the net assets. This right is indicated by applying the equity method in the consolidated financial statements, thus the option for proportionate consolidation in the consolidated financial statements ceases to apply.

At present, there are no joint arrangements pursuant to IFRS 11 at Bastei Lübbe.

IFRS 12 – Disclosure of interests in other entities

This standard regulates the disclosure requirements with regard to interests in other entities. The disclosure requirements are significantly more comprehensive than previously under IAS 27, IAS 28 and IAS 31.

Bastei Lübbe has complied with the extended disclosure obligations.

Amendments to IFRS 10, IFRS 11 and IFRS 12 - transition guidance

The amendments include a clarification and additional facilitations for the transition to IFRS 10, IFRS 11 and IFRS 12. Thus, adjusted comparative information is only required for the previous comparative period. In addition, it is not necessary to provide comparative information for periods prior to the first application of IFRS 12 in the context of structured notes on non-consolidated structured entities.

Bastei Lübbe has made use of the facilitations specified in the transitional provisions.

Amendments to IFRS 10, IFRS 12 and IAS 27 - investment entities

The amendments include a definition of terms for investment companies and exclude such companies from the scope of IFRS 10.

Bastei Lübbe is not affected by this amendment, which applies only to investment companies.

Amendments to IAS 27 – separate financial statements

In the context of the adoption of IFRS 10, the regulations for the control concept and the requirements for the preparation of consolidated financial statements from IAS 27 have been factored out and are dealt with in IFRS 10 (see comments on IFRS 10). As a result, IAS 27 now only contains the regulations for the accounting of subsidiaries, joint ventures and associated companies in individual IFRS financial statements.

Amendments to IAS 28 – Investments in associates and joint ventures

Adjustments were also made to IAS 28 in the context of the adoption of IFRS 11. As before, IAS 28 regulates the application of the equity method. However, the scope of the directive has been substantially extended by the adoption of IFRS 11, since it now not only requires equity method accounting for the valuation of investments in associated companies, but also for joint ventures (see IFRS 11). The application of proportional consolidation for joint ventures has thus been eliminated.

A further amendment relates to accounting pursuant to IFRS 5 when only a part of a share in an associate or a joint venture is intended for sale: IFRS 5 is to be applied for the share to be divested, while the remaining (retained) share is still to be accounted for on the basis of the equity method until the first-mentioned share is divested.

Amendments to IAS 32 – Offsetting financial assets and financial liabilities

This amendment to IAS 32 sets out what conditions apply to the netting of financial instruments. The amendment explains the importance of the current title in set-offs, and clarifies which gross settlement procedures can be considered as net settlements within the meaning of the standard.

Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets

In the course of a consequential amendment from IFRS 13, a new disclosure requirement for the goodwill impairment test in accordance with IAS 36 was introduced for 2013: It requires the reporting of the recoverable amount of cash-generating units, regardless of whether an impairment actually occurred. As this Note was introduced unintentionally, it was amended again by the amendment from May 2013 for financial years beginning as of 1 January 2014.

On the other hand, this amendment calls for additional information if an impairment has actually occurred and the recoverable amount has been determined on the basis of a fair value.

Bastei Lübbe has complied with the disclosure requirements of the amendment in the present consolidated financial statements.

Amendment to IAS 39 - Novation of derivatives and continuation of hedge accounting

As a result of this amendment, derivatives remain designated hedging instruments in existing hedging relationships under certain circumstances due to legal requirements, despite the novation of a hedging instrument for a central counterparty.

(o) 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 2015 at the earliest, provided that these have been endorsed by the European Commission and are relevant to Bastei Lübbe AG. These have not yet been voluntarily applied, and as a matter of principle are not applied to the current consolidated financial statements.

Standard	Title	Date of entry into force*
<i>EU endorsement effected by 19 May 2015</i>		
IFRIC 21	Levies	17 June 2014
Amendments to Defined IAS 19	Benefit plans: Employee contributions/ Benefit plans: Employee contributions	1 July 2014
Improvements to IFRS 2010 - 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38/amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 July 2014*
Improvements to IFRS 2011 - 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 / Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	1 January 2015
<i>EU endorsement pending (as of 19 May 2015)</i>		
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its associate or joint venture/Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception/ Investment entities: Applying the consolidation exception for The duty to consolidate	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in joint ventures/Accounting for acquisitions of interests in joint ventures	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation/ Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants/Agriculture: Bearer plants	1 January 2016
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016
Improvements to IFRS 2012 - 2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34/Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016

* Date of entry into force refers to financial years commencing at this date or at a later date

** The amendments to IFRS 2 and IFRS 3 must be applied to transactions taking place on or after 1 July 2014.

The most important changes, as well as their expected effects on the consolidated financial statements of Bastei Lübbe AG, are explained in greater detail below. Unless stated otherwise, the effects are still being assessed.

EU endorsement effected by 31 March 2015

IFRIC 21 - Levies

IFRIC 21 is an interpretation for IAS 37. The question that is being examined particularly relates to the point in time when a public-sector tax obligation arises and whether a provision or liability should be recognised. The scope of the interpretation does not include, in particular, the fines and charges resulting from public contracts or those included in the scope of other IFRS standards such as IAS 12. According to IFRIC 21, a liability is to be recognised for taxes in the case of the occurrence of the event triggering the tax liability. This triggering event on which the liability is based results from the wording of the underlying standard. Therefore, it is the wording which is decisive for accounting policy.

The amendments must be applied for the first time for financial years beginning on or after 17 June 2014.

Amendments to IAS 19 - Defined benefit plans: Employee contributions

The amendments clarify the regulations governing the allocation of employee contributions and/or contributions from third parties for the service periods in question if the contributions are associated with the respective service period. In addition, facilitating conditions are established if the contributions are independent of the number of service years.

The amendments must be applied for the first time for financial years beginning after 1 July 2014.

Improvements to IFRS 2010-2012

Within the context of the annual improvement project, amendments were made to seven standards. The adaptation of formulations in the individual IFRS are to achieve a clarification of the existing rules. In addition, there are amendments relating to notes. The following standards are affected: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

The amendments must be applied for the first time for financial years beginning on or after 1 July 2014; the amendments to IFRS 2 and IFRS 3 must be applied to transactions taking place on or after 1 July 2014.

Improvements to IFRS 2011-2013

Within the context of the annual improvement project, amendments were made to four standards. The adaptation of formulations in the individual IFRS are to achieve a clarification of the existing rules. The following standards are affected: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The amendments must be applied for the first time in financial years beginning after 1 January 2015.

EU endorsement pending

IFRS 9 - Financial instruments

IFRS 9, which was published in July 2014, replaces the existing guidelines in IAS 39 Financial Instruments: Approach and valuation IFRS 9 contains revised guidelines for the classification and valuation of financial

instruments, including a new model of the anticipated credit losses for the calculation of the impairment of financial assets, as well as the new general accounting rules for hedge accounting. It also incorporates the guidelines for the recording and write-off of financial instruments pursuant to IAS 39.

Subject to being adopted in EU law, IFRS 9 is to be applied for the first time in financial years beginning on or after 1 January 2018.

IFRS 14 - Regulatory deferral accounts

In the framework of a comprehensive IASB turnkey project, this standard initially only represents an interim solution that is intended to facilitate the change to accounting practices according to IFRS for companies subject to price regulations until the IASB releases valid regulations for all companies using IFRS accounting standards.

Price controls can be found especially in industries with companies that have significant market power, for example in the transport sector or the utilities sector (electricity, water and gas). Due to an increase or reduction of supply quantities in a given financial year, these regulations can, for example, lead to mandatory price ceilings or to a right to increase prices in the following year. Due to an absence of actual IFRS regulations, the question of whether these rights or obligations satisfy the definition of assets or liabilities in accordance with IFRS is currently being discussed in the literature, but is mostly answered in the negative. The IASB has initiated a comprehensive project to close the regulatory gaps, but this is expected to take a few years.

Subject to being adopted in EU law, the new standard is to be applied for the first time in financial years beginning on or after 1 January 2016.

IFRS 15 - Revenue from contracts with customers

IFRS 15 sets out a comprehensive framework for determining whether, to what extent and at what point in time sales revenues are to be recognised. It replaces existing guidelines for the recognition of revenues, including IAS 18 Revenue IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Subject to being adopted in EU law, IFRS 15 is to be applied for the first time in financial years beginning on or after 1 January 2017. Early application is permitted.

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a known inconsistency between the provisions of the IFRS 10 and IAS 28 (2011) in the case of the sale of assets to an associate or a joint venture or the contribution of assets to an associate or joint venture.

According to IFRS 10, a parent company is obliged to fully recognise the profit or loss from the sale of a subsidiary in the profit and loss account if there is a resulting loss of control. In contrast, IAS 28.28 - which is currently applicable - requires that the disposal proceeds for disposal transactions between an investor and an at-equity participation - whether an associated company or a joint venture - is only to be recognised at the value of the share of others in this company

In future, the entire gain or loss from a transaction is only to be recognised if the assets sold or transferred represent a business operation within the meaning of IFRS 3. This applies regardless of whether the transaction is structured as a share or asset deal. If the assets do not represent a business operation, only the pro rata recognition of gains is permissible.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the consolidation exception

The amendments are to clarify various issues with regard to the application of the exception of consolidation requirements under IFRS 10 if the parent company satisfies the definition of an “investment company”. Accordingly, parent companies are exempt from the obligation of preparing consolidated financial statements, even if the superordinate parent company has not consolidated its subsidiaries, but has accounted for them at fair value pursuant to IFRS 10.

Finally, it is made clear that an investor who does not satisfy the definition of an investment company and applies the equity method to an associate or joint venture can uphold the fair-value valuation applied by the holding company for its holdings in subsidiary undertakings.

In addition, the amendments require that an investment company which recognises all its subsidiaries at fair value must comply with the particulars pertaining to investment companies pursuant to IFRS 12.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations

IFRS 11 contains regulations on the balance sheet and profit and loss account recognition of joint ventures and joint operations. While joint ventures are accounted for using the equity method, accounting for joint operations pursuant to IFRS 11 is comparable with the proportionate consolidation method.

The IASB amendment to IFRS 11 regulates the accounting for share acquisitions in joint operations that represent a business operation within the meaning of IFRS 3 Business Combinations. In such cases, the acquirer is to apply the principles for the accounting of business combinations pursuant to IFRS 3. Furthermore, the disclosure requirements of IFRS 3 apply in such cases.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Amendments to IAS 1 - Disclosure initiative

The amendments apply to various matters of disclosure. It is made clear that the Notes only need to be made if their contents are not immaterial. This even applies explicitly if an IFRS demands a minimum of information. In addition, explanatory notes on the aggregation and disaggregation of items are included in the balance sheet and income statement. It also explains how shares in the other income of equity-rated companies are to be presented in the statement of comprehensive income. Lastly, there is a cancellation of an annex model structure and a consideration of individual company valuation relevance.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation

With these changes, the IASB is providing further guidelines for determining an acceptable depreciation method. According to these guidelines, turnover-based depreciation methods are not permissible for tangible assets, and are only acceptable for intangible assets in certain exceptional cases (rebuttable presumption of inadequacy).

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Amendments to IAS 27 - Equity method in separate financial statements

The amendment once again allows the use of the at-equity accounting method for shares in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The existing options for valuation at acquisition cost or according to IAS 39/IFRS 9 will remain in place. Pursuant to IAS 27, it has not been possible to use the at-equity method for shares in the separate financial statements (of the parent company) since 2005. The IASB passed the amendments to IAS 27 due to complaints about, amongst other things, the high cost of the fair-value valuation at each reporting date, in particular for unlisted associates.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

Improvements to IFRS 2012-2014

Within the context of the annual improvement project, amendments were made to four standards. The adaptation of formulations in individual IFRS/IAS is to achieve a clarification of the existing rules. The following standards are affected: IFRS 5, IFRS 7, IFRS 19 and IAS 34.

Subject to being adopted in EU law, the amendments are to be applied for the first time in financial years beginning on or after 1 January 2016.

4. Consolidated companies and shareholdings

Bastei Lübbe obtained a 51% stake in Hamburg-based Daedalic Entertainment GmbH ("Daedalic") as of 16 May 2014. The sellers were the former partners, who remain shareholders with a combined 49% stake in the company. The majority interest in Daedalic Entertainment GmbH is based on the concept of a 360-degree exploitation of digital content. Daedalic Entertainment GmbH is one of the leading companies in the development and distribution of adventure games. Just like the books segment of Bastei Lübbe, adventure games tell stories. Thus, there is a synergy potential in this respect, which is also to be exploited in the future with the help of the majority of the voting rights. One example of this is Ken Follett's book "Die Säulen der Erde", one of the most successful books ever published by Bastei Lübbe. With the help of Bastei Lübbe, Daedalic Entertainment GmbH was able to acquire the international rights for the digital game based on Ken Follett's most successful book "Die Säulen der Erde". The game is due for release in autumn 2017. At the same time,

Bastei Lübbe will also be releasing the third volume of this series by Ken Follett, following on from “Die Säulen der Erde” and “Tore der Welt”. Content synergy effects are to be used in the same way as marketing and sales synergies. The purchase price was KEUR 4,500. In addition, KEUR 3,500 had to be paid into Daedalic’s capital reserve. The total cost of acquisition, which was solely financed out of the group’s own resources, thus amounts to KEUR 8,000. Other acquisition-related costs incurred were recognised in profit and loss at KEUR 71.

According to purchase price allocation (PPA), the fair values and liabilities of Daedalic as of the date of initial consolidation (31 May 2014) are calculated as follows:

(KEUR)	Carrying amounts upon acquisition	Adjustment as per PPA	Fair values
Intangible assets	3,991	3,141	7,132
Trade receivables	472		472
Cash and cash equivalents	4,308		4,308
Other assets	227		227
Deferred tax liabilities	-1,270	-1,014	-2,284
Other non-current liabilities	-2,338		-2,338
Current liabilities	-1,445		-1,445
Net assets	3,945	2,127	6,072
minority stockholder shares included therein (49%)			2,975
acquired interests included therein (51%)			3,097
Acquisition costs			8,000
Goodwill			4,903

The results of the PPA are already accounted for in the present consolidated financial statement.

Intangible assets which were valued at a higher fair value include games that were developed in-house as well as in-house software modules that are used for game production.

On the one hand, intangible assets that were developed in-house were valued with the planned contribution to earnings as discounted on the acquisition cut-off data, whereby only games that were already being produced or had been completed were taken into account, and, on the other hand, with the estimated personnel expenses required for the re-programming of software modules. Internally-generated intangible assets are depreciated based on their average expected useful life on a straight-line basis over a period of five years each.

The different factors that resulted in the accounting of the indicated goodwill in the non-book segment are indicated in the first paragraph of this section.

We acquired a majority shareholding (54.04 per cent) in Munich-based BookRix GmbH & Co KG (“BookRix”) on 22 May 2014, with commercial effect from 1 May 2014. Moreover, two leading employees received 2.98 per cent each of the shares in BookRix as part of this deal on 1 January 2015.

BookRix GmbH & Co. KG is one of the largest self-publishing platforms in Germany, with considerable growth potential, and already reaches around 560,000 users via its own e-book platform, with more than

4,000 new users registering every month. BookRix supplies digital content to almost all online stores, including market leaders such as Amazon and iTunes. Around 1,000 new e-books are currently published on the platform each month. Investing in BookRix allows Bastei Lübbe very easy and extremely rapid access to self-publishing authors who successfully market their material via BookRix. It can be seen much sooner in the digital segment whether or not a title is successful. The objective is to win over promising authors for the entire Bastei Lübbe Group in this way. The purchase price was KEUR 350 and was financed from existing bank balances. The acquisition of this shareholding aims at achieving strategically-important goals such as gaining access to self-publishing authors. Other acquisition-related costs incurred were recognised in profit and loss at KEUR 38.

The balance sheet of BookRix accounted for the following assets and liabilities at the date of initial consolidation (1 May 2014):

(KEUR)	Fair values at acquisition
Intangible assets and property, plant and equipment	7
Trade receivables	242
Cash and cash equivalents	27
Other assets	21
Trade liabilities	-156
Other current liabilities	-55
Deferred tax liabilities	0
Net assets	<u>86</u>
minority stockholder shares included therein	27
acquired interests included therein*	59
Acquisition costs	<u>350</u>
Goodwill	<u>291</u>

* is €13,000 higher than the calculated proportion (54.04 per cent) due to different participation rates of the acquired limited partnership shares on the variable capital of the company

The factors contributing to the recognition of the above-mentioned goodwill in the books segment are specified in the second-to-last paragraph.

The level of control necessary for this is exercised for the two acquired and fully-consolidated companies based on the majority of voting rights.

Summarised financial information for the two companies, in which minority shareholders are involved, can be found in the following table (relating to both the consolidated financial statements and to 100% of the shares):

(KEUR)	Daedalic	BookRix
Non-current assets	14,306	319
Current assets	3,455	629
Non-current liabilities	5,144	0
Current liabilities	2,170	823
Net assets	10,447	125
Sales revenue	6,033	1,240
Period = total earnings	-83	-252
Dividends paid	---	---
of which to minority stockholders	---	---

If both companies had already been included as of the beginning of the financial year (1 April 2014), the turnover and period results would have had the following values (each in relation to 100% of shares):

(KEUR)	Daedalic	BookRix
Sales revenue	7,069	1,295
Result	365	-292

Moreover, Bastei Lübbe established BEAM GmbH ("BEAM"), based in Cologne, in August 2014 with a capital stock of KEUR 25. BEAM GmbH acquired the online beam-ebooks.de shopping platform in September 2014. The strategic approach for BEAM is to turn BEAM into a global platform for series content streaming in particular. Bastei Lübbe has been developing series content for 60 years, and has also been creating its own digital series content for several years. BEAM is to become the sales channel of choice for this content.

On 31 March 2015, BEAM GmbH was transformed into a joint stock company. At the same time, its capital stock was increased to KEUR 50. Also on 31 March 2015, 55% of the shares (27,500 shares with a nominal value of EUR 1.00 each) were sold. The reason for this was that Bastei Lübbe did not want to finance the development, marketing and operation of the BEAM platform entirely from own resources and wanted to transfer some of the risk to other investors. In the first step, the acquirer has taken over 55% of the shares, but has agreed to transfer up to 50 % of the holding to other investors. A surplus clause was agreed upon for the benefit of Bastei Lübbe, which was not activated on the reference date, since no reliable fair value could as yet be determined and no concrete negotiations have taken place. A transfer obligation only exists in the event of a sale to companies that are not associated with the group, i.e. companies in which Bastei Lübbe is neither directly nor indirectly involved.

From the date of sale to the date of any resale, the buyer can use its voting majority to fully exercise its right of control over BEAM AG. This is reflected, for example, in the directive of the new majority shareholder, which instructs BEAM AG to achieve true independence from the former parent company Bastei Lübbe as quickly as possible. For cost optimisation purposes, BEAM is still using Bastei Lübbe employees and office space. However, BEAM will be moving into its own offices which it has rented in Cologne on 1 August 2015.

New staff members are to be employed in order to minimise the share of services provided and billed for by Bastei Lübbe. In addition, the new majority shareholder has announced that it will be making use of its right to appoint two of the three supervisory board members.

For this reason, BEAM has been included as an affiliate in the consolidated financial statements from the founding date to the Group balance sheet date. Due to the loss of control, there was a changeover on 31 March 2015 from full consolidation (affiliate) to interim consolidation on an at-equity basis (associate).

In the context of the interim consolidation, a re-valuation of the holding was calculated at fair value on the basis of the transaction price. This corresponds to a market value of KEUR 3,825 for Bastei Lübbe's remaining holdings, which in turn corresponds to a profit of KEUR 3,707 from the transitional consolidation after the disposal of assets and liabilities, as indicated in other operating income.

With effect from 1 October 2012, Bastei Lübbe acquired 50 per cent of the shares each in PRÄSENTA PROMOTION INTERNATIONAL GmbH, Solingen, ("Präsenta") and in PS Printservice GmbH, Haan, ("PSP"), which was then merged with Präsenta. Acquisition costs for these holdings amounted to KEUR 2,361, incl. acquisition-related costs. Furthermore, the purchase agreement stipulated an additional purchase price of up to KEUR 600 each, depending on EBITs achieved by Präsenta (incl. PSP) for the financial years 2013 and 2014. This amount is subject to the achievement of projected EBITs for the indicated financial years, which were specified in the run-up to the contractual negotiations. It ranges between EUR 0.00 and a maximum of KEUR 1,200 in total. Based on internal calculations, Bastei Lübbe has projected that no further acquisition costs will be incurred, and has thus not recognised any further amounts as of the date of acquisition.

In addition, the purchase agreement stipulates options for the acquisition of the remaining 50 per cent of shares in Präsenta, which can be exercised from 1 October 2016 as of 1 January of each following year ("option cut-off date"). Based on audited annual financial statements, their price will be calculated from the weighted EBITs of the three financial years prior to the option cut-off date, including additional modifications. The potential purchase price is limited to a maximum of KEUR 12,700 minus any subsequent payment for the primarily acquired 50% of shares (see previous paragraph). Were the option to be exercised, this would lead to the full consolidation of Präsenta.

Due to the authoritative influence exercised by Bastei Lübbe together with the other shareholder, Präsenta is classified as a joint venture within the meaning of IFRS 11 and valued correspondingly in the consolidated balance sheet in compliance with the equity method (at equity), as set out in IAS 28.

The current consolidated interim financial statement includes pro rata earnings from shareholdings valued at equity (excluding Präsenta at present), amounting to KEUR 70.

Summarised financial information for the two companies valued at equity can be found in the table below (both in relation to the fair value of the assets and liabilities - in as far as taken into account in the context of the consolidated financial statements - and on 100% of the shares):

(KEUR)	Präsenta	BEAM
Goodwill	1,517	8,080
Other non-current assets	1,131	656
Current assets	4,383	73
Non-current liabilities	108	0
Current liabilities	3,235	309
Net assets	3,688	8,500
Sales revenue	6,033	222
Period = total earnings	140	-129

Neither of the two companies has made a dividend payment in the past Group financial year.

The following table shows a reconciliation of the presented financial information at the carrying value of the investments valued at equity:

(KEUR)	Präsenta	BEAM
Net assets	3,688	8,500
x respectively held shares	50%	45%
Book value as of 31 March 2015	1,844	3,825

The following consolidated companies were included in the consolidated financial statements of Bastei Lübbe AG for the group financial year 2014/2015 as of 31 March 2015:

	Headquarters	Ownership interest
Fully-consolidated companies		
BEAM GmbH (up to 31 March 2015)	Cologne, Germany	100.00 per cent
BookRix GmbH & Co. KG	Munich	54.04 per cent
Daedalic Entertainment GmbH	Hamburg	51.00 per cent
At-equity-accounted investments		
PRÄSENTA PROMOTION INTERNATIONAL GmbH	Solingen	50.00 per cent
BEAM AG (as of 31 March 2015)	Cologne, Germany	45.00 per cent

None of the other subsidiaries and shareholdings are included in the consolidated financial statements because they are of lesser importance in terms of the evaluation of the Group's assets, financial position and earnings (both individually and collectively).

No further significant changes occurred with respect to shares held by the Bastei Lübbe Group or Bastei Lübbe AG.

Shares in non-consolidated companies (larger than 50 percent stake) as listed under financial assets were as follows as per the balance sheet date:

31 March 2015	Headquarters	Ownership interest
Siebter Himmel Bastei Lübbe GmbH	Cologne, Germany	100%
Bastei Media GmbH	Erfurt	100%
Bastei Lübbe International Ltd.	Hongkong, China	100%
Moravska Bastei MoBa s.r.o.	Brno, Czech Republic	90%
Daedalic Entertainment Studio West GmbH *	Düsseldorf	75%
BookRix Verwaltungs-GmbH **	Munich	100%

* Subsidiary of Daedalic Entertainment GmbH

** Subsidiary of BookRix GmbH & Co. KG

Participation in non-consolidated affiliated companies and joint ventures (20% to 50% stakes)

31 March 2015	Headquarters	Ownership interest
Bastei LLC	Santa Monica, USA	50%
HPR Bild & Ton GmbH	Cologne, Germany	25%

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., Berlin, Germany, as well as holdings (< 5% respectively) in several "GROSSO" press distribution companies, mostly in Eastern Germany.

5. Intangible assets

(KEUR)	Goodwill and Goodwill	other intangible assets	Down payments	Total
Acquisition/production costs				
as of 1 April 2013	2,114	11,470	13	13,597
Additions	0	1,135	477	1,612
Disposals	0	0	0	0
as of 31 March 2014	2,114	12,605	490	15,209
Value adjustments				
as of 1 April 2013	0	3,415	0	3,415
Additions	0	714	0	714
Disposals	0	0	0	0
as of 31 March 2014	0	4,129	0	4,129
Carrying amounts				
as of 1 April 2013	2,114	8,055	13	10,182
as of 31 March 2014	2,114	8,476	490	11,080
Acquisition/production costs				
as of 1 April 2014	2,114	12,605	490	15,209
Additions from initial consolidations	5,194	8,753	0	13,947
Disposals from deconsolidations	0	-580	-22	-602
Additions	0	3,508	1,884	5,392
Reclassifications	0	729	-729	0
Disposals	0	0	0	0
as of 31 March 2015	7,308	25,015	1,623	33,946
Value adjustments				
as of 1 April 2014	0	4,129	0	4,129
Additions from initial consolidations	0	1,620	0	1,620
Disposals from deconsolidations	0	-3	0	-3
Additions	0	1,905	0	1,905
Additions, extraordinary	0	240	0	240
Disposals	0	0	0	0
as of 31 March 2015	0	7,891	0	7,891
Carrying amounts				
As of 1 April 2014	2,114	8,476	490	11,080
as of 31 March 2015	7,308	17,124	1,623	26,055

As at the balance sheet date, the carrying values of goodwill can be allocated as follows to the respective cash-generating units (CGU) and segments:

(KEUR)	31 March 2015	31 March 2014
Books segment		
BookRix	291	0
Eichborn	35	35
	326	35
non-book segment		
Daedalic	4,903	0
Räder	1,297	1,297
	6,200	1,297
Novel booklets and puzzle magazines		
PMV	782	782
	7,308	2,114

Other intangible assets particularly include the “Räder” brand, identified in previous years within the purchase price allocation with KEUR 4,864 (non-book segment), for which no useful life can be determined due to it having been used for decades and given that the brand cannot be expected to depreciate in the future, and which therefore has not been undergoing scheduled depreciation but - as with goodwill - is being subject to an impairment test at least once annually. In these impairment tests, a negative EBIT was determined for Daedalic for the subsequent year, followed by clearly positive EBITs in subsequent periods. More or less unvarying EBITs are planned for ZGE Räder for the detailed planning periods two and three.

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 KEUR 2,865 (P. Y: KEUR 3,233), internally-developed computer games, which are depreciated on a straight-line basis over useful lives of five years, will be shown in the total amount of KEUR 5,199 (P. Y: KEUR 0). The main individual items for title and trademark rights have a useful life of five (carrying amount 31 March 2015: KEUR 1,004) or 13 to 14 years (carrying amount 31 March 2015: KEUR 1,812). The main residual book values of internally-developed computer games are to be depreciated according to schedule over remaining useful lives of two-and-a-half to five years. The other amounts mainly relate to software and licences, which are depreciated over three to five years.

In the current financial year, extraordinary depreciation on internally-developed intangible assets in the non-book segment was effected in the amount of the affected asset value, KEUR 240, which is indicated in the statement of comprehensive income in the item “Amortisation of intangible assets and property, plant and equipment”. The depreciation was necessary because it was foreseeable that an internally-developed computer game would not generate sufficient revenue to cover its development costs. No additional extraordinary depreciation of goodwill or other intangible assets was necessary in the two financial years.

As in the previous year, intangible assets do not serve as collateral for own liabilities.

6. Inventory of prepaid royalties

(KEUR)	Advance Royalties	Down payments	Total
Acquisition/production costs			
as of 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
as of 31 March 2014	34,783	3,240	38,023
Value adjustments			
as of 1 April 2013	6,144	97	6,241
Additions	11,078	11	11,089
Value recovery	-220	0	-220
Disposals	-5,300	0	-5,300
as of 31 March 2014	11,702	108	11,810
Carrying amounts			
as of 1 April 2013	21,036	4,200	25,236
as of 31 March 2014	23,081	3,132	26,213
Acquisition/production costs			
as of 1 April 2014	34,783	3,240	38,023
Additions	6,549	2,520	9,069
Disposals	-11,572	-112	-11,684
Reclassifications	2,485	-2,485	0
as of 31 March 2015	32,245	3,163	35,408
Value adjustments			
as of 1 April 2014	11,702	108	11,810
Additions	9,748	112	9,860
Additions, extraordinary	1,287	0	1,287
Value recovery	0	-30	-30
Disposals	-11,572	-112	-11,684
as of 31 March 2015	11,165	78	11,243
Carrying amounts			
as of 1 April 2014	23,081	3,132	26,213
as of 31 March 2015	21,080	3,085	24,165

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 include one (P. Y.: two) manuscript for a book by a renowned author which will still be published. Its book value is approximately KEUR 1,800 (P Y: KEUR 2,000 and KEUR 4,000, respectively). Their respective expected amortisation periods are between one and two years.

In particular as a result of the strategic decision to publish fewer paperbacks in the children's/youth books segment than planned, the depreciation of royalties also includes extraordinary depreciation amounting to KEUR 1,287.

7. Fixed assets

(KEUR)	Real estate and buildings	Techn. equipment and machinery	Operating and business equipment	equipment under construction	Total
Acquisition/production costs					
as of 1 April 2013	612	54	6,332	0	6,998
Additions	785	7	794	4	1,590
Disposals	-19	0	-594	0	-613
as of 31 March 2014	1,378	61	6,532	4	7,975
Value adjustments					
as of 1 April 2013	161	22	3,471	0	3,654
Additions	114	7	870	0	991
Disposals	-2	0	-371	0	-373
as of 31 March 2014	273	29	3,970	0	4,272
Carrying amounts					
as of 1 April 2013	451	32	2,861	0	3,344
as of 31 March 2014	1,105	32	2,562	4	3,703
Acquisition/production costs					
as of 1 April 2014	1,378	61	6,532	4	7,975
Additions from initial consolidations	0	0	187	0	187
Disposals from deconsolidations	0	0	-6	0	-6
Additions	49	0	681	5	735
Reclassifications	4	0	0	-4	0
Disposals	0	0	-338	0	-338
as of 31 March 2015	1,431	61	7,056	5	8,553
Value adjustments					
as of 1 April 2014	273	29	3,970	0	4,272
Additions from initial consolidations	0	0	-147	0	-147
Disposals from deconsolidations	0	0	-1	0	-1
Additions	157	7	851	0	1,015
Disposals	0	0	-303	0	-303
as of 31 March 2015	430	36	4,664	0	5,130
Carrying amounts					
as of 1 April 2014	1,105	32	2,562	4	3,703
as of 31 March 2015	1,001	25	2,392	5	3,423

Property, plant and equipment include assets amounting to KEUR 758 (P. Y: KEUR 926) 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.

As in the previous year, the leased and capitalised assets in property, plant and equipment experienced no accruals; depreciation amounted to KEUR 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 do not serve as collateral for own liabilities.

(KEUR)	31 March 2015	31 March 2014
Long-term (financial assets)		
Investments in affiliated companies	610	547
Investments in associates and joint ventures	332	250
Other equity investments	108	108
Other loans	800	800
	1,850	1,705
Short-term		
securities	0	10,000
Receivables from the sale of BEAM shares	3,850	0
Receivables from factoring	3,357	3,004
Receivables from associates and joint ventures	929	1,322
Receivables from affiliated companies	720	388
Eichborn AG receivable (insolvency)	252	252
Receivables from artists' social insurance	129	0
Supplier rebates	84	76
Other	90	77
	9,411	15,119

8. Financial assets

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.

The purchase price for the 55 % of the BEAM AG shares sold on 31 March 2015 for KEUR 3,850 must be paid by the acquirer by 31 December 2015.

All receivables from the books segment were sold to Vereinigte Verlagsauslieferung arvato media GmbH (VA), Gütersloh, as part of a factoring agreement. Given that this involves recourse factoring (the default risk is not passed to

the factor), receivables still due from customers are shown under "Trade receivables". Financial assets include those receivables that have been paid by the customer but not yet transferred to Bastei Lübbe by the factor.

The receivable 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 the bank overdrafts on the balance sheet date.

In the receivables from associated companies and joint ventures, there are in particular two interest-bearing loans in the amount of KEUR 700 (P.Y.: TEUR 1,300) and KEUR 100 (P.Y. KEUR 0), respectively, payable by PRÄSENTA PROMOTION INTERNATIONAL GmbH, Solingen, and BEAM AG, Cologne.

The Eichborn AG receivable refers to the pre-financed social plan expenditure of the company under protective administration. Bastei Lübbe took over its pre-financing so that the total volume of the social plan as negotiated between the insolvency administrator and the works council of Eichborn AG would not fall under the relative limitation of section 123(2) of the German 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:

(KEUR)	31 March 2015	31 March 2014
Deferred tax claims	1,429	1,311
Income tax receivables	32	197
Deferred tax liabilities	-2,523	0
Income tax liabilities	-4,219	-2,540
Balance	-5,281	-1,032

As in the previous year, current tax refund claims and tax liabilities largely relate to domestic trade and corporate tax.

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

(KEUR)	assets		liabilities	
	deferred taxes		deferred taxes	
	31 March 2015		31 March 2014	
Internally-generated intangible assets		1,678		0
Other intangible assets	2,023	845	1,859	
Fixed assets	0	246	2	301
Financial investments	32	45	32	
Authors' licences		233		247
Trade accounts receivable	37	149	51	149
Partial-retirement obligations	10		29	
Other provisions	0		24	
Financial liabilities	137	137	235	224
	2,239	3,333	2,232	921
Balancing	-810	-810	-921	-921
	1,429	2,523	1,311	0

Deferred tax assets on tax losses carried forward for first-time consolidated subsidiaries were not established as it cannot be sufficiently assured that they will be realised. No tax losses are carried forward for the parent company.

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

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

(KEUR)	31 March 2015		31 March 2014	
Deferred tax claims 1 Apr	1,311		1,029	
Deferred tax liabilities 1 Apr	0	1,311	0	1,029
Deferred tax claims 31 Mar	1,429		1,311	
Deferred tax liabilities 31 Mar	-2,523	-1,094	0	1,311
= Change in balance		-2,405		282
+/- Accruals/decreases from changes in scope of consolidation		1,321		0
+/- Changes not recognised in income		1,019		-447
= Deferred tax income as per profit and loss statement		-65		-165

The inflows/outflows resulting from changes in the scope of consolidation are related to the outflow of deferred tax assets arising from tax losses carried forward by BEAM (KEUR 52), as well as inflows from Daedalic's deferred tax liabilities (TEUR 1,270) from the time of the first-time consolidation as indicated in the company's separate financial statements.

The changes that do not have a net impact consist almost exclusively of Daedalic's deferred tax liabilities on identified hidden reserves in the intangible assets that arose in the context of first-time consolidation (not incl. goodwill, see Note 4).

Furthermore, we refer to the information regarding income tax expenses under Note 30 in this respect.

10. Inventories

(KEUR)	31 March 2015	31 March 2014
Raw materials and supplies	320	277
Unfinished products	696	621
Finished goods	18,179	17,780
Merchandise	39	0
Prepayments on inventories	440	206
	19,674	18,884

Of the inventories recognised at the balance sheet date, KEUR 931 (P. Y: EUR K 1,173) were carried at their net realisable value.

Value adjustments on inventories amounted to KEUR 10,990 (P. Y: KEUR 10,082).

11. Trade receivables

(KEUR)	31 March 2015	31 March 2014
Receivables from		
third parties	18,285	15,087
less long-term discounting	-113	-158
less value adjustments	-112	-100
	18,060	14,829

Long-term receivables from a client amounting to KEUR 1,333 (P. Y: KEUR 1,415), as no interest rate was stipulated, are discounted at a cash value of KEUR 1,220 (P. Y: KEUR 1,257). All other trade receivables shown are due within a year and are shown as current receivables.

Value adjustments were made on receivables amounting to KEUR 148 (P. Y: KEUR 124). Depreciations of trade receivables were as follows:

(KEUR)	31 March 2015	31 March 2014
As of 1 April	100	63
Availment	-7	-7
Reversal	-4	-5
Addition	23	49
	112	100

As of 31 March 2015, trade receivables in the amount of KEUR 16,726 (P. Y: KEUR 13,664) 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 were overdue in the following periods:

(KEUR)	31 March 2015	31 March 2014
up to 30 days	874	864
31 to 90 days	81	121
91 to 180 days	305	103
181 days to one year	38	53
more than one year	0	0
	1,298	1,141

As one of several 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. The credit line is not being made use of on the balance sheet date.

Of the trade receivables shown, KEUR 8,583 (P. Y: KEUR 8,794) 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, the 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 KEUR 4,252 (P. Y: KEUR 3,987) under financial assets. The advance payments already made by VVA on receivables not yet balanced in the amount of KEUR 895 (P. Y: (KEUR 983) 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

(KEUR)	31 March 2015	31 March 2014
Other accruals and deferrals	565	374
Value-added tax refund claims	382	197
Other	4	10
	951	581

All amounts are realisable within a year.

13. Cash and cash equivalents

(KEUR)	31 March 2015	31 March 2014
Accounts at financial institutions		
Sight deposits and fixed deposits	13,593	12,145
Cash assets	31	18
	13,624	12,163

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

14. Equity

Since the initial public offering in October 2013, the parent company's share capital has consisted of 13,300,000 no-par value shares with a calculated proportion of the share capital of EUR 1.00 each, thus totalling EUR 13,300,000.00.

In the course of the initial public offering, 51,200 treasury shares were acquired at a price of EUR 7.50. 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 x EUR 6.50 =) EUR 332,800.00 was deducted from the capital reserves. 100 of these shares each were transferred to nine authors free of charge in the last quarter of the previous financial year, while three further authors received 100 shares each in the first quarter of the current financial year in order to strengthen their ties with Bastei Lübbe. The corresponding allocations in the share capital and in the capital reserves were reversed on a pro rata basis.

The parent company acquired 50,000 treasury shares in the third quarter of the financial year at an average price of EUR 7.0266 per share. This re-purchase is based on the authorisation to re-purchase treasury shares issued by the Shareholders' Meeting held on 10 September 2013. The acquired shares can be used for any legally-permissible purposes.

The corresponding share in the notional share capital of €50,000.00 was deducted from the share capital, and the further amount of (50,000 x €6.0266 =) €301,330.00 was deducted from the capital reserves.

Hence 13,200,000 issued and fully paid, no-par value shares in Bastei Lübbe AG were in circulation at the balance sheet date. The development of the number of shares in circulation in the current financial year is as follows:

(shares)	2014/2015	2013/2014
As of 1 April	13,249,700	0
IPO	0	13,300,000
Acquisition of own shares	-50,000	-51,200
Issue of shares (free of charge)	300	900
As of 31 March	13,200,000	13,249,700

Retained earnings comprise annual net profit and profit carried forward. As in the previous year, profit carried forward includes amounts of KEUR 1,920 from the additional evaluations and revaluations carried out in preparation for the IFRS opening balance sheet as of 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.

In accordance with the resolution passed by the ordinary general meeting on 17 September 2014, a dividend of EUR 0.28 per participating share (excluding ordinary shares) was distributed to the shareholders from the net earnings of Bastei Lübbe for the 2013/2014 financial year (KEUR 3,710 in total). The treasury shares held by the company as at the time the resolution was taken are not entitled to participate in dividends pursuant to section 71b of the Companies Act (AktG). Furthermore, a resolution was also passed to carry forward the remaining net earnings of KEUR 5,323.

Cumulated other income includes actuarial losses in connection with partial-retirement obligations to employees shown under long-term reserves. The amounts shown as cumulated other income were calculated in consideration (balancing) of the deferred taxes due in the amount of KEUR 5 (P. Y: KEUR 22). The amounts shown will not be reclassified in the profit and loss statement in future.

The minority interests of outside shareholders concern minority interests relating to Daedalic and BookRix, and have developed as follows in the past Group financial year:

(KEUR)	Daedalic	BookRix
Receipt in framework of initial consolidation	2,975	27
pro rata profit/loss for the year	-259	-103
minus dividend payments	0	0
As of 31 March 2015	2,716	-76

15. Earnings per share

In calculating earnings per share (EUR 0.80/share, P. Y: EUR 0.75 per share), the following period result was attributed to the shareholders of the parent company and the average number of shares in circulation (13,226,987 shares, P. Y: 11,557,780 shares) as a weighted average while offsetting the treasury shares held by the Company. The calculation was carried out in the same period of the previous year as if the parent company had already been a public limited company with a capital stock of TEUR 10,000 at the beginning of the financial year, prior to the IPO.

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).

Net liabilities developed as follows:

(KEUR)	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Present value of partial-retirement obligation	393	674	843	1,063
Fair value of plan assets	-274	-418	-519	-628
	119	256	324	435

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

(KEUR)	2014/2015	2013/2014
As of 1 April	674	843
Current service cost	0	48
Interest expense	4	6
Payments	-269	-286
Actuarial profits ("–")/losses	-16	63
As of 31 March	393	674

The anticipated payments due in the following financial year amount to KEUR 191 (P. Y: (KEUR 269)

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:

(KEUR)	2014/2015	2013/2014
As of 1 April	418	519
Deposits	0	52
Disbursements	-155	-170
Balanced earnings	11	17
As of 31 March	274	418

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 general 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:

(KEUR)	As of 1 April 2014	Avail ment	Addition	As of 31 March 2015
long-term				
archiving costs	98		1	99
Short-term				
remittances	5,105	5,105	5,050	5,050
Litigation	620	95	14	539
Specific risks receivables from factoring	197		276	473
Other	8		1	9
	5,930	5,200	5,341	6,071
	6,028	5,200	5,342	6,170

The provisions for returns refer to the anticipated returns of published products. Customers are given credit notes for 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 appropriate 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 development of returns over time has been calculated by the Company 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 retained 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

(KEUR)

As of 31 March 2014

Total (to/from)	liabilities	of which with a remaining term of		
		up to 1 year	more than 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
	33,779	4,047	29,732	0

(KEUR)

As of 31 March 2015

Total (to/from)	liabilities	of which with a remaining term of		
		up to 1 year	more than 1 year up to 5 years	more than 5 years
Bonds	30,000	0	30,000	0
Balanced processing charges	-421	0	-421	0
Accrued interest on bond	874	874	0	0
Finance leases	421	313	108	0
Employees	2,673	2,673	0	0
Debtors with credit balance	211	211	0	0
Other	114	114	0	0
	33,872	4,185	29,687	0

On 26 October 2011, the parent 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. In as far as planned recapitalisation after bond repayment is concerned, we refer to Note 45.

The handling fees paid in 2011 amounting to KEUR 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, KEUR 153 from this amount (P. Y: KEUR 421) 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. At the balance sheet date, liabilities to banks amounted to only KEUR 1 (P. previous year: none)

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.

Lease liabilities reported can be classified by maturity as follows:

(KEUR)	Future minimum leasing rate		interest portion Interest component		interest portion Repayment portion (=cash value)	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
within one year	345	345	32	42	313	303
between 1 and 5 years	-147	492	39	71	108	421
in more than five years	0	0	0	0	0	0
	492	837	71	113	421	724

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.

19. Trade liabilities

Trade liabilities (KEUR 12,124; P.Y.: 13,105) essentially comprise royalties owed to authors and agencies, liabilities towards printing companies and liabilities under advisory services and lease agreements.

20. Other liabilities

(KEUR)	31 March 2015	31 March 2014
Liabilities (to/from)		
Accruals and deferrals	2,410	0
Advances received	1,460	0
Other taxes	379	288
Other	272	87
	4,521	375

These liabilities are accounted for at their updated acquisition costs, unless stated otherwise.

The advance payments were made by customers for pre-financing the development of computer games. After the development of the relevant computer games is complete, the corresponding advance payments will be requalified and written back as deferred items over a period of usually five years.

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

The following indicated amounts have residual maturities of more than one year:

Notes to the statement of comprehensive income

(KEUR)	31 March 2015	31 March 2014
Liabilities (to/from)		
Accruals and deferrals	1,390	0
Advances received	1,130	0
Other	100	0
	2,620	0

The profit and loss statement is organised by types of expense (total cost procedure). The figures for the financial year are only partly comparable with those of the previous financial year, as the companies Daedalic, BookRix and BEAM have been included in the consolidated financial statements of Bastei Lübbe for the first time (and are the reason for the first-time consolidated financial statements). A balance sheet and a profit and loss statement are attached to this appendix to allow for a comparison with the figures presented in the annual report for the previous year. These attachments provide a juxtaposition of the current figures of Bastei Lübbe's separate financial statements (without consolidated effects) with the corresponding figures of the previous year.

21. Sales revenue

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

(KEUR)	2014/2015	2013/2014
Gross revenues books	85,732	91,399
Remittances books	-7,200	-7,730
Net revenues books	78,532	83,669
Revenues licensing/other revenues	3,107	4,528
Revenue deductions	-2,390	-2,407
Books segment	79,249	85,790
Revenues non-book	18,998	11,974
Revenues licensing/other revenues	2,081	389
Revenue deductions	-585	-868
Non-book segment	20,494	11,495
Gross revenues novel booklets and puzzle magazines	30,396	31,645
Remittances novel booklets and puzzle magazines	-20,090	-21,538
Net revenues novel booklets and puzzle magazines	10,306	10,107
Revenues licensing/other revenues	145	142
Revenue deductions	0	0
Novel booklets and puzzle magazines segment	10,451	10,249
Total net revenues	110,194	107,534

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

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

(KEUR)	Inventory		Changes in inventory	
	31 March 2015	31 March 2014	2014/2015	2013/2014
Unfinished products	696	621	75	183
Finished goods	18,179	17,780	399	883
			474	1,066
less changes due to changes in the group of consolidated companies			0	0
			474	1,066

23. Other operating income

(KEUR)	2014/2015	2013/2014
Revenue from the sale of 55% of BEAM shares	3,548	0
Profit from the transition consolidation of BEAM	3,707	0
Income from reallocation of costs to affiliated companies	0	205
Benefits in kind	227	239
Insurance compensation, indemnification	341	19
Income from copyright infringements	76	0
Gains on currency exchange	172	65
Rental income	14	13
Staff sales and meal allowances	54	47
Income from the liquidation of specific bad debt allowances	4	225
Income from written-off receivables	18	48
Income from writing off liabilities	200	4
Other	191	61
	8,552	926

As far as revenues from the sale and revaluation of BEAM shares are concerned, we refer to Note 4.

24. Cost of materials

(KEUR)	2014/2015	2013/2014
Expenses for fees and depreciation of royalties	23,845	23,088
Print, layout, repro, audio books	19,285	19,919
Procurement of the "Räder" product range	6,239	3,774
Image copyright and graphic work	1,062	1,165
Proofreading, editing	225	216
External publications	279	405
Merchandise	31	408
License fees (royalties)	1,142	0
Third-party services game development	788	0
Other services purchased	163	0
	53,059	48,975

We refer to Note 6 regarding depreciations on author royalties.

25. Personnel costs

(KEUR)	2014/2015	2013/2014
Wages and salaries	18,356	15,710
Employee share of statutory pension insurance	1,430	1,227
Other social security contributions	1,576	1,605
Expenditures for employment termination benefits	121	357
Other	343	294
	21,826	19,193

26. Depreciation/amortisation

(KEUR)	2014/2015	2013/2014
Scheduled depreciation		
Intangible assets	1,905	714
Fixed assets	1,015	991
	2,920	1,705
Extraordinary depreciation		
Intangible assets	240	0
Fixed assets	0	0
	240	0
	3,160	1,705

An extraordinary depreciation on internally-generated intangible assets in the amount of KEUR 240 was made in the current financial year because it became clear that an internally-developed computer game would not be generating sufficient turnover to cover its development costs. In addition, no extraordinary depreciations on intangible assets and property, plant and equipment were necessary in the current or previous financial year - be it in the context of impairment tests or for other reasons.

27. Other operating expenses

(KEUR)	2014/2015		2013/2014	
Operating expenses				
Rents and other premises costs	2,193		1,921	
Lease expenses	81		72	
Maintenance costs		111		31
Other operating expenses	<u>78</u>	<u>2,463</u>	<u>74</u>	<u>2,098</u>
Administrative expenses				
Legal, consulting and audit costs	2,351		2,899	
Vehicle costs	679		730	
External data processing costs	675		817	
Telephone, postage, Internet	593		577	
other personnel expenses	363		325	
Office supplies, magazines	141		184	
Entertainment expenses	138		122	
Insurance	93		120	
Subscriptions, fees	240		159	
Other administrative expenses	<u>655</u>	<u>5,928</u>	<u>296</u>	<u>6,229</u>
Selling expenses				
Advertising and travel expenses	9,519		8,020	
Outgoing freight, transport and storage costs	6,383		6,230	
Sales commissions	1,629		1,702	
eBook distribution costs	230		207	
Online shop distribution costs	0		204	
Other selling expenses	<u>158</u>	<u>17,919</u>	<u>162</u>	<u>16,525</u>
Non-operating expenses				
Value adjustments on receivables	356		197	
Exchange rate losses	133		23	
Losses from disposals of assets	16		30	
Donations	51		31	
Other non-operating expenses	<u>146</u>	<u>702</u>	<u>3</u>	<u>284</u>
		<u>27,012</u>		<u>25,136</u>

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.

28. Earnings from investments

The result of participations is derived from the following companies:

(KEUR)	2014/2015	2013/2014
Result from at-equity-accounted investments		
Präsenta Promotion International	70	-455
BEAM AG (as of 31 March 2015)	0	0
	70	-455
Other earnings from investments		
Siebter Himmel Bastei Lübbe GmbH	0	226
MoBa GmbH, Brno, Czech Republic	260	139
Miscellaneous press distributorships	18	35
	278	400
	348	-55

29. Financial result

(KEUR)	2014/2015	2013/2014
Finance income		
Income from instant access/fixed-term deposit accounts	49	34
Income from accumulation of long-term trade receiv.	45	36
Interest income from affiliated companies	10	3
Interest income from associated companies	32	26
Balanced interest income from covered funds for partial-retirement provisions	10	14
Net interest expense from the discounting of partial-retirement provisions	-4	-6
Other	9	6
	151	113
Financial expenses		
Interest expense from bonds	-2,025	-2,025
Processing charges for bonds	-268	-268
Interest portion on the lease payments from finance leasing obligations	-43	-62
Expenses from the discounting of long-term trade receiv.	0	-42
Expenses from current accounts	-15	-77
Other	-26	-31
	-2,377	-2,505
Financial result	-2,226	-2,392

30. Income tax expense

(KEUR)	2014/2015	2013/2014
Taxes paid or due		
for the current year	1,978	3,281
for previous years	-6	6
	1,972	3,287
Deferred taxes		
on temporary differences	117	165
on changes in losses carried forward	-52	0
	65	165
	2,037	3,452

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 anticipated tax expense for the past financial year as shown below:

(KEUR)	2014/2015	2013/2014
Earnings before income taxes	12,285	12,071
Expected Income tax expense (32.45%)	3,986	3,917
Change in tax rate	0	-628
Permanent differences in long-term assets	-1,484	-41
Deconsolidations	-42	0
Non-deductible operating expenses	-1,133	-64
Trade tax corrections	149	123
At-equity-accounted investments	-23	148
Non-recognition of deferred taxes on losses carried forward	672	0
Taxes from previous years	-6	6
Other	-82	-9
Actual income tax expenditure	2,037	3,452

31. Shares in the net profit or loss for the period, pertaining to minority interests of outside shareholders

The shares in the profit and loss pertaining to minority shareholders of Daedalic and BookRix in the amount of KEUR 362 represent the minority shareholder share in the losses of the two abovementioned companies.

Other disclosures

32. Notes on the adjustment to IFRS-based consolidated financial statements

As mentioned above, the financial statements for the financial year 2014/2015 are the first consolidated financial statements prepared according to IFRS. It was necessary to prepare an IFRS-consolidated opening balance sheet as of 1 April 2014 based on the individual accounts of Bastei Lübbe as of 31 March 2013, which were also prepared in accordance with IFRS.

The only item in which the IFRS individual financial statements differ from the IFRS consolidated financial statements up to and including 31 March 2014 is the disclosure and valuation of the joint venture Präsenta (see Note 4). In this context, the proportionate earnings of Präsenta for the period of its affiliation to the group had to be recognised as follows:

(KEUR)	2012/2013	2013/2014	Total
pro rata results	-110	-410	-520
Customer relationship amortisation	-33	-66	-99
applicable deferred tax	11	21	32
Result from at-equity-accounted investments	-132	-455	-587

As well as disclosure in a separate balance sheet item, this resulted in the following changes in disclosure in the balance sheets:

(KEUR)	BL AG 1 April 2013	Group 1 April 2013	Changes 1 April 2013
Assets			
At-equity-accounted investments	2,229	0	2,229
Financial investments	1,451	3,812	-2,361
	3,680	3,812	-132
Liabilities			
Retained earnings	2,978	2,978	0
Net profit or loss for the period	7,790	7,922	-132
Net profit	10,768	10,900	-132

(KEUR)	BL AG 31 March 2014	Group 31 March 2014	Changes 31 March 2014
Assets			
At-equity-accounted investments	1,774	0	1,774
Financial investments	1,706	4,067	-2,361
	3,480	4,067	-587
Liabilities			
Retained earnings	3,486	3,618	-132
Net profit or loss for the period	8,619	9,074	-455
Net profit	12,105	12,692	-587

33. 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 reporting year 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. These correspond to the balance sheet item "Cash and cash equivalents" (in the previous year this included short-term securities, which were reported in the financial assets).

The total amount (balance) of income tax payments made in the previous financial year is KEUR 72 (P. Y: KEUR 1,064). Interest payments amount to KEUR 2,009 (P. Y: KEUR 2,126).

The result for the period (KEUR 10,248, P. Y: KEUR 8,619) has increased by KEUR 1,629 year-on-year. After adding the significantly higher depreciations (KEUR 3,160 and KEUR 1,704 in the previous year) due to the extension in the scope of consolidation, and after deducting the income and expenses from the sale of 55 % and the transitional consolidation of the remaining 45 % of the holdings in BEAM AG, the cash flow from current business operations amounts to TEUR 6,090 (P. Y: KEUR 12,681), which represents a decrease of KEUR 6,591. This is attributable in particular to the budgetary commitment in the trade receivables amounting to KEUR 2,555.

Due to significant investments in intangible assets (KEUR 5,392, of which TEUR 3,590 relate to the subsidiary Daedalic) and the payments for the acquisition of the fully-consolidated subsidiaries Daedalic and BookRix (total TEUR 4,016 - accounted for with the cash acquired in the context of the acquisition), a cash outflow of KEUR 10,265 resulted in the reporting year from investment activities (P. Y: KEUR 3,244). The consideration for the acquisition of the two above-mentioned holdings consisted only of payment instruments.

The cash flow from financing activities in the reporting year shows a total cash outflow of KEUR 4,364, mainly relating to shareholder dividend payments (KEUR 3,710). In the previous reporting year, the high inflow of funds (KEUR 12,647) could especially be attributed to the capital increase placed during the initial public offering.

Thus, there was an overall cash-effective increase of cash funds of KEUR 1,461 (P. Y: KEUR 22,084).

34. Segment reporting

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

A distinction is made between the following segments:

- Books
- Non-book
- Novels and puzzle magazines

Books

The books segment comprises all print, audio and e-book products which can be considered books. This also includes digital series. The books segment sells products for various labels, mainly in hardcover, paperback, pocket book, audio (digital and physical) and e-book formats. The business operations of the companies BookRix and BEAM, which were acquired or founded in the financial year, can also be allocated to this segment.

Non-book

In particular, the non-book segment comprises gift items sold under the Räder label, as well as merchandise and similar products. This also applies to the business activities of the holdings in Präsenta (valued at equity) and Daedalic (fully consolidated), which were acquired in 2012 or in the current financial year.

Novels and puzzle magazines

The “novel booklets and puzzle magazines” segment comprises the physical novel booklets - including “romantic novels” and mystery fiction novels -, as well as puzzle magazines.

The segments performed as follows over the past financial year:

(KEUR)	Books		Non-book		Novel booklets and Puzzle magazines		Total	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
Segment sales revenue	79,349	85,790	20,499	11,495	10,451	10,249	110,299	107,534
Internal sales	100	0	5	0	0	0	105	0
External sales	79,249	85,790	20,494	11,495	10,451	10,249	110,194	107,534
EBITDA	12,602	15,482	3,122	-616	1,947	1,302	17,671	16,168
Included								
earnings from investments	0	70	70	-229	278	104	348	-55
Depreciation/amortisation	935	907	2,049	616	176	182	3,160	1,705
EBIT	11,667	14,575	1,073	-1,232	1,771	1,120	14,511	14,463
Financial result							-2,226	-2,392
Earnings before taxes (EBT)							12,285	12,071
Taxes on income and earnings							2,037	3,452
Net profit or loss for the period							10,248	8,619

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

BookRix and Daedalic contributed to the aforementioned sector figures as follows (each from their respective initial consolidation dates, 1 May or 1 June 2014):

(KEUR)	BookRix	Daedalic
	(Books)	(non-book)
	2014/2015	
Segment sales revenue	1,240	6,038
Internal sales	0	5
External sales	1,240	6,033
EBITDA	-240	1,675
Income from investments included therein	0	0
Depreciation/amortisation	5	1,438
EBIT	-245	237
Financial result	-7	0
Earnings before taxes (EBT)	-252	237
Taxes on income and earnings	0	320
Net profit or loss for the period	-252	-83

The following amounts accrued at BEAM between the time of its foundation in August 2014 and its departure from the group of fully-consolidated companies on 31 March 2015: Sales revenue KEUR 222, EBIT KEUR - 181, profit for period KEUR - 129.

The following table shows the geographical make-up of the sales revenue for the segments:

(KEUR)	Germany		Foreign countries		Total	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
External sales revenue	91,225	89,412	18,969	18,122	110,194	107,534

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 each from its two largest clients. The amount of income received from these clients is distributed across the segments as follows (all in KEUR):

(KEUR)	books		Non-book		Novel booklets and Puzzle magazines		Total	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
	20,867	23,221	846	681	0	0	21,713	23,902

Assets, liabilities and investments are not segmented on the basis of operative business areas 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.

35. Capital management

Equity comprises share capital less acquired own shares, capital provisions, net profit and cumulated other income.

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

The company is intending to pay out at least 40% of distributable profit as a dividend to the shareholders.

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 is to expand revenue, and to increase the EBITDA 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 (primarily book projects). The corresponding tools are available here. Projects in the book segment may only be approached if a minimum return of 8% is achieved. After their completion, all projects are recosted and discussed with the relevant members of staff.

36. Financial instruments

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

(KEUR)	Book value		Fair value	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Assets				
Loans and receivables				
Cash and cash equivalents	13,624	12,163	13,624	12,163
Trade receivables	18,060	14,829	18,060	14,829
(Debenture) bonds	0	10,000	0	10,000
Other non-derivative financial assets	10,211	5,919	10,211	5,919
Available for sale				
investments	1,050	905	1,050	905
	42,945	43,816	42,945	43,816
Liabilities				
Liabilities				
... trade accounts receivable	12,240	13,105	12,240	13,105
... from bond issued	30,453	30,185	32,703	32,960
... to banks	1	-128	1	-128
... from finance leases	421	724	420	728
Other non-derivative liabilities	2,997	2,998	2,997	2,998
	46,112	46,884	48,361	49,663

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 evaluated 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 of the same kind,
- 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 the 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 above. The use of observable market parameters prevents the evaluation from deviating from general market assumptions. There are no Level 3 financial instruments 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.

(KEUR)	31 March 2015	31 March 2014
Assets		
Loans and receivables		
Cash and cash equivalents	117	1
Trade receivables	-322	87
	-205	88
Liabilities		
Liabilities		
... trade accounts receivable	110	45
	110	45

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.

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 KEUR 38 (P. Y: KEUR 36) and no expenditures (P. Y: KEUR 42) from the discounting of new long-term receivables.

37. 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 secured in the form of trade credit insurance. Receivables greater than KEUR 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 (a Bertelsmann subsidiary in Gütersloh). Given the involvement of recourse factoring, VVA also liquidates the receivable against the clients, mainly booksellers. VVA carries provides this service to 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 contracting 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 KEUR 45,500 (P. Y: KEUR 37,610).

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 however not being used at present. 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 are analysed.

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

As of 31 March 2014

(KEUR)	Book value	total	undiscounted cash outflows			
			up to 30 days	more than 30 days, up to 180 days	more than 180 days up to 1 year	more than 1 year
Trade accounts payable	13,105	13,105	4,237	5,029	3,839	0
Bond, incl. interest	30,874	36,075	0	0	2,025	34,050
Finance leases	724	837	29	144	172	492
Other non-derivative liab.	2,870	2,870	120	2,449	301	0
	47,573	52,887	4,386	7,622	6,337	34,542

As of 31 March 2014

(KEUR)	Book value	total	undiscounted cash outflows			
			up to 30 days	more than 30 days up to 180 days	more than 180 days up to 1 year	more than 1 year
Trade accounts payable	12,240	12,240	4,948	4,845	2,447	0
Bond, incl. interest	30,874	34,050	0	0	2,025	32,025
Finance leases	421	492	29	144	172	-147
Other non-derivative liab.	2,998	2,998	139	2,510	349	0
	46,533	49,780	5,116	7,499	4,993	32,172

Gross inflows and outflows particularly include future interest payment obligations in addition to the liabilities' carrying values. The processing fees settled with 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 KUSD 1,800 (equivalent to KEUR 1,575) 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

Any interest rate 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 KEUR 1,125 and a market value of EUR 0. No borrowing is planned for the current financial year.

38. 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 direct guarantee and from a joint liability for Präsenta to the amount of KEUR 1,500. The risk of claims from these guarantees is classified as low as there are currently no reasons to believe that the holding 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 in the industry are contained in the underlying agreements. Office premises are rented for a fixed period of up to seven 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 KEUR 1,942 (P. Y: KEUR 1,823) 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 the subsequent years:

(KEUR)	31 March 2015	31 March 2014
within one year	2,324	2,254
between 1 and 5 years	6,565	7,115
in more than five years	2,349	3,746
	11,238	13,115

(c) Other financial obligations

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

(KEUR)	31 March 2015	31 March 2014
within one year	361	346
between 1 and 5 years	248	391
in more than five years	0	0
	609	737

39. Notes on related companies and parties

Until his death on 13 October 2014, Stefan Lübbe was majority shareholder of Bastei Lübbe, both directly through the shares which he owned and indirectly through shares attributable to him, but held by Lübbe Beteiligungs GmbH, Cologne. Since then, this role has been taken over by his wife, Birgit Lübbe. A consultancy agreement was signed with Mr Lübbe on 27 August 2013. From April to October 2014, Mr Lübbe received a fee in the amount of KEUR 318 including expenses for his services. On 26 November 2014, an agreement was reached with Birgit Lübbe that she would assume representational duties. A total of KEUR 56 in fees and expenses resulted from this agreement in the 2014/2015 financial year. No other business transactions were made with controlling shareholders of Bastei Lübbe.

Legal transactions were entered into with other related companies and individuals in the previous financial year. These were incorporated into the consolidated income statement as follows:

(KEUR)	2014/2015	2013/2014
Affiliated companies		
Sale of goods	34	20
other operating income	100	205
Services purchased	-13	-90
Interest income	17	3
	138	138
Associated companies		
Purchase of goods	-13	-52
Sale of goods	44	64
Services rendered	120	120
Interest income	32	26
	183	158
Executive Board, Supervisory Board and related individuals (not incl. remuneration)		
Other operating expenses	-82	-749
	239	-453

The consolidated balance sheet includes the following receivables and liabilities with related companies and individuals as per the balance sheet date:

(KEUR)	31 May 2015	31 March 2014
Affiliated companies		
Trade accounts receivable	120	0
Other receivables	600	388
	720	388
Associated companies		
Trade accounts receivable	129	2
Other receivables	800	1,320
	929	1,322
Executive Board, Supervisory Board and related individuals (not incl. remuneration)		
Other liabilities	0	-8
	1,649	1,702

40. Statement of compliance pursuant to section 161 AktG

The statement of compliance is permanently available for public viewing on the website of Bastei Lübbe at "<https://www.luebbe.com/en/investor-relations/corporate-governance/corporate-governance-statement>".

41. Executive bodies

The members of the Supervisory Board are:

- Dr. Friedrich Wehrle, Stuttgart (Chair), *Diplom-Kaufmann*
Dr. Wehrle is shareholder of Outstore GmbH, shareholder of FST Marketing GmbH and Managing Partner of FamilyLoft GmbH
- Prof. Dr. Michael Nelles, Essen (Vice Chair), economist
Prof. Dr. Nelles is a member of the Executive Board of Conpair AG, CEO of Conpair Corporate Finance GmbH, CEO of Conpair Portfolio Management GmbH, Vice Chairman of the Supervisory Board of the midmarket segment of Düsseldorf Stock Exchange and Advisory Council of Bilfinger Berger Power Service GmbH.
- Prof. Dr. Gordian Hasselblatt, Cologne, lawyer
Prof. Dr. Hasselblatt is a partner at the CMS Hasche Sigle, Partnership of Lawyers and Tax Consultants.

The total emoluments of the Supervisory Board (not incl. non-variable remuneration) and their allocation for the financial year 2014/2015 are illustrated in the following table:

(KEUR)	2014/2015
Dr. Friedrich Wehrle/Chair of the Supervisory Board	60
Prof. Dr. Michael Nelles, Vice Chair	45
Prof. Dr. Gordian Hasselblatt	30
Total	135

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

- Thomas Schierack, Cologne (Chair),
- Klaus Kluge, Cologne,
- Felix Rudloff, Cologne.
- Mr Jörg Plathner, Stuttgart, (as of 1 September 2014).

The total emoluments of the Executive Board for the financial year 2014/2015 are illustrated in the following table:

(KEUR)	Non-variable compensation	Emoluments	Management bonuses	Total
Thomas Schierack	400	12	221	633
Klaus Kluge	260	7	133	400
Felix Rudloff	200	9	133	342
Jörg Plathner	146	12	77	235

42. Employees

An average of 401 (P. Y: 288 at Bastei Lübbe) staff members were employed by the Group. On 31 March 2015, the Group employed a total of 420 staff members.

43. Group auditor fees

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

(KEUR)	2014/2015	2013/2014
Statutory auditing services	110	53
Other attestation services	and	319
Tax advisory services	and	and
Other services	and	32
	110	404

44. Group affiliation

Bastei Lübbe, Cologne, Germany, is a listed parent company, and thus required to compile a consolidated financial statement pursuant to section 315a(1) HGB (German Commercial Code) in accordance with the

International Financial Reporting Standards (IFRS). This statement is published in the Federal Gazette (Bundesanzeiger) and in the business register (Cologne Local Court, HRB 79249).

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

Two voting right notifications were published on 2 June 2014:

“Bastei Lübbe: 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 30 May 2014 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had dropped below 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: 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, Cologne, Germany, had dropped 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).

On 21 October 2014, the following voting rights notification was made public:

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

Birgit Lübbe, Germany, informed us on 17 October 2014 in accordance with section 21(1) of the Securities Trading Act (WpHG) that her share in the voting rights of Bastei Lübbe, Cologne, Germany, had dropped below the threshold of 50 percent of the voting shares on 13 October 2014 (corresponding to 6,500,000 voting shares). 12.78% of the voting rights (corresponding to 1,700,000 voting rights) are attributable to Ms Lübbe in accordance with section 22(1) No. 1 of the Securities Trading Act (WpHG). At the same time, allocated voting rights are maintained in the following company controlled by Birgit Lübbe, whose share of voting rights amounts to 3% or more: Lübbe Beteiligungs-GmbH.”

Three voting right notifications were published on 24 October 2014:

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

Diana Roggen, Germany, informed us on 24 October 2014 in accordance with section 21(1) of the Securities Trading Act (WpHG) that her share in the voting rights of Bastei Lübbe, Cologne, Germany, had exceeded the threshold of 3 percent of the voting shares on 13 October 2014 and amounted to 3.01 percent on this date (corresponding to 400,000 voting shares).

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

Eva Meinecke, Germany, informed us on 24 October 2014 in accordance with section 21(1) of the Securities Trading Act (WpHG) that her share in the voting rights of Bastei Lübbe, Cologne, Germany, had exceeded the threshold of 3 percent of the voting shares on 13 October 2014 and amounted to 3.01 percent on this date (corresponding to 400,000 voting shares).

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

Andreas Roggen, Germany, informed us on 24 October 2014 in accordance with section 21(1) of the Securities Trading Act (WpHG) that his share in the voting rights of Bastei Lübbe, Cologne, Germany, had exceeded the threshold of 3 percent of the voting shares on 13 October 2014 and amounted to 3.01 percent on this date (corresponding to 400,000 voting shares).

46. Events after the reporting date

The following notifications in accordance with section 20(6) of the Company Act and notices published pursuant to section 26(1) of the German Securities Trading Act (Wertpapierhandelsgesetz- WpHG) (section 160(1) No. 8 AktG) came in following the reporting date.

On 9 April 2015, the following voting rights notification was made public:

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

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 9 April 2015 in accordance with section 21(1) of the Securities Trading Act (WpHG) that its share in the voting rights of Bastei Lübbe, Cologne, Germany, had dropped below the thresholds of 10 and 5 percent of the voting shares on 2 April 2014 and now amounted to 3.008 percent (corresponding to 400,000 voting shares).”

Two voting right notifications were published on 13 April 2015:

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

Allianz SE, Munich, Germany, informed us on 10 April 2015 in accordance with section 21(1) of the Securities Trading Act (WpHG) that its share in the voting rights of Bastei Lübbe, Cologne, Germany, had exceeded the thresholds of 3 and 5 percent of the voting shares on 8 April 2015 and amounted to 9.77 percent on this date (corresponding to 1,300,000 voting shares).

The voting rights are attributed to Allianz SE pursuant to section 22(1) sentence 1 No. 1 WpHG and section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights attributed to Allianz SE pursuant to section 22(1) sentence 1 No. 1 WpHG were attributed via the following companies controlled by Allianz SE, whose respective voting rights in Bastei Lübbe were 3% or more:

Allianz Deutschland AG and Allianz
Lebensversicherungs-AG

At the same time, these voting rights were also attributed to Allianz SE by a shareholder whose voting rights in Bastei Lübbe were 3% or more, in accordance with section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG:

Allianz Lebensversicherungs-AG

At the same time, Allianz SE, Munich, Germany, informed us on 10 April 2015 in accordance with section 21(1) WpHG in conjunction with section 24 WpHG that:

1. The share in the voting rights of Bastei Lübbe of Allianz Deutschland AG, Munich, Germany, exceeded the threshold of 3 and 5 percent on 8 April 2015 and amounted to 9.77 percent (corresponding to 1,300,000 voting shares). These voting rights were attributed to Allianz Deutschland AG pursuant to section 22(1) sentence 1 No. 1 WpHG.

The voting rights attributed to Allianz Deutschland AG were held via the following companies controlled by Allianz Deutschland AG, whose respective voting rights in Bastei Lübbe were 3% or more:

Allianz Lebensversicherungs-AG

2. The share in the voting rights of Bastei Lübbe, Cologne, Germany, of Allianz Lebensversicherungs-AG, Stuttgart, Germany, exceeded the threshold of 3 and 5 percent on 8 April 2015 and amounted to 9.77 percent (corresponding to 1,300,000 voting shares).

3. The share in the voting rights of Bastei Lübbe, Cologne, Germany, of Allianz Asset Management AG, Munich, Germany, exceeded the threshold of 3 and 5 percent on 8 April 2015 and amounted to 9.77 percent (corresponding to 1,300,000 voting shares). These voting rights were attributed pursuant to section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights were attributed from a shareholder whose voting rights were 3% or more in accordance with section 22(1) sentence 1 No. 6 in conjunction with sentence 2 WpHG:

Allianz Lebensversicherungs-AG

4. The share in the voting rights of Bastei Lübbe, Cologne, Germany, of Allianz Global Investors GmbH, Munich, Germany, exceeded the thresholds of 3 and 5 percent on 8 April 2015 and amounted to 9.77 percent (corresponding to 1,300,000 voting shares). The voting rights were attributed pursuant to section 22(1) sentence 1 No. 6 WpHG.

The voting rights were attributed from a shareholder whose voting rights were 3% or more in accordance with section 22(1) sentence 1 No. 6 WpHG:

Allianz Lebensversicherungs-AG”

“Amendment to the publication from 9 April 2015, 11:19 a.m. CET - Bastei Lübbe: Publication pursuant to section 26(1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), intended for Europe-wide distribution

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 13 April 2015 in accordance with section 21(1) of the Securities Trading Act (WpHG) that its share in the voting rights of Bastei Lübbe, Cologne, Germany, had dropped below the thresholds of 10 and 5 percent of the voting shares on 8 April 2014 and now amounted to 3.008 percent (corresponding to 400,000 voting shares).”

On 20 April 2015, the following voting rights notification was made public:

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

Lübbe Beteiligungs-GmbH, Cologne, Germany, informed us on 20 April 2015 in accordance with section 21(1) WpHG that its share in the voting rights of Bastei Lübbe, Cologne, Germany, had dropped below the threshold of 3 percent of the voting shares on 16 April 2014 and now amounted to 0 percent (corresponding to 0 voting shares).

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

Cologne, 11 June 2015

Bastei Lübbe AG

The Executive Board



Thomas Schierack

Klaus Kluge

Felix Rudloff

Jörg Plathner

PHILIPP MÖLLER

**ISCH HAB
GEISTERBLITZ**



**NEUE WORTSCHÄTZE
VOM SCHULHOF**

**BASTEI
LÜBBE**

Supplementary information

Responsibility statement

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.

We herewith make assurances to the best of our knowledge that, in line with the applicable accounting principles, the consolidated financial statements of Bastei Lübbe AG, Cologne, Germany, present a true and fair view of the Group's net assets, financial position and results of operations as per 31 March 2015, and that the Group's consolidated management report accurately reflects the Group's net assets, financial position and results of operations, as well as the key opportunities and risks of the Group's future development.

Cologne, 11 June 2015

Bastei Lübbe AG

The Executive Board




Thomas Schierack



Klaus Kluge



Felix Rudloff



Jörg Plathner

Copy of the auditor's opinion

We have audited the consolidated financial statements of Bastei Lübbe - consisting of the consolidated profit and loss account, consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and consolidated notes - for the financial year from 1 April 2014 to 31 March 2015. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable within the EU and with the supplementary provisions of section 315 a(1) HGB are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We have conducted our group 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 we plan and perform audits in such a manner that inaccuracies and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements and the Group management report in accordance with the applicable financial reporting framework will, with reasonable assurance, be detected. Knowledge of the business activities and the economic and legal environment of the Company, and expectations as to possible errors, are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the consolidated management report are examined primarily on a test basis within the framework of the audit. The audit covers the assessment of the annual financial statements of the companies that are included in the consolidated financial statements, the delimitation of the consolidated companies, the applied accounting and consolidation principles, the material assessments of the Executive Board, as well as an assessment of the overall presentation of the consolidated financial statements and group 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 based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, and with the additional requirements of German commercial law pursuant to section 315a(1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, and provides on the whole a true and fair view of the Group's position, suitably presenting business opportunities and risks going forward.

Cologne, 15 June 2015

KPMG AG
Audit company

Nicole Stollenwerk
Auditor

Martin Schwegmann
Auditor

Business calendar 2015/2016

14 April 2015	Solventis Equity Forum, Frankfurt am Main
21 May 2015	19. MKK Munich Capital Market Conference, Munich
22 May 2015	Oddo Seydler Nextcap Forum 2015, Paris
30 June 2015	Annual financial statements as of 31 March 2015 Statement of Conformity with GCGC
1 July 2015	Press conference on financial statements/Analysts' conference
13 August 2015	3-month report as of 30 June 2015 (Q1)
16 September 2015	Annual General Meeting
21 September 2015	German Corporate Conference, Munich
22 September 2015	Prior Capital Market Conference, Frankfurt am Main
26 October 2015	Interest payment for Bastei-Lübbe bond (ISIN: DE000A1K0169)
12 November 2015	Semi-annual financial report as of 30 September 2015 (1st semi-annual report)
23 – 25 November 2015	German Equity Forum, Frankfurt/Main
12 February 2016	9-month report as of 31 December 2015 (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. You can also find further corporate information online at www.luebbe.de.

Apart from the employees of Bastei Lübbe AG, the following have contributed towards the drawing up of this business report: Text and concept: CROSSALLIANCE communication GmbH, Freihamer Strasse 2, 82166 Gräfelfing/München, Germany
Printed by: siebeldruckundgrafik, Druckerweg 13/Sattlerweg 2, 51789 Lindlar, Germany Images: © Olivier Favre. Book cover: All book covers shown are taken from Bastei Lübbe's range.



Stefan Lübbecke 1957–2014

GREGS ¹⁰ TAGEBUCH

SO EIN MIST!



Ein
Comic-
Roman

Jeff Kinney

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