Half Year Report

for the Period

April 1, 2011 to September 30, 2011

in Fiscal Year 2011 / 2012

Bastei Lübbe GmbH & Co. KG

Half Year Report

Balance Sheet of Bastei Lübbe GmbH & Co. KG, Cologne

at September 30, 2011

Assets		Balance at Sep. 30, 2011 EUR	Balance at Mar. 30, 2011 EUR
A.	**Fixed assets**		
I.	Intangible fixed assets		
1.	Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	778,926.71	895,204.00
2.	Goodwill	538,128.49	557,697.00
		1,317,055.20	1,452,901.00
II.	Tangible fixed assets		
1.	Land, land rights and buildings including buildings on third-party land	220,612.64	225,974.00
2.	Technical equipment and machinery	25,082.80	23,725.00
3.	Other equipment, operating and office equipment	940,256.90	832,967.32
		1,185,952.34	1,082,666.32
III.	Long-term financial assets		
1.	Shares in affiliated companies	1,400,954.75	186,561.73
2.	Loans to affiliated companies	0.00	0.00
3.	Other long-term equity investments	209,332.47	109,332.47
		1,610,287.22	295,894.20
		4,113,294.76	2,831,461.52
B.	**Current assets**		
I.	Inventories		
1.	Manuscripts	13,054,950.36	13,368,414.91
2.	Prepayments on manuscripts	4,224,176.60	3,676,900.33
3.	Raw materials, consumables and supplies	199,428.29	199,428.29
4.	Work in progress	243,005.00	243,005.00
5.	Finished goods	16,027,262.97	12,631,279.00
6.	Other prepayments	164,526.19	5,850.00
		33,913,349.41	30,124,877.53
II.	Receivables and other assets		
1.	Trade receivables	936,547.01	1,116,859.98
2.	Receivables from partners	881,759.88	0.00
3.	Receivables from related parties	2,820.69	2,960.59
4.	Other assets	14,206,712.29	12,735,583.38
		16,027,839.87	13,855,403.95
III.	Cash-in-hand, central bank balances, bank balances, and checks	28,861.58	21,008.59
		49,970,050.86	44,001,290.07
C.	**Prepaid expenses**	331,833.17	309,546.27
		54,415,178.79	47,142,297.86

Equity and Liabilities

		Balance at Sep. 30, 2011 EUR	Balance at Mar. 31, 2011 EUR
A.	**Equity**		
I.	Capital shares of the limited partners	1,533,875.65	1,533,875.65
II.	Reserves	12,562,180.73	12,562,180.73
III.	Net retained profits		
1.	Net income	3,104,341.81	6,795,346.65
2.	Allocations to reserves	0.00	-110,314.46
3.	Credit to personal accounts of the partners	-270,000.00	-6,685,032.19
		2,834,341.81	0.00
		16,930,398.19	14,096,056.38
B.	**Adjustments for capitalized treasury shares**	55,000.00	55,000.00
C.	**Provisions**		
1.	Provisions for taxes	1,819,044.00	1,375,044.00
2.	Other provisions	7,475,120.96	9,020,343.40
		9,294,164.96	10,395,387.40
D.	**Liabilities**		
1.	Liabilities to banks	15,290,778.61	10,983,541.02
2.	Trade payables	10,751,621.91	7,881,989.55
3.	Liabilities to affiliated companies	0.00	0.00
4.	Liabilities to partners	1,859,212.44	3,251,658.29
5.	Other liabilities - of which taxes: EUR 200,951.50 (previous year EUR 227,131.44) - of which relating to social security and similar obligations: EUR 0.00 (previous year EUR 0.00)	234,002.68	478,665.22
		28,135,615.64	22,595,854.08
E.	**Deferred income**	0.00	0.00
		54,415,178.79	47,142,297.86

Income Statement

of Bastei Lübbe GmbH & Co. KG, Cologne

for the period April 1, 2011 to September 30, 2011

		Stand am 30.09.2011 EUR	Stand am 31.03.2011 EUR
1.	Sales	36,001,635.18	74,525,338.35
2.	Increase in finished goods inventories and work in progress	2,315,000.00	865,845.00
3.	Other operating income	175,383.73	2,984,037.19
4.	Cost of materials		
	a) Cost of raw materials, consumables and supplies, and of purchased merchandise	134,710.46	882,482.71
	b) Cost of purchased services	19,709,389.66	39,574,293.70
		19,844,100.12	40,456,776.41
5.	Personnel expenses		
	a) Wages and salaries	4,722,488.39	9,345,901.78
	b) Social security, post-employment and other employee benefit costs	853,880.88	1,571,586.22
		5,576,369.27	10,917,488.00
6.	Amortization and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	351,373.72	697,289.41
7.	Other operating expenses	8,957,728.42	18,414,852.89
8.	Income from long-term equity investments	93,690.10	108,980.87
	- of which from affiliated companies: EUR 73,690.10 (previous year EUR 84,498.65)		
9.	Other interest and similar income	770.94	32,028.84
10.	Interest and similar expenses	273,585.27	678,812.65
11.	**Result from ordinary activities**	3,583,323.15	7,351,010.89
12.	Extraordinary income = extraordinary result	0.00	445,509.87
13.	Taxes on income	444,000.00	1,016,000.00
14.	Other taxes (previous year: other taxes refunded)	34,981.34	-14,825.89
15.	**Net income**	3,104,341.81	6,795,346.65

Notes to the Financial Statements of Bastei Lübbe GmbH & Co. KG, Cologne for Fiscal Year 2011/12

I. Accounting policies

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

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

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

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

II. Balance sheet disclosures

Fixed assets

Tangible and intangible fixed assets

Purchased intangible assets are carried at cost and amortized over a maximum of five years (software) or 15 years (publication rights).

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

Technical equipment and machinery is depreciated over a maximum of 10 years, while other equipment and office furniture is mainly depreciated over five years. Until December 31, 2007, purchased fixed assets were depreciated using the declining balance method, primarily at the highest permissible rates, to the extent allowed by tax law. A switch is made to the straight-line method as soon as it results in higher depreciation. From January 1, 2008 to December 31, 2008, purchased fixed assets were depreciated only on a straight-line basis. The depreciation of additions is still prorated in the year of the addition.

From January 1, 2009 to December 31, 2010 movable fixed assets could be depreciated using the declining balance method at the rate of 25%, but only by a maximum of 2.5 times the rate for straight-line depreciation. Here, as well, a switch was made to the straight-line method to the extent that it resulted in a higher rate of depreciation.

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

Impairment of fixed assets is recognized whenever they need to be carried at a lower value.

Long-term financial assets

The investment portfolio changed as follows between March 31, 2011 and September 30, 2011:

- Purchase of a 74% stake in PMV Partner Medien Verlagsgesellschaft mbH in the amount of EUR 1,184 thousand on July 1, 2011.
- Increase interest in MoBa GmbH by EUR 30 thousand.
- EUR 100 thousand investment in the film production "Das Kind".

Current assets

Inventories

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

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

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

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

Other prepayments are carried at the nominal amount.

Receivables and other assets

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

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

Receivables with a remaining term of more than one year consist of trade receivables in the amount of EUR 384,195.17.

Other provisions

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

Liabilities

Liabilities are carried at their settlement amounts.

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

III. Income statement disclosures

Sales

Sales are distributed between the segments Book and Pulp Novels as follows:

	Book TEUR	Licenses TEUR	Pulp novels TEUR	Total TEUR
net sales	31,472	1,569	4,323	37,364
discounts and rebates	-1,362			-1,362
	30,110	1,569	4,323	36,002

Other operating income

This includes:

- Sales to personnel	(10 TEUR)
- Income from exchange rate gains	(9 TEUR)
- Income from noncash benefits	(87 TEUR)
- Book gain on disposal of assets	(1 TEUR)
- Income from recovery of damages	(40 TEUR)
- Income from reversal of allowances on receivables	(4 TEUR)
- Income from reversal of allowances on liabilities	(2 TEUR)
- Other	(25 TEUR)

Cost of materials

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

Cost of purchased services

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

Personnel expenses

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

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

Other operating expenses

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

Income from long-term equity investments

This income relates to distributions from investees received during the fiscal year.

IV. Disclosures of contingent liabilities and other financial obligations

Contingent liabilities

Liabilities from warranty agreements

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

Other financial obligations

The other financial obligations at September 30, 2011, consisted of the following:

	TEUR
Various lease agreements (until December 31, 2021)	7,415

Various finance lease agreements (2011 to 2016)	1,880

V. Other disclosures

Disclosure pursuant to § 285 Nr. 15 HGB

The general partner is Bastei Lübbe Verwaltung GmbH, Köln. Its subscribed capital amounted to EUR 55,000 on September 30, 2011 (previous year: EUR 55,000).

Employees

The average number of employees was:

	2011/12	2010/11
Employees	179	170
	179	170

Management

Bastei Lübbe Verwaltungs GmbH, represented by its managing directors:

Stefan Lübbe, publisher (CEO)
Thomas Schierack, attorney
Klaus Kluge, publishing director
Bodo Horn-Rumold, publishing director
Silvia Kuttny-Walser, publishing director (until November 5, 2011)

Cologne, November 24, 2011

Bastei Lübbe Verwaltungs GmbH
Management

Stefan Lübbe
(CEO)

Bodo Horn-Rumold

Klaus Kluge

Thomas Schierack

Management Report of Bastei Lübbe GmbH & Co. KG, Cologne

for the Half Year Report from April 1, 2011 to September 30, 2011

in Fiscal Year 2011/2012

I. Business Performance

1. The Business

The business of Bastei Lübbe GmbH & Co. KG in the period from April 1, 2011 to September 30, 2011 consisted of publishing and distributing periodicals in the form of pulp novels and puzzle booklets, and fiction and nonfiction books and audio books. E-books and merchandising articles were also sold during the reporting period.

2. Business growth and market

According to the German Society for Consumer Research (GfK), the book industry in the Federal Republic of Germany and in Austria and Switzerland experienced negative growth in the first half of 2011. Trends in the retail book market were negative overall, while they were positive in the Internet segment. The trend towards growth in Internet sales, which has existed since calendar year 2010, continued.

Contrary to these general trends, sales at Bastei Lübbe GmbH & Co. KG experienced positive growth in the first half of 2011. This is also true of its profits. Both sales and profits were above target and higher than in the previous year.

3. Sales trend

Sales in the first half came in at €36 million, and were thus almost €2.5 million above target and almost €5 million higher than last year. Sales growth was particularly strong in the segment of books for children and teenagers, particularly due to the bestseller "Greg," and in the audio book segment. The pulp novels, hardcover and mass paperback segments were also above target. Trade paperbacks were below target, reflecting the general trend in the industry.

II. Position of the Company

1. Financial Position

Total assets amounted to €54.4 million, and were thus clearly higher than at March 31, 2011 (€47.1 million). On the asset side, there was growth in financial assets (up €1.3 million), finished goods (up €3.4 million) and other assets (up €1.3 million). On the other hand, on the liabilities side, liabilities to banks (up €4.3 million) and trade payables (up €2.9 million) increased accordingly. Total assets are high particularly because of the early production for the Christmas season. The equity ratio of 31.1% is slightly higher than at March 31, 2011.

2. Earnings

In the first half of the fiscal year, the Company generated net income of €3.1 million, thus far surpassing the targeted net income of €-0.8 million. Net income was also considerably higher than in the first half of the last fiscal year (€1.5 million). Accordingly, the earnings position was very satisfactory.

III. Other disclosures

The partnership structure has not changed. In July 2011 Bastei Lübbe GmbH & Co. KG acquired a 74% stake in PMV Partner Medien Verlag GmbH in Munich. This is a publisher of puzzle books.

In November 2011 managing director Silvia Kuttny-Walser left the company. Responsibility for the catalog was taken over by Klaus Kluge, who had been responsible for this area from 2009 to early 2010.

In order to acquire new investments, Bastei Lübbe GmbH & Co. KG placed a €30 million bond on the "mid-size market" of the Düsseldorf Stock Exchange in October 2011. At the time this report was created, the proceeds have been used to pay back long-term liabilities of approximately €4.2 million. The remaining funds are to be primarily invested in acquisitions.

IV. Future developments and risks of future development

Thus far the fiscal year has been very positive. The company assumes that targets will be exceeded, both in terms of sales and in terms of profits. This is true even considering the trends in the book market. The first acquisition in the non-book area should be completed by year end. This will give the Company a broader product range, including in bookshops. The broader product range will also help reduce the risk. The digital segment, which is where the future lies, has grown favorably. In October 2011 the webnovel "Apocalypsis," the first digital series of novels in the world, was marketed in Germany. It will be marketed worldwide beginning in January 2012.

The financial crisis has thus far not affected the Company. In view of its experience in the last financial crises and the related recessions, the Company believes that this crisis will not have significant effects on the book industry

Cologne, November 24, 2011

Bastei Lübbe Verwaltungs GmbH
Management

Stefan Lübbe (CEO)	Bodo Horn-Rumold
Klaus Kluge	Thomas Schierack