BASTEI LÜBBE AG ANNUAL REPORT 2018/2019

Tina Frennstedt
COLD CASE - DAS VERSCHWUNDENE MÄDCHEN

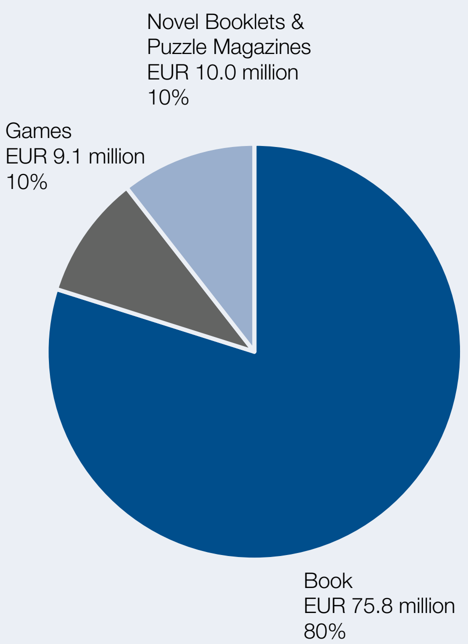
At a glance

	2018/2019	2017/2018***	Change
Key financial figures (IFRS) in EUR million			
Group sales	94.9	140.2	-32.0 %
EBIT	2.7	-18.4	–
EBIT margin in %	2.9 %	-13.1 %	16.0 pp
Group result	0.9	-16.4	–
Balance sheet total as of 31/3	85.9	101.2	-15.1 %
Equity* as of 31/03	36.1	32.1	12.3 %
Equity ratio in % as of 31/3	42.0 %	31.8 %	10.1 pp
Net debt as of 31/3	17.8	30.1	-41.1 %
Free cash flow	11.7	4.9	138.2 %
Other figures			
Earnings per share** in EUR	0.05	-0.97	–
Financial year share closing price in EUR	1.67	3.09	-46.0 %
Number of employees as of 31/3	324	330	-1.8 %

* Incl. equity capital shares of non-controlling shareholders
** See consolidated financial statement, Note 16 for calculation
*** Adjustment according to IAS 8, see Note 6

Solid core business

Breakdown of 2018/2019 sales



Operational highlights and outlook

- Group sales in 2018/2019 at EUR 94.9 million exceeded the forecast of EUR 90 million.
- LYX, audio and children's/youth books convinced with sales over expectations.
- Fiction fell short of expectations.
- Games and Novel Booklets & Puzzle Magazines remained stable.
- Investment portfolio adjusted for non-core activities.
- Cost efficiency through streamlined structures and processes.
- Publishing programs are being systematically expanded.
- Forecast for the 2019/2020 financial year: Group sales between EUR 85 and 87 million and EBIT between EUR 3.5 and 5.3 million.
- Medium-term: Sales growth to approx. EUR 100 million with an EBIT margin of 6-8%.

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HOW A BOOK IS BORN

Usually it is a long way until the manuscript of an author finally becomes a book. It can take one to two years, and in rare cases even longer, for the publication to be contractually secured and the book to be released. During this time the book is edited, the final version is agreed upon with the author, and the text is then set and proofread. At the same time, preparation of the marketing activities is also under way. The book is then sent to the print shop, and after completion to the retailers. It is also made available for downloading to eReaders. As the publishing house, we provide advice and support to our authors throughout the entire process. And our employees are also fully committed. A few of the colleagues who cooperate to produce a book and bring it to the market have their say here.

Interview with **MARCO SCHNEIDERS**

PUBLISHING DIRECTOR

How do book projects make their way into your publishing house?

There are three principal routes. The majority of authors domestic and foreign are represented by "literary agents". The lion's share of all materials reviewed by our editors comes in via agents. The second route via which we receive manuscripts is from the authors themselves, who send their work directly to us. This is the large proportion of "unsolicited manuscripts". Thirdly, we are also able to acquire paperback rights from other publishers through licence agreements. The paperback usually appears on the shelves around twelve to eighteen months after the hardback has been published.

What does a book need to have, in order to capture your interest?

The first fifty pages are decisive. If the story does not "light a spark" at the beginning, if the characters remain hazy, then the rest of the manuscript can never recover from this. The potential reader must find themselves caught up in the first few pages. That is the key ingredient when purchasing books.

Do you experience a tingling sensation when you get your hands on exceptional material?

Yes, that definitely happens. Even if you think you have already read everything, that you have seen everything. Authors constantly surprise you with a perspective, a special narrative tone, an unusual character that makes you think whilst you are reading: Wow, I have never read something like that before.

Sometimes you also have to face strong competition to acquire books. How does this form of auction work?

Some projects are so sought-after that multiple publishers submit an offer to acquire the book. The offers are collected together and the author's agent approaches the publisher who has submitted the lowest financial offer at that point in time. He is then asked to submit a higher offer, if he wishes to continue participating in the auction. The process is repeated. Some publishing houses exit the process and the publishers who remain are asked to submit their final best offer, often together with a plan for marketing, sales and press activities. The author then selects a publisher. This may be a purely financial decision. However, it may also be that the author opts in favour of what he perceives to be the best combination of guaranteed fee, marketing campaign and – extremely important – enthusiasm of the potential publishing partner.

Which countries do you buy licences from?

In addition to a high proportion of German-language literature, we are primarily active on the English and American markets, as well as in Italy, France, Spain and across Scandinavia.

Previously one could have asked: How high is the stack of unsolicited manuscripts, although they surely arrive in digital form today. How often does the glut of manuscripts actually result in a book being published?

It may sound disenchanting but we probably publish an average of one and perhaps two manuscripts per year, that we receive via this route. But it does happen.

from left to right:
Tim Struwe (Production),
Marco Schneiders (Publishing Director),
Dr. Stefanie Heinen (Editor)

Interview with **DR. STEFANIE HEINEN**

EDITOR

What is your role as an editor?

In a nutshell: I make promising materials available for book production and distribution, and I prepare them for marketing. In detail, this means: I observe the market, the development of comparable authors and genres, and detect gaps in the book market. I calculate sales expectations and target returns, prepare the acquisition, take care of contract negotiations and compile information about contents, marketing arguments, comparable books and authors. I work together with the authors to find persuasive titles, prepare the cover briefing for the book and the initial design ideas. At the same time, I work with the authors on the exposé and manuscript, help with the dramaturgy and finishing touches if necessary, and produce catalogue and internet texts, as well as blurbs. Finally, I work together with our freelance proofreaders to make sure insofar as possible, that the books are free of typographical errors when they arrive at the retailers.

How many books do you review in a single year on average?

Over the course of a publisher's year there are phases where the focus is on work on text and marketing information, and – above all before and after the book fairs in Leipzig, London, Frankfurt and Bologna – periods during which we review and acquire intensively. I would assume around 200 manuscripts per editor, per year on average.

What is the nature of the working relationship between the author and editor?

The editor and author generally work closely together with a major element of trust. I accompany my German authors from the initial brainstorming and exposé, through the dramaturgical proofreading and complete manuscript editing, right to the point of printing approval. When it comes to the grammatical finishing touches, I often draw on an external copyreader; unfortunately editors are only occasionally able to perform this highly time-intensive work themselves. However, editors remain the first in-house contact for our authors and we are always available to provide advice and support if they need it.

What happens if an author does not agree with your recommendations? Who has the final say on the text?

The author remains the master of his own text as the copyright suggests, and he chooses whether to accept or decline change recommendations. If the quality of the text is such an issue that we do not wish to publish it without changes and we are unable to reach a common solution, the publishing house has the right to decline publication. However, such cases are very rare.

Has the work of an editor changed in recent years?

Yes. Every editor takes care of more books and more authors today than she or he did a few years ago. At the same time we are also a lot more involved, gathering together accompanying information for our books and filling databases with keywords for marketing on the internet. This has resulted in the focus shifting from manuscript work in the direction of project management.

What does an editor read in their spare time? Are you ever able to set your editor's spectacles aside?

Editors transform their passion for books into their profession. Personally, I tend to avoid reading novels in my private life from those genres that I work with professionally, because I find it difficult to switch off my strict editor's eye and therefore tend to be irritated by technical errors. However, I naturally also read the successful books of my competitors if I have an interest in the subject area, or if I want to know why a book is such a success – although I put my editor's spectacles back on for that.

Interview with **TIM STRUWE**

PRODUCTION

What exactly does your work as production manager entail?

My role is widely diverse. I am responsible for planning, controlling and monitoring the production processes. This includes purchasing materials, services and supplier management. I am also available to advise our colleagues when it comes to questions relating to production and media design, and I always have one eye on the design and production quality. My work as a production manager also means that I am responsible for selecting and controlling external service providers in the fields of layout, typesetting and printing, whilst I am required to keep track of the costs and calculations, too.

How has your job description changed as a result of digitalisation?

New working areas are being added all the time due to digitalisation. The best example of this is the production of ebooks. However, working processes are also increasingly changing in the printing area. Orders are transferred to print shops via interfaces, short runs are produced on digital printing machines. Furthermore, it is also necessary to mention media-neutral production (XML Workflow) and automated production processes here. As a production manager, it is essential to keep up with the state of the art at all times when it comes to new technologies and whether these could optimise the production process.

How do you determine the design for a new book project?

The finishing of individual books is agreed upon in finishing meetings, with representatives from various departments in attendance. In addition to the visual effects, it is also necessary to consider the cost factor here, as well as the duration of production because it must be possible to print any reprints required as fast as possible to guarantee availability. Many factors therefore have an influence on the design. In production we always try to produce an attractive and appealing book, and we are therefore always exchanging information with suppliers, for example regarding any new cover materials or finishing options that may be available.

As a production manager, do you sometimes revel in the design of a book?

Naturally, that depends on the book itself. For example, a Ken Follett novel is a dream for every production manager. The jacket of the hardcover of “A Column of Fire” has been finished multiple times and the design of the body of the book is also highly comprehensive. That brings a lot of pleasure to a production manager.

What project has proved to be the greatest production challenge for you to date?

That is hard to say. But if I had to give an answer, I would say “Washington Black” by Esi Edugyan. The jacket was rather fiddly in production because the fine golden lines were created with hot foil on uncoated paper. This required a great deal of coordination with the print shop, to ensure the quality was spot on.

Is there a book project that you are particularly proud of?

I recently supervised the production of two books that have grown very close to my heart. The paperback “Überleben” (Survival) by Sebastian Hilpert”, which simply became a very well-rounded book with a high-quality design for a paperback. However, the hardback “Washington Black” by Esi Edugyan” – where the jacket, cover and text block harmonise extremely well – Is one of my most pleasing books.

TO OUR SHAREHOLDERS

Renee Carlino
WISH YOU WERE HERE

Letter from the CEO

Dear Shareholders,

In the turbulent media world, the book market is no Elysium but yet, in comparison with magazines and TV, a safe harbour of stability. In its latest study from 2018[1], PwC forecasts that growing sales can be expected in the next five years too. Digitalisation has opened up new and additional channels of dissemination for the classic book through eBooks. Social media platforms bring readers, authors and publishers closer together than ever before. Together with our readers and authors, we are growing into a community.

Bastei Lübbe has always seen digitisation first and foremost as an opportunity and positioned itself very early on to meet this challenge. With a digital share of 30% in Group sales, we are not only frontrunners amongst publishers today but also continue at full speed to transform activities in marketing, programme development and processes into the digital world.

Neither readers nor the classic printed book are about to sink without a trace. Both are popular but fatuous assertions by culture-pessimists who probably don't use their mobile phones for anything but telephoning.

The fact is that our most successful author of the past fiscal year – Mona Kasten – has reached more than 1 million young readers and buyers, and half of these favoured the printed version.
Young readers still enjoy a good story, but communication within the community mainly takes place digitally these days.

And boys, too, continue to read as they always have: Like before, Greg Heffley from "Gregs Tagebüchern" is their favourite hero, with the comic novels by American Jeff Kinney selling almost one million copies with us again this fiscal year.

The government has recently confirmed price maintenance for books, and VAT on eBooks will be reduced considerably in the near future. Overall, these are good framework conditions in times of continually growing purchasing power.

Year of transition

As you know, we had to clean house after a bleak preceding year. The investment portfolio was successfully purged of peripheral activities and units that were not economically or strategically future-orientated. oolipo, BEAM Shop and BookRix were sold. Concentration on the core business enables lean structures and processes. An efficiency programme was undertaken and has resulted in the reduction of 50 jobs. The organisation of the Company into five independently acting publishing units – fiction/non-fiction, children's/YA books, LYX, audio and novels/puzzle books – increases proximity to the reader and to the market.

Solid business and black figures despite restructuring costs

At around EUR 95 million, the consolidated sales revenues are above the adjusted forecast level. The decrease in comparison to the previous year, with sales revenues of EUR 140 million, is mostly due to the sale of the majority stake in BuchPartner. The publishing units performed within the range of business-typical and programme-dependent fluctuations. Fiction is considerably behind expectations; LYX and audio impressed with higher-than-targeted success; the other publishing units achieved good results within the planned range.

1 PwC PricewaterhouseCoopers – German Entertainment and Media Outlook 2018 / Consumer division

In the “Games” business segment, we recorded sales revenues of EUR 9 million with our affiliated company Daedalic. Daedalic operates as a development studio and publisher of video games. Considering the growing internationalisation of the games industry and the strong increase in investment requirements for the development of games, we have been looking at options for sale, outside investment or a joint venture in the course of the fiscal year. We interrupted this process in the meantime to concentrate on the realisation of a global blockbuster: LORD OF THE RINGS (Herr der Ringe). The announcement of this licence has triggered a worldwide media echo and now requires the concentration of all our efforts.

The consolidated result before interest and taxes (EBIT) was EUR 2.7 million and thus above the expected range.

The outlook

Market and business model are stable: good stories told well are and will remain popular as long as there are people in the world. Expertise and an efficient organisation are in place. All that remains now is to invest specifically in organic and inorganic growth and exploit the effects of scale. The preparatory phase in this line of business is typically 12-24 months. After concluding an author contract, this is how long it normally takes until the book is published. The financing for the necessary investments is secure.

The common goal of the Company and its shareholders must now be to successfully implement the change in strategy and restore Bastei Lübbe AG to its former sales levels and earning power. To achieve this goal as quickly as possible, the Executive Board will propose to shareholders at the Annual General Meeting to forgo a dividend payout for 2018/2019.

For 2019/2020, the Executive Board expects Group sales revenues between EUR 85 and 87 million and an EBIT between EUR 3.5 and 5.3 million.

I would like to express my most sincere thanks on behalf of the entire Executive Board for the trust you have placed in us this year. I would also like to thank our employees for their untiring and passionate commitment to our Company and our products.

The ground is prepared. Now we can build on it again.

Yours,

Carel Halff

Cologne, July 2019

Executive Board of Bastei Lübbe AG

Carel Halff
Chief Executive Officer

Ulrich Zimmermann
Chief Financial Officer

Klaus Kluge
Director of Programme,
Sales and Marketing

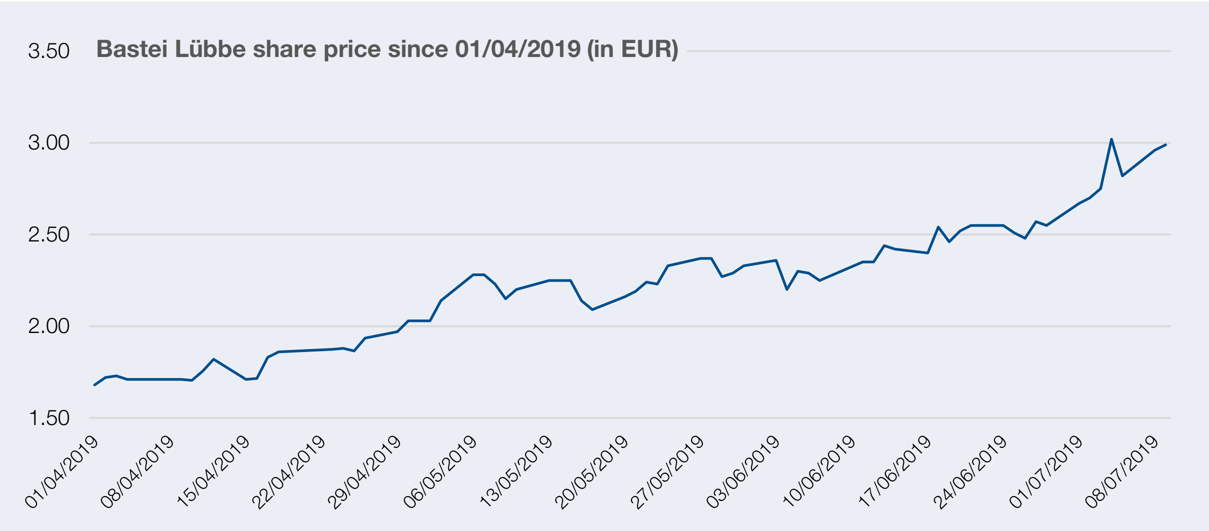
Bastei Lübbe in the Capital Market

The price development of Bastei Lübbe shares

In 2018, the German stock exchange operated in a difficult and greatly fluctuating environment. Defining for the development of share performance were in particular the unsolved geopolitical conflicts, the acceleration of the pace of the trade conflict between the USA and important international partners, the fear of interest rates increasing faster than expected and the exchange rate developments between the euro and the US dollar. Thus, after a positive start to the year for the German DAX share index and a new record high of 13,559 points[2] on 23 January 2018, the uncertainties in the markets have increased considerably, especially in the second half of the year, and have led to tangible price losses. The end phase of the year was marked by economic and interest concerns as well as the budget dispute in the USA and the considerable associated price losses. Against this background, the DAX reached its low for the year at 10,381 points on 27 December 2018. The DAX was able to recover slightly on the last trading day of the year, closing on 28 December 2018 at 10,559 points, which constitutes a decrease of 18.3% compared to the previous year. At the start of 2019, the stock exchanges benefited from a less negative outlook for economic development as well as signs of easing on the interest front and in the trade disputes between the USA and China. Accordingly, the DAX had recovered by 9% to 11,526 points by 29 March 2019.

The shares in Bastei Lübbe AG had a weak start immediately after the sale of the holding in BuchPartner, with the previous year closing (29/03/2018) at EUR 3.09, and quickly experienced considerable price losses. The shares thus recorded their 12-month high of EUR 3.11 already on 4 April 2018. By the beginning of July, prices losses were already at 45%. With increasing implementation and visible successes in strategic focusing, the price also benefited and was once again up to EUR 2.34 by the AGM on 20 September 2018. At the end of the year, the shares could not escape the poor market sentiment and continued to be largely disregarded even during the recovery in the first quarter of 2019. A 12-month low of EUR 1.60 was recorded on 11 February 2019. The closing price on 29 March 2019 was EUR 1.67 (all information based on Xetra closing prices). This was a decline of 46% across the 12-month period of the 2018/2019 fiscal year. The average daily trade volume of Bastei Lübbe shares (Xetra and Frankfurt Stock Exchange floor trading) in the 2018/2019 fiscal year amounted to 10,749 shares (previous year: 15,539 shares). Based on 13,300,000 shares and a closing price of EUR 1.67, the market capitalisation of Bastei Lübbe AG stood at EUR 22.2 million as at 29 March 2019 (previous year: EUR 41.1 million with a closing price of EUR 3.09).

After the end of the 2018/2019 financial year, the share price developed very positively. On 1 July 2019, the day of the announcement of the preliminary annual figures, it closed at EUR 2.70. On 4 July, it passed the 3-Euro mark again for the first time. From 1 April to 9 July 2019, the Bastei Lübbe share price rose by almost 80 %.



[2] All price information respectively based on closing price of XETRA trading

As a designated sponsor, ODDO SEYDLER BANK AG (part of the ODDO BHF Group) is continuing to provide binding ask and bid prices for trade on Xetra and is supporting the corresponding tradeability of the shares by means of a narrow price margin and appropriate liquidity.

Share information

Total number of shares	13,300,000 (no-par-value shares)
Amount of share capital	EUR 13,300,000.00
ISIN	DE000A1X3YY0
WKN	A1X 3YY
Abbreviation	BST
Market segment	Regulated market (Prime Standard)
Designated sponsor	ODDO SEYDLER BANK AG
Closing price on 29/03/2019	EUR 1.67
12-month high (closing price) on 04/04/2018	EUR 3.11
12-month low (closing price) on 11/02/2019	EUR 1.60

Analyst research

Bastei Lübbe AG shares are continuously analysed and evaluated by DZ Bank, as well as by Warburg Research and Solventis, researchers specialising in the German stock market. In their current study on the development of the business performance and prospects of Bastei Lübbe AG, the analysts recommend purchasing and/or holding Bastei Lübbe shares. The stock price target is within the range of EUR 2.00 to EUR 5.50. The full research studies are available for download on Bastei Lübbe AG's homepage at www.luebbe.com/en/investor-relations/the-share/research.

Shareholding structure

The shareholding structure is as follows: The largest shareholder in Bastei Lübbe AG is still Birgit Lübbe with a voting share of 33.08%. 9.02% of voting rights are in the hands of the Roggen family, and 3.73% belong to Joachim Schmitt. Lazard Frères Gestion S.A.S. holds 3.07% of shares. Universal-Investment-Gesellschaft holds a stake of 3.04%. 3.01% of voting rights are held by Larissa Juliana Zang. The Executive Board and the Supervisory Board have a 0.28% stake in the share capital. 44.77% of shares are in free float.

Investor relations

Bastei Lübbe AG communicates regularly and intensively with institutional investors, analysts, private investors and the editing staff of financial and economic media about the development and the prospects of the Company. During the 2018/2019 financial year, Bastei Lübbe also presented itself at the German Equity Forum in Frankfurt.

Bastei Lübbe AG stocks are listed in the strictly regulated Prime Standard of the Frankfurt Stock Exchange. Correspondingly, Bastei Lübbe AG fulfils all important publicity and transparency standards and provides detailed and timely information on important results, which are published ad hoc or as press releases. In the current financial year, too, Bastei Lübbe AG will continue its targeted communication and open dialogue with capital market participants. Potential investors can obtain further information from the Investor Relations section of the homepage at www.luebbe.com/en/investor-relations/homepage-investor-relations.

Annual General Meeting for the 2017/2018 fiscal year

The Annual General Meeting of Bastei Lübbe AG took place on 19 September 2018 in Cologne. The Supervisory Board and the Executive Board started the shareholder meeting of the Cologne media group with a review of the past financial year as well as a positive glimpse into the future. In its presentation, the Executive Board reported on the challenging operational development in the fiscal year 2017/2018 and addressed the key points of the efficiency enhancement programme, which has already been rolled out. Approximately 60.59 percent of the statutory share capital of Bastei Lübbe AG was represented at the Bastei Lübbe AG shareholder meeting at the time of the vote. The shareholders approved the recommendations of the management board listed on the agenda with clear majorities. Thus, the attending Bastei Lübbe AG shareholders also followed the recommendation of the management board to once again postpone the exoneration of the former Supervisory Board and Executive Board members incumbent in 2016/2017 for the 2016/2017 fiscal year until the next AGM. For the 2017/2018 financial year, on the other hand, 99.77 percent of attending shareholders voted to exonerate the incumbent members of the Executive Board and 99.76 voted to exonerate the incumbent members of the Supervisory Board. The term of office of incumbent Supervisory Board members ended upon conclusion of the AGM, making a new election necessary. Robert Stein (CEO of Arcana Capital GmbH), Prof. Dr Friedrich L. Ekey (Professor of Economic Law at the RFH University of Applied Sciences in Cologne) and Dr Mirko Alexander Caspar (Managing Director of Mister Spex) were re-elected as members of the Supervisory Board. In the subsequent constituent meeting of the Supervisory Board, Robert Stein was elected as its chairman.

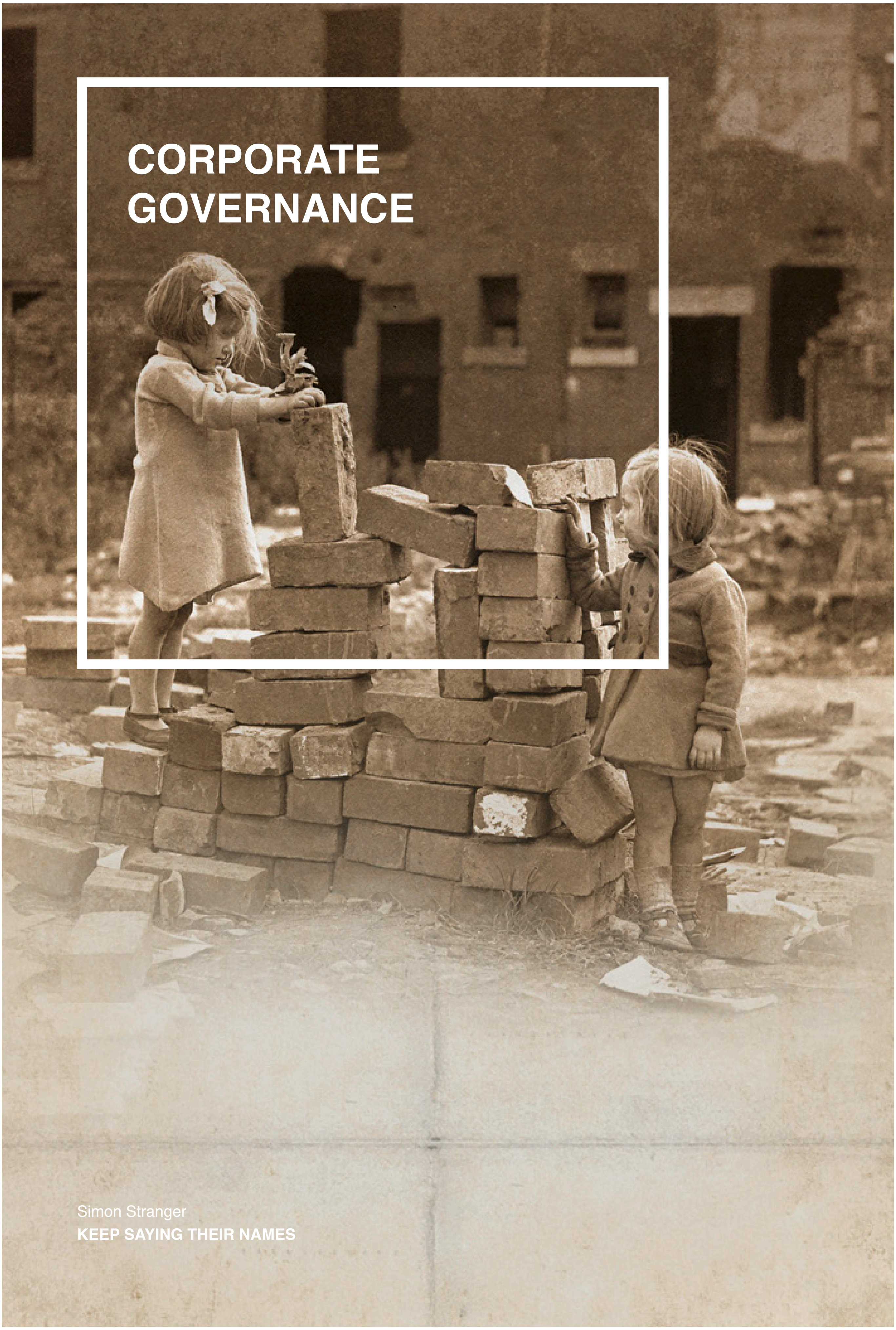
The detailed agenda items as well as the voting results can be downloaded from the Investor Relations section of the Company website.

Dividend proposal for the 2018/2019 fiscal year

Bastei Lübbe AG is still pursuing the goal of a dividend policy aimed at continuity so that shareholders can benefit from the success of the Company with an appropriate share in the annual distributable surplus. Compatibility with the long-term and sustainable development of business is deemed a necessary pre-requisite for the payment of dividends in this case.

In view of the not yet completed strategy shift and not yet sustainably stabilised earnings situation, the Executive Board and the Supervisory Board will again propose forgoing on dividend distribution at the AGM on 18 September 2019. The Bastei Lübbe AG 2018/2019 annual financial statements report a net loss of EUR 12,923,341.30, which shall be carried forward to the next accounting period.

By making promising investments in future-oriented developments, it shall thus be ensured that the strategic demands of a value-oriented company are pursued and that shareholders will continue to appropriately share in the future success of the Company.



CORPORATE GOVERNANCE

Simon Stranger

KEEP SAYING THEIR NAMES

Supervisory Board Report

Robert Stein, Chair of the Supervisory Board

Dear Shareholders,

The fiscal year 2018/2019 was characterised by the consistent implementation of the announced restructuring measures. The investment portfolio was comprehensively purged and the efficiency programme was in many areas implemented very successfully and beyond the expectations of the Executive and Supervisory Boards. The Company's cost base has been significantly improved. In the coming years, we will continue to advance the optimisation of internal processes and invest in systems and resources in order to be able to maintain and further build on the status quo.

An important milestone in the context of the restructuring was the reduction of the Company's debt. The group net-debt was successfully reduced from EUR 30.1 million to EUR 17.8 million. This created a solid foundation for cautiously investing in the growth of the Group in the future. Due to the positive outcome of the restructuring efforts, the Company's financial partners have already announced that they will support this path in the medium term and have thus underlined their confidence in the Company and its management.

The Executive Board's strategy to focus on the core business and make it more efficient and successful is already showing positive results. This encourages us to continue down this path. Innovative business segments such as LYX and audio in particular demonstrate that Bastei Lübbe can enjoy above-average success in its core business with creative and modern business models. Through the implementation of a superordinate "Programme Strategy" department headed by Mr Kluge, we believe that we can sustainably improve the quality of the content overall. This again includes greater investments in content. Company acquisitions, too, will be considered again in the future, provided that these, after careful review, prove to be able to make a sustainable and synergetic contribution to the Company's success.

The reappraisal of the past has also been driven forward again. The first-instance decision of the lawsuit against the former executive bodies of the company is expected at the end of July. The suit brought against the Company by a former Supervisory Board member was decided in the first instance in the fiscal year in the interests of the Company. The total value of the suits against the former board members is EUR 1.3 million; the value of the suit against Bastei Lübbe is EUR 0.4 million. The Executive Board reserves the right to take further action.

In the context of its advisory functions, the Supervisory Board has contributed to the development of the corporate strategy as well as the implementation of significant measures and projects.

In the report below, the Supervisory Board provides an overview of its activities in the past fiscal year and of the results of the audit that was carried out on the 2018/2019 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 monitored the work of the Executive Board, regularly advised the Executive Board on the management of the Company and supervised the Company's management on the basis of reports from and meetings with the Executive Board. Moreover, the Supervisory Board satisfied itself as to the legality, regularity, effectiveness and efficiency of Company management. In the reporting year, we did not avail of the opportunity to inspect the books and documents of the Company (Section 111 paragraph 2 Companies Act - AktG). Due to the regular, intensive and satisfactory reporting by the Executive Board, the auditing by and discussions with the auditors and the additional monitoring measures described below, there was no cause to do so. We were always involved in a timely and appropriate fashion in all 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 2018/2019 financial year. Written and oral reports from the Executive Board to the Supervisory Board formed the basis for this involvement. The Executive Board informed us regularly, promptly and comprehensively on the company's performance, 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 explained in detail 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 purposes. Beyond the routinely-scheduled meetings, the Chair of the Supervisory Board was in constant contact 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 or orally, even in between the routine meetings, about business transactions that were of major importance for the Company. The Supervisory Board has monitored the Executive Board conscientiously and confirms that the latter has acted legally, properly and economically sound in all respects.

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

In compliance with Section 110(1) sentence 1 of the Companies Act (AktG), the supervisory body held a total of four ordinary meetings and one extraordinary meeting in the 2018/2019 fiscal year. In addition, eight Supervisory Board sessions were held in a written circulation procedure. All members of the Supervisory Board attended both the ordinary and extraordinary meetings as well as the telephone conferences. Where necessary, the Supervisory Board adopted resolutions in writing.

The most important topics for discussion for the past fiscal year included:

- current business development in 2018/2019,
- the analysis of the Company and its investments as well as the derivation and implementation of strategic measures,
- the securing of the liquidity of the Company,
- planning and budget for 2019/2020,
- scheduling for 2019/2020 and planning of the Annual General Meeting,
- future development and strategy of the Company and its divisions,
- personnel planning and organisational structure,
- Group structure,
- company disposals and liquidations,
- activities on the capital market.

We also discussed the following topics at the individual meetings in the 2018/2019 fiscal year:

Extraordinary meeting held on 9 April 2018

In the meeting of 9 April 2018, the planning for the fiscal year 2018/2019 was presented in revised form with the addition of efficiency programme measures and adopted unanimously by the Supervisory board following lengthy discussion.

Resolution by written circulation procedure of 9 May 2018

Following a telephone conference, the Supervisory Board unanimously agreed in a written circulation procedure on 9 May 2018 to a bridge loan of EUR 3 million as well as the amendment contract to the consortium loan contract.

Resolution by written circulation procedure of 15 June 2018

The Supervisory and Executive Boards agreed in the context of Supervisory Board meetings and other discussions to review strategic options with regard to the holding in Daedalic GmbH. By circular resolution, the Supervisory Board voted to commission an M&A consultant to develop and review corresponding options.

Ordinary meeting held on 12 and 26 July 2018

At the meeting held on 12 July 2018, the Executive Board reported to the Supervisory Board on the 2017/2018 annual financial statements. The Supervisory Board discussed this report in detail. The auditor took part in the meeting for this item of the agenda. In addition, the Executive Board was present and provided supplementary and explanatory information. The auditor reported on the key findings of the audit of the annual financial statements and Management Report of Bastei Lübbe AG as of 31 March 2018, as well as the consolidated financial statements and Group management report as of 31 March 2018. Due to the formally still outstanding final financing approval of the bank consortium, the balance sheet meeting was continued on 26 July 2018. Following an extensive audit, the Supervisory Board approved the company's annual financial statements for the financial year ending 31 March 2018, in accordance with both HGB and IFRS standards and was thus determined. The consolidated financial statements in accordance with IFRS Standard were approved. Furthermore, the Supervisory Board discussed the agenda for the 2018 AGM, including proposed resolutions from management. The Supervisory Board decided unanimously for the proactive approval of certain non-audit services of the Group auditor at Bastei Lübbe AG as of the fiscal year 2018/2019.

Resolution by written circulation procedure of 14 August 2018

On 14 August 2018, the Supervisory Board voted unanimously in a written circulatory procedure in favour of the sale of the 54% holding in BookRix GmbH & Co. KG. The sale is part of the consistent implementation of measures in the way of the repositioning of Bastei Lübbe and the focusing on the core business.

Resolution by written circulation procedure of 29 August 2018

On 29 August 2018, the Supervisory Board voted unanimously in a written circulatory procedure in favour of the sale of the 25% holding in HPR B&T GmbH as well as the 100% holding in Beam Shop GmbH. Both holdings no longer befitted Bastei Lübbe's strategic direction.

Ordinary meeting held on 11 September 2018

In the meeting on 11 September 2018, the economic situation of the Group was discussed in detail. The Executive Board reported in particular and in depth on the efforts with regard to the sale of the holdings or other activities that will no longer be included in the core business of Bastei Lübbe AG in the future. In this context, the framework conditions for a possible sale of the puzzle books segment was also discussed. The Supervisory Board agreed to this measure in principle, provided that satisfactory economic framework conditions could be achieved. In addition, the Executive Board informed about the implementation of the efficiency enhancement programme that had in part developed even better than expected.

Constituting session of the Supervisory Board held on 19 September 2019

The members of the Supervisory Board elected in the Bastei Lübbe AG AGM – Dr Mirko Caspar, Prof. Dr Friedrich L. Ekey and Robert Stein constitute the Supervisory Board and elect Mr Robert Stein as chairman and Dr Mirko Caspar as his deputy.

Resolution by written circulation procedure of 22 October 2018

On 22 October 2018, following prior, in-depth discussion with the Executive Board, the Supervisory Board unanimously approved the conclusion of the consortium loan contract for EUR 32,375,000 in a written circulation procedure.

Ordinary meeting held on 28 November 2018

In the meeting of 28 November 2018, the Supervisory Board and the Executive Board discussed in detail the current business developments and the outlook for the end of the fiscal year 2018/2019. The reorientation of the publishing segments under involvement of the new "Programme Strategy" organisational unit was discussed in depth. In addition, further measures were discussed that could organically and inorganically bolster the medium-term growth of Bastei Lübbe. In the meeting, the Executive Board also reported on the results of the risk inventory of 30 September 2019. New, significant risk areas had not been identified and in general the overall risk had lessened due to the restructuring measures. Following the meeting, the Supervisory Board met to discuss efficiency review.

Ordinary meeting held on 27 March 2019

In the meeting on 27 March 2019, the Executive Board described the current business developments in detail. Building on this, there followed a detailed discussion on the corporate planning for the financial year 2019/2020 as well as the medium-term planning including strategic growth measures. In addition, further models for efficiency enhancement in the coming years was discussed. The analyses of the development of individual publishing segments and the programme planning in the context of the structural changes undertaken in the programme area were discussed in detail and future measures for the improvement of programme quality were determined. Following the joint session of Executive Board and Supervisory Board, the Supervisory Board met alone and decided that a woman should be elected to the Supervisory Board of Bastei Lübbe AG, at the latest upon expiry of the current Supervisory Board term. For the Executive Board, a proportion of 0-30% with a target date of 30 June 2023 was set with regard to the quota of women.

Efficiency review

As recommended by the Corporate Governance Code, the Supervisory Board also carried out an efficiency review during the 2018/2019 financial year. The Supervisory Board considers Bastei Lübbe AG 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 AG Supervisory Board in order to fulfil their tasks efficiently.

German Corporate Governance Code

The Supervisory Board has once more addressed the content of the German Corporate Governance Code in the 2018/2019 financial 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 10 July 2019 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 7.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 7 February 2017, published in the Federal Gazette on 7 February 2017. 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 2018/2019 annual financial statements and the consolidated financial statements

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, has audited the annual financial statements prepared by the Executive Board in accordance with HGB regulations and the consolidated financial statements prepared in accordance with IFRSs together with the combined group management report and management report of the Company for the 2018/2019 financial year. The above-mentioned documents, the suggestion of the Executive Board on the distribution of net profit, as well as the audit report by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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 5 and 10 July 2019, at which the Executive Board discussed the annual financial statements and the management report, as well as the consolidated financial statements and the combined group management report and management report, and the proposal for the appropriation of net retained profits and the auditor from Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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 management report, the consolidated financial statements 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 management report, the consolidated financial statements and the Group management report. The Supervisory Board was in agreement with the Executive Board in its estimation of the company’s situation and approved the annual financial statement, which is thereby adopted, and consolidated financial statement for the 2018/2019 fiscal year.

Appreciation of the Supervisory Board

The past fiscal year was one of consolidation, marked by the implementation of a new strategic orientation. The focus on the core business and the key competences was and remains in the foreground of the actions and is also the maxim for the implementation of growth plans in the future. The organisation and processes have been adapted and it is pleasing to see that, through organisation-wide cooperation, it was once again possible to demonstrate the Company’s innovative strength. The Supervisory Board thanks the Executive Board and, in particular, the employees and the employee representative bodies of Bastei Lübbe AG for their enthusiastic commitment throughout the past financial year and for their identification with the aims and culture of the company in this period of change. The Supervisory Board thanks the shareholders of Bastei Lübbe AG for the interest and trust that they have placed in the Board and in the Company as a whole.

Cologne, July 2019

For the Supervisory Board

Robert Stein
Chair of the Supervisory Board

Corporate Governance Report

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 German Corporate Governance Code, among other documents.

These are currently being extensively revised. Until the date on which the new version comes into effect (presumably in autumn 2019), the version of the Code from 7 February 2017 to which Bastei Lübbe refers in this report continues to apply.

Transparent corporate governance helps to foster the trust of national and international investors, financial markets, clients and other business partners, employees and the public in Bastei Lübbe AG. We publish information on our corporate governance practices on the internet at www.luebbe.com/de/investor-relations/corporate-governance.

Shareholdings and reportable transactions

Alongside regulations governing securities, the Corporate Governance Guidelines also ensure that the highest possible levels of transparency are achieved in regard to directors' dealings transactions.

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 AG where such transactions reach or exceed a total annual value of EUR 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.

Bodies, managers or their close associates/relatives have not conducted share transactions during the reporting period.

Declaration on management in accordance with Section 289f of the German Commercial Code (HGB)

Good corporate governance forms the basis for managing our company in a responsible manner. The Executive Board and the Supervisory Board therefore seek to align the management and supervision of the Company 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 289f 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.

Statement of Compliance

The Executive Board and Supervisory Board of Bastei Lübbe AG declare, pursuant to Section 161 of the German Companies Act (Aktiengesetz), that:

Bastei Lübbe AG has complied with the recommendations of the government commission German Corporate Governance Code in the version of 7 February 2017 since the last Statement of Compliance with the exception of the below recommendations:

Fixed and variable remuneration elements for Executive Board remuneration (Clause 4.2.3)

A fixed bonus component was defined for Mr Carel Halff, covering the period between the date he joined to the end of the 2018/19 financial year.

Publication of the consolidated financial statements and management report (Clause 7.1.2)

Contrary to the recommendation in Clause 7.1.2, the consolidated financial statements and management report for the 2018/2019 financial year were not made accessible within 90 days of the end of the financial year.

Working methods of the Executive Board and Supervisory Board

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

For Bastei Lübbe AG, the basic principle for responsible corporate governance is to guarantee that the Executive Board and Supervisory Board cooperate efficiently by way of responsible and transparent corporate management and control structure. A large number of issues were therefore discussed in detail by the Supervisory Board and Executive Board in the 2018/2019 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 explained in detail 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.

A Compliance Code agreed by the Supervisory Board and the Executive Board has been in force since 1 June 2016.

An external Compliance Officer took up his post in July 2018. He is responsible for dealing with compliance matters, which is understood within the Company to refer to legal compliance and the integrity of procedures and conduct. He is in charge of research and consultation sessions with members of the Executive Board, Department Heads, the Works Council and other individual employees, as well as with departmental staff during the course of departmental meetings. Contact by members of the workforce is via email, letter, telephone or face-to-face meetings. The Compliance Officer is responsible for inspecting documents and other written documents and holding a monthly consultation. His contact within the workforce and the so-called whistleblowing system exists in the announcement of consultation hours, his email account within work, his private contact details outside of work, invitations and offers to the workforce to make contact either openly or anonymously, and pledging that confidentiality will be ensured.

The Compliance Officer has submitted a report to the Executive Board at the end of the 2018/2019 financial year. In this report, the Compliance Officer came to the following conclusion: "The publisher does not have any system-related compliance issues, or compliance issues posing a threat to the continued existence of the Company, for its business activities in the applicable economic and legal systems. There are a number of identifiable individual compliance-related observations that the Executive Board has picked up on without exception once notified.”

Allocation of responsibilities and working methods of the Executive Board

The Executive Board of Bastei Lübbe AG manages the Company with the aim of creating long-term added value under its own responsibility and in the interest of the Company, thus taking into account the interests of shareholders, of its employees and of other groups that are affiliated with the Company. The Executive Board therefore operates without instructions from third parties and in accordance with the law, the Articles of Association and the rules of procedure for the Executive Board issued by the Supervisory Board, as well as taking into consideration resolutions adopted in Annual General Meetings. When hiring new managerial staff, the Executive Board of Bastei Lübbe AG also takes diversity into account and aims in particular to give appropriate consideration to women. Against this background, the Supervisory Board has a set a target for the percentage of women on the Executive Board of Bastei Lübbe AG of 0-30 %, along with a deadline for achieving said target of 30 June 2023. A company-wide, formalised diversity concept has not yet been implemented. The Executive Board and the Supervisory Board are of the opinion that diversity can be promoted and established even without a formalised diversity concept.

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 AG meets once a week as a rule. The members of the Executive Board are Carel Halff (responsible for Strategy, Corporate Development, M&A, Compliance, Novel Booklets and Puzzle Magazines and Production), Klaus Kluge (responsible for Programme, Sales, Marketing and Press) and Ulrich Zimmermann (responsible for Finance, IT, Risk Management, HR and Contract Management). All members of the Executive Board were appointed for a term of three years.

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

The members of the Supervisory Board are Robert Stein (Chair of the Supervisory Board, Managing Director of Arcana Capital GmbH), Dr Mirko Alexander Caspar (Deputy Chair of the Supervisory Board, Managing Director of Mister Spex) and Prof. Dr Friedrich L. Ekey (member of the Supervisory Board, lawyer and Professor of Economic Law at the University of Applied Sciences in Cologne (Rheinische Fachhochschule). Mr Robert Stein performs the role of financial expert within the meaning of Section 100 (5) of the German Companies Act (AktG). Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe AG is made up of three members. There should be one female representative on the Supervisory Board of Bastei Lübbe AG by no later than the end of the current period in office.

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, also outside sessions, and discusses major events and pending decisions affecting the Company. No members of the Bastei Lübbe AG Supervisory Board are former members of the Executive Board.

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

Avoidance of conflicts of interest

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

Transparency

Our aim at Bastei Lübbe AG is to guarantee the highest levels of transparency and to make the same information available to all target groups at the same time. All our target groups can find out more about current Company developments on the internet. Ad hoc Company notifications are published on the Bastei Lübbe AG website. Press releases and other Company news are also made available here.

We publish information on our corporate governance practices on the internet at www.luebbe.com/en/investor-relations/corporate-governance. Our declaration on management in accordance with Section 289f of the German Commercial Code (HGB), our current and earlier compliance declarations on the Code, our report on corporate social responsibility and our Articles of Association can be found here.

According to Section 15a WpHG, members of the Executive Board and Supervisory Board of Bastei Lübbe AG as well as certain managerial employees and closely associated persons must disclose the acquisition and sale of Company shares and related financial instruments. All directors' dealings pursuant to Section 15a WpHG are also published on the Company website at www.luebbe.com/en/investor-relations/corporate-governance/directors-dealings.

Financial accounting and auditing

The consolidated financial statements of Bastei Lübbe AG as well as the interim reports conform to International Financial Reporting Standards (IFRS) in accordance with the requirements as they are to be applied in the EU. The annual financial statements of Bastei Lübbe AG are prepared in accordance with the provisions of the German Commercial Code (HGB). During the Annual General Meeting on 19 September 2018, Ebner Stolz GmbH & Co. KG, an auditing company and tax consultancy based in Cologne, was selected to carry out the audit for the 2018/2019 financial year.

Cologne, July 2019

For the Supervisory Board

Robert Stein
Chairman

For the Executive Board

Carel Halff
Chairman

COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

Company Profile

Business model of the Group

Bastei Lübbe AG is a German publisher headquartered in Cologne specialising in the publication of books, audiobooks and e-books in the genres of fiction and popular science, as well as periodicals including novel booklets. The business activities of Bastei Lübbe also include the licensing of rights.

Bastei Lübbe breaks down its business activities into the "Books", "Novel booklets" and "Games" segments. The "Retail" operation was discontinued with the sale of the 51% shareholding in BuchPartner GmbH, taking effect on 31 March 2018.

The "Books" segment includes all of Bastei Lübbe AG's print, audio and e-book products, which are distributed via the Lübbe Hardcover, Lübbe Taschenbuch, Eichborn, Baumhaus, Boje, one, LYX, be and Lübbe Audio labels as well as the Czech shareholding in Moravská Bastei MOBA s.r.o (in the following "Moba"). Particular mention in the previous financial year must be given to the 13th instalment of Gregs Tagebuch "Eiskalt erwischt!" by Jeff Kinney, along with "Save You" and "Save Us" by Mona Kasten.

In the "Novel booklets" segment, classics such as "Der Bergdoktor", "Jerry Cotton", "Geisterjäger John Sinclair" and the westerns written by star author G. F. Unger enjoy yearly circulation in the millions. The company's successful tradition in the novel booklets segment has remained intact for more than 60 years.

The Bastei Lübbe Group is completed by the "Games" (last year "Digital") segment, which includes the fully consolidated companies Daedalic Entertainment GmbH (shareholding 51%, game developer), Daedalic Entertainment Bavaria GmbH (shareholding: 51%*, game developer) and oolipo AG (shareholding: approx. 89%, in liquidation). Since in this segment the game developer and publisher Daedalic (incl. subsidiary) remained as the only significant activity, the segment was renamed "Games".

Non-consolidated holdings

Bastei Lübbe held shares in the following non-consolidated companies during the reporting period:

▪ Siebter Himmel Bastei Lübbe GmbH, Cologne	100%
▪ Bastei Ventures GmbH, Cologne	100%
▪ Daedalic Entertainment Studio West GmbH, Düsseldorf*	51%
▪ CE Community Editions GmbH, Cologne	30%
▪ Räder GmbH, Essen	20%
▪ Various press wholesalers	2-5%

** indirectly, shares are held by Daedalic Entertainment GmbH.*

The aforementioned subsidiaries in which Bastei Lübbe AG holds more than 50% of shares are not consolidated, due to their subordinate importance for assets, financial position and earnings.

Goals and Strategies

As a German publisher, Bastei Lübbe is focused on making use of national and international licences. Bastei Lübbe has been one of the market leaders in Germany for many years in the “Historic novel” and “Thriller” genres, with global best-sellers such as Ken Follett and Dan Brown. Bastei Lübbe has also enjoyed great success with the “LYX” label in the female entertainment sector. Eichborn and the children’s book labels Baumhaus, Boje and one, along with the stake in the Community Editions influencer publisher, round off Bastei Lübbe’s print portfolio. With a digital sector of approx. 30% – well above average compared to the industry average – Bastei Lübbe’s digital activities have enjoyed notable growth in recent times. In addition to the LYX label, growth in Lübbe Audio’s digital sector as well as the “be” digital imprint service must also be noted. In this light, the short and medium-term business strategy of Bastei Lübbe is illustrated as follows:

- We are focused on the publication of books, audiobooks and e-books as well as novel booklets in the genres of fiction and popular science.
- We are gradually aligning the “Books” segment from focusing on products to end customers.
- We make use of the opportunities arising from digitisation through the expansion of digital media products, distribution channels and processes.
- We respond to changes in reading habits and develop series content with comprehensive exploitation rights.
- We are treading new paths in product development and are attracting young target audiences to our company.
- We aim to acquire and develop in-house activities with high potential for income and synergies.
- We want to grow in a profitable manner and align ourselves with management key figures of revenue and EBIT.

The M&A process begun in August to clarify the strategic options for Daedalic Entertainment GmbH was temporarily suspended. The Daedalic management team is focusing over the next few months on realising the triple-A licence “Lord of the Rings” and growth opportunities in the international streaming and mobile business.

Corporate Steering

Executive bodies

As a public limited company under German law, Bastei Lübbe AG has a dual management and supervisory structure consisting of an Executive Board and a Supervisory Board. The Executive Board is made up of three members: Carel Halff (Chairman), Klaus Kluge (Director of Programme, Sales and Marketing) and Ulrich Zimmermann (Chief Financial Officer). The Executive Board reports regularly to the Supervisory Board. The reports mainly deal with business policies and strategies as well as current business activities. 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 three members of the Supervisory Board are Robert Stein (Chair of the Supervisory Board), Dr Mirko Alexander Caspar (Deputy Chair of the Supervisory Board) and Prof. Dr. Friedrich L. Ekey.

The internal corporate governance system

The paramount objective of Bastei Lübbe is to continually increase the value of the company through growth and concentration on 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 financial year that follows immediately, as well as a top-down target definition, the Group Sales planning is also calculated bottom-up, in detail and with product orientation in mind. Budget planning for the following financial year is derived on the basis of the final planning. Company steering is based on a monthly target/performance comparison with regard to overall sales revenues, segment sales and balance sheets.

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

- Development of sales revenues and EBIT (earnings before interest and taxes) at Group level
- Development of sales revenues and EBIT in segments

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.

Research and Development

As a German publisher, Bastei Lübbe AG does not, strictly speaking, carry out any research or development work. However, a characteristic of Bastei Lübbe AG is the purchase and/or development of materials with comprehensive exploitation rights, which are published in particular in the “Digital Programme” “programme area in the form of e-books under the imprint “be”.

Employees

At the end of the financial year, Bastei Lübbe had 324 employees, compared to 330 employees as at 31 March 2018.

Continuing process of education

The employees of Bastei Lübbe form the foundation for the Group's success. Our goal is a personnel development that ensures that our employees are qualified for their current and future tasks at Bastei Lübbe. In order to do justice to these tasks, we tailor the training and further education measures individually to each individual employee and, if required, also conduct in-house training courses for employee groups. We also support part-time and job-related courses of study. In addition, we work with cross-departmental management training to further develop the skills and self-reflection of our managers, strengthen cooperation and promote cross-departmental understanding. This programme, which is specially geared to managers, enables know-how, leadership qualities and specialist knowledge to be continuously strengthened and expanded.

Active health management

Health is an important issue in our company. For this reason, we have introduced occupational health management. The aim of occupational health management is to ensure that the concept of health is firmly anchored in the minds of all employees. It is important to us to ensure a long-term effect and to ensure that all employees, regardless of position and workload, can participate in the measures. In order to do justice to this idea of holistic health management at Bastei Lübbe, we offer massages, weekly fruit baskets and support for regular sporting activities for employees, e.g. a company run. In September, around 30 employees took part in a self-defence course organised by the publishing house.

Family friendliness

The desire to agree on personal and professional life planning again played an important role in this financial year. Already in its sixth year, we support our employees within the framework of a family-friendly personnel policy with free consulting and placement services in the areas of child care and the care of relatives. In the area of childcare with company support, we also offer a crèche place offer, which is intended to make it easier for both us and the parents to plan their return to work at an earlier stage. Flexible part-time or home office solutions are also possible.

Social commitment

As a German publisher for the general public, we are also aware of our high social responsibility. With our booklets and puzzle magazines, books and e-books we reach many millions of readers every year. The content we disseminate thus has an effect on the formation of readers' opinions. We are aware of our responsibility when selecting our programme, i.e. also the individual titles. With our non-fiction programme in particular, we try to accompany social and political discussions. With donations to charitable organizations, especially in the area of children, we also try to meet this requirement profile and our social responsibility. The Ursula Luebbe Foundation, which belongs to the Lübbe family, supports this, especially through projects in the field of children's literature, etc.

Economic Report

Macroeconomic conditions

Bastei Lübbe generates most of its sales revenue in Germany along with a significant lower portion abroad, including in particular Austria, Luxembourg and Switzerland. The Bastei Lübbe publisher is in competition with numerous other consumer products and is therefore also particularly dependant on consumer propensity to consume. As a result, macroeconomic developments are important in this regard for the business activities of Bastei Lübbe, if the impact on consumer behaviour and/or demand for their publisher products can be derived.

According to the International Monetary Fund (IWF)[3], global economic growth of 3.6% in 2018 was indeed relatively stable compared to the previous year (3.8%), but it weakened significantly during the course of the year. The ongoing trade dispute between the USA and China and the interest rate policy of the US Federal Bank, both of which create uncertainty regarding subsequent economic developments, were contributing factors. This was also reflected in an extremely dampened business climate and falling consumer confidence in the EU and in the eurozone[4][5]. Growth in the eurozone was significantly lower at 1.8% than in the previous year (2.4%), whereby the German economy was also jointly responsible for this. Nevertheless, unemployment in the eurozone continued to fall back in 2018, reaching a figure of 7.8%[6] by the end of the year, which is its lowest level since 10 years ago. Employment in the eurozone also reached a new high. The first few months of 2019 saw a slight improvement in the global economic environment. Negotiations between the USA and China raised hopes of rapid agreement in the trade conflict, with the US Federal Reserve Bank signalling a more cautious monetary policy. Even consumer confidence in the EU and eurozone appears to have significantly improved.

Growth compared to previous quarter (%)	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Eurozone	0.4	0.1	0.2	0.4
Germany	0.5	-0.2	0.0	0.4
Austria	0.5	0.3	0.3	0.4
Luxembourg	0.2	0.5	0.3	n.a.
Switzerland	0.7	-0.2	0.3	0.6

Source: Eurostat (adjusted for price, season or calendar), as of 13 June 2019

[3] International Monetary Fund (April 2019): World Economic Outlook: Growth Slowdown, Precarious Recovery
[4] European Commission (December 2018): Business and Consumer Survey Results
[5] European Commission (December 2018): Flash Consumer Confidence Indicator for EU and EURO Area
[6] eurostat: Euro area unemployment at 7.8%, 1 March 2019

According to information from the Federal Statistical Office (Destatis), the German economy was unable to sustain the speed of growth in recent years. Economic performance only grew by 1.5% in 2018[7]. Once again, private consumer spending, which made up 0.5 percentage points of overall growth, was one of the key drivers of growth. Overall, private consumer spending increased by 1.0% compared to the previous year.[8] This development is also supported by the continued low level of unemployment. The unemployment rate was 3.3% in December 2018[9] and was 0.3 percentage points lower than the corresponding figure in December 2017. Private household disposable income therefore increased by 3.3%[10] as well – a figure that was significantly higher than the average inflation rate of 1.9%[11]. Accordingly, there was a slight decline in the consumer climate over the course of the year, but it nevertheless remained at a high level. This applied in particular to the propensity to buy. The consumer climate had also improved once again in Germany during the first three months of 2019.[12]

Overall, Bastei Lübbe experienced a neutral to favourable macroeconomic environment during the course of the 2018/19 financial year, without any material impact on the publishing business.

The Industry environment in the Bastei Lübbe AG business segments

The German book market appears to be stable compared to the previous year. According to the Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association), the key distribution channels, i.e. retail book-selling, e-commerce including Amazon, station bookshops, department stores, electrical shops and chemist's shop markets, managed to achieve a slight gain in revenue of 0.1%[13]. The stationary book trade managed to stabilise, and recorded a reduction in sales of just -0.6% (previous year: -3%). Accordingly, non-fiction books (+5.5%) and books for children and young adults (+3.2%) performed extremely positively. The key fiction sector (-0.9%) recorded a slight fall. Advisors (-1.2%) and travel literature (-3.2%) also saw declines.

2019 also began on a positive note for the German book market. However, with Easter falling three weeks later, there was a total fall in sales of 1.5% for the period between January and March 2019.[14]

E-books once again made rapid progress in 2018. As a result, sales grew by 12.7% to 32.8 million sold e-books, thus breaking past the 30 million barrier for the first time.[15] Revenue increased during the same period by 9.3%. In doing so, the number of e-book purchasers increased from 3.5 million to 3.6 million, along with their propensity to buy. On average, each buyer purchased 9.2 e-books (2017: 8.3 units). The revenue share of e-books on the public market therefore amounted to 5.0% in 2018 (2017: 4.6%). The fact Easter was later this year meant there was also a drop in numbers in the e-book market in the first quarter of 2019, when compared to the previous year. With 5.9% fewer buyers and a slight drop in the propensity to buy, e-book sales fell by 7.1%. At the same time, buyers' willingness to pay in the form of the average e-book price paid increased by 6.1%, meaning therefore that e-book sales only fell by 1.4%. The revenue share of e-books on the public market remained at 5.7%, the same value as the previous year.[16]

Even **audiobooks** are enjoying increased popularity. According to the "Audible Hörkompass 2018"[17], audiobooks and plays are now used by 18 million German people as a form of entertainment and education. Another 9 million could be introduced to it in the future. 15 million people are even regular listeners, meaning therefore they listen to an audiobook at least once a month. Audiobooks are particularly popular when you are on the move: more than half of listeners use them on public transport, on holiday or simply in the car. The trend towards mobile listening has also increased accordingly. As a result, 44% of people already use their smartphone or tablet to listen to their audiobooks. Nevertheless, total revenue in the German audiobook market fell from EUR 80 million in 2017 to EUR 75 million in 2018. This is linked to ongoing changes to the format mix, which ultimately leads to lower revenue per audiobook

[7] Destatis: Gross domestic product, 4th quarter 2018, press release no. 050 dated 14 February 2019
[8] Destatis: Press Release No. 018 of 15 January 2019, Gross Domestic Product, Gross National Income and National Income
[9] Destatis: 45 million workers in December 2018, press release no. 036 dated 31 January 2019
[10] Destatis: Private consumer spending and disposable income, 4th quarter 2018, published on 25 March 2019
[11] Destatis: Consumer price index, December 2018, press release no. 019 dated 16 January 2019
[12] GfK consumer climate surveys April 2018 to March 2019
[13] Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association), book market in 2018: Revenue with books stable, 10 January 2019
[14] boersenblatt.net: Sector monitor for books in March, dated 4 April 2019
[15] German Publishers' and Booksellers' Association, e-books in 2018: Digital market flying high, 15 February 2019
[16] German Publishers' and Booksellers' Association, quarterly report for e-books: Late Easter causes difficult market, 28 May 2019
[17] buchreport.de: Audiobooks becoming increasingly popular, 5 October 2018

user. The physical format of a CD remains as popular as ever, and is also still used by 47% of listeners. However, smartphone- and tablet-compatible formats are more popular among the under-40s group. Accordingly, physical audiobooks recorded a fall in sales of 8.6%[18] in 2018. In the period from January to March 2019, revenue in this sector fell by 16.8%[19], which can also be attributed to the late Easter. On the contrary, the revenue share of the space-saving audio streaming format in the audiobook market enjoyed positive developments. This amounted to 30% in 2018[20] and was therefore significantly higher than in the previous year (2017: 17%).[21]

Once again, revenue in the overall market for **computer and video games** increased in 2018 by 9% to EUR 4.4 billion compared to the previous year. Whilst revenue from hardware, such as games consoles or accessories, fell by 8.4%, games increased by 14.5%. In-game purchases in particular increased by 28%, making up approximately 45% (2017: 38%) of all computer and video game revenues. The so-called free-to-play games heavily capitalise on the purchase of virtual goods and additional content. Corresponding titles can be played free of charge, but players still have the opportunity to purchase additional levels or virtual currency. The revenue from subscription services fell once again by 25% to EUR 125 million. The submarket for online networks, such as EA Access, PlayStation Plus or Xbox Live Gold, grew by 97% to EUR 353 million.[22] The German computer and video games market is dominated by international developments.[23]

In 2018, the German press wholesalers managed to achieve revenue of EUR 1.85 billion from the retail of press products such as **novel booklets and puzzle magazines**. This corresponds to a fall of 6.6% compared to revenue for 2017. The total sales revenue of press wholesalers, which includes the press business as well as the sale of press-like products such as collectible picture cards or catalogues, came to EUR 1.92 billion in 2018, a figure remaining 5.5% below the revenue figure of the previous year.[24] Sales measured in samples fell significantly more than press sales in 2018. German press wholesalers sold 1.40 billion units of newspapers, magazines and novel booklets and puzzle magazines to the retail trade. The fall compared to the sales figure for 2017 was 9.6%. The sustained negative development in this particular sector continues apace. In accordance with the 2018 retail structure analysis system (known as Ehastra) implemented by the German press wholesale, it remains the case, despite a slight drop in retail outlets in 2018, that Germany has a uniquely dense network of 101, 239 press outlets, all of which make a key contribution to the widespread availability of print products.[25]

With a market share of approximately 4.1%, Bastei Lübbe took fifth place among German publishers in the “Hardcover/Paperback Fiction” sector during the 2018 calendar year, according to Media Control. Even in the programme sectors for children’s and young adults’ books (age 12+) and audio, Bastei Lübbe is the top publisher and/or among the top four publishers in Germany, with respective market shares of 19.5% and/or 5.7%. With a market share of approximately 6.1%, Bastei Lübbe took seventh place among other publishers in the “Paperback Fiction” sector in the 2018 calendar year.[26]

We classify the industry environment, characterised in particular by increasing digitisation, as neutral to challenging overall.

[18] boersenblatt.net: Sector monitor for books, dated January 2019
[19] boersenblatt.net: Sector monitor for books in March, dated 4 April 2019
[20] statista.de; Statistics regarding audiobooks
[21] Bundesverband Musikindustrie; The music industry in numbers for 2017
[22] www.game.de; German games market in 2018
[23] www.game.de; German games market in 2017
[24] Press wholesalers, Bundesverband Deutscher Buch-, Zeitungs- und Zeitschriften Grossisten e.V., press wholesalers in figures in 2018
[25] www.presse-report.de, Ehastra 2018: Number of press outlets falls slightly, 25 January 2019
[26] Internal calculation based on Media Control figures for the 2018 financial year

Group Business and Financial performance

General statement on business performance and the economic situation

The Executive Board of Bastei Lübbe is satisfied overall with the business development. With EUR 94.9 million, sales revenue in the reporting year exceeded the adjusted forecast of EUR 90 million. The reason for this is essentially sales exceeding expectations in LYX and audio and reduced remissions from the Christmas business in the fourth quarter of the financial year. In addition, Moba's revenue contribution of EUR 2.0 million was not included in the forecast. In the “Book” segment, sales revenues fell from EUR 84.7 million to EUR 75.8 million. This means that the revised forecast (EUR 71 million) was exceeded by almost EUR 5 million.

The adjusted sales forecast for the “Novel booklets and Puzzle magazines” segment (EUR 10 million) was achieved. The adjusted sales forecast for the "Games" segment (previous year: "Digital") (EUR 9 million) was also achieved with EUR 9.1 million.

The adjusted EBIT forecast was at the bottom end of the range of EUR 0.5 – 2 million. At EUR 2.7 million, the actual EBIT exceeded the forecast. For one thing, the positive fourth quarter had a positive effect on the operating results. Secondly, restructuring costs of EUR 0.5 million were not incurred as expected. The “Book” segment achieved an EBIT of EUR 2.0 million, clearly exceeding the forecast of up to EUR 1 million. The EBIT forecast of EUR 1.3 million in the “Novel Booklets” segment was not reached (reporting year: EUR 0.8 million). In the deviations relating to the EBIT forecasts for the “Book” and “Novel Booklets and Puzzle magazines” segments, it must be taken into consideration that the result amount (EUR 0.4 million) of the Czech subsidiary Moba was still counted in the “Novel Books” segment. The expected negative EBIT in the “Games” segment of EUR -0.5 million was bettered with EUR -0.1 million. The reason here is the sale during the year of the loss-making companies Beam Shop GmbH and BookRix GmbH und Co. KG as well as the positive business performance of the games developer and publisher Daedalic Entertainment GmbH, due in particular to special effects from the agreement with a contractual partner.

At EUR 17.8 million, the net liabilities as at 31 March 2019 was less than the adjusted forecast of EUR 25 million. This can be traced back primarily to the positive performance of the fourth quarter of the business year as well as careful liquidity planning.

At the beginning of the new financial year 2019/2020, the Executive Board continues to see the necessity of consistently increasing the efficiency and efficacy of the Group and the AG. The efficiency programme begun in January 2018 continues according to plan. Its effects are tangible and have resulted in the sustainable increase in profitability through the scaling down of the participation portfolio as well as in the reduction in personnel and advertising costs. In addition, the publication programme will be extended and improved in order to lay the foundations for future organic growth.

Earnings performance

In the financial year 2018/2019, Bastei Lübbe achieved consolidated Group sales revenues of EUR 94.9 million (following EUR 140.2 million in the previous year). The downturn is essentially due to the sale of BuchPartner GmbH as of 31 March 2018. For the continuing business divisions, earnings dropped by EUR 12.1 million following EUR 107.0 million in the previous year in the course of business-typical and programme-related fluctuations in the “Book” and “Games” (previous year “Digital”) segments. The other capitalised own services concern the self-developed games in the “Games” (previous year “Digital”) segment and amount to EUR 2.7 million in the financial year 2018/2019 following EUR 3.1 million in the previous year.

The reduction in inventories of finished and unfinished products increased in the financial year 2018/2019 to EUR -3.2 million from EUR -1.9 million in the previous year.

The other operating income rests at EUR 1.1 million in the reporting year following EUR 4.4 million in the previous year. The figures for the previous year include the earnings from the deconsolidation of BookPartner GmbH amounting to EUR 3.3 million.

At altogether EUR 47.1 million in the reporting year, material expenses lie significantly below the previous year’s level (EUR 83.7 million). The material expenses for the continued business divisions dropped from EUR 62.2 million to EUR 47.1 million. This is based for one thing on the reduction in expenses for purchased services from EUR 23.7 million in the financial year 2017/2018 to EUR 18.8 million in the reporting year mainly due to the lower sales level in the "Book" segment. And, for another, the expenses for fees and depreciation of royalties decreased to EUR 27.7 million as a result of the decline in sales as well as non-recurring effects in the previous year (previous year: EUR 37.7 million). The expenses for fees and depreciation of royalties include write-downs amounting to EUR 1.3 million (previous year: EUR 1.7 million).

Personnel costs dropped from EUR 28.6 million to EUR 20.1 million. This decrease in personnel costs relates to the sale of BuchPartner GmbH (“Retail” segment; discontinued operations) in the previous year. Compared with the continuing operations, personnel expenses fell by EUR 0.8 million to EUR 20.1 million in the year under review (previous year: EUR 20.9 million). The personnel expenses in the year under review also include expenses of EUR 1.0 million for personnel measures as part of the efficiency program

Other operating expenditure decreased from EUR 33.4 million in the previous year to EUR 20.8 million in the reporting year. This reduction results here, too, primarily from the sale of BuchPartner GmbH in the previous year. Adjusted for the discontinued operations, other operational costs sank by EUR 5.9 million (previous year: EUR 26.7 million). This reduction resulted primarily from the unscheduled write-down on receivables vis-á-vis participations in the previous year and lesser advertising costs in the reporting year. In the reporting year, consultancy expenditure was incurred in the context of the efficiency programme amounting to EUR 0.7 million as well as one-off expenses for the adjustment of the participation portfolio amounting to EUR 0.3 million.

The amortisation of intangible assets and property, plant and equipment decreased significantly by EUR 13.4 million to EUR 4.9 million (previous year: EUR 18.3 million). In the previous year, write-offs on goodwill amounting to EUR 5.8 million and write-offs on internally generated intangible assets and other intangible assets amounting to EUR 6.6 million are included. In the reporting year, write-offs on internally generated intangible assets in the “Games” segment amounting to EUR 0.8 million were recognised.

The Group operating result (EBIT) rose in the financial year 2018/2019 to EUR 2.7 million (previous year: EUR -18.4 million). In the continued business divisions, the EBIT increased in the financial year 2018/2019 by EUR 15.3 million from EUR -12.6 million in the previous year.

The financial result shows net expenses of EUR 1.2 million (previous year: EUR 1.7 million). The consolidated result before profits tax was EUR 1.5 million in the reporting year and exceeded the previous year’s figure of EUR -19.8 million. Taking profits tax into account, the net result for the period was EUR 0.9 million (previous year: EUR 16.2 million), which is allocated to the shareholders of Bastei Lübbe AG in the amount of EUR 0.7 million (previous year EUR -12.7 million). Earnings per share amounted to EUR 0.05 compared to EUR -0.96 in the previous year. For this, a share quantity of 13,200,100 was taken as a basis in the period under review (unchanged from the previous year).

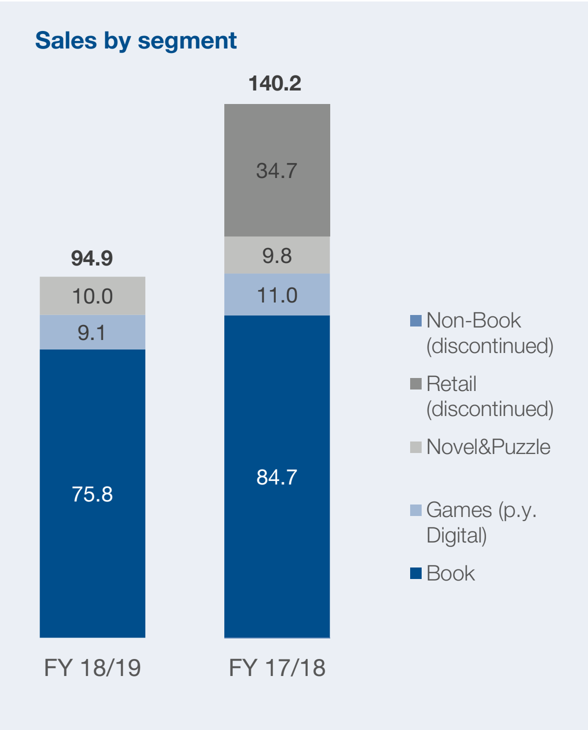
Business performance of segments

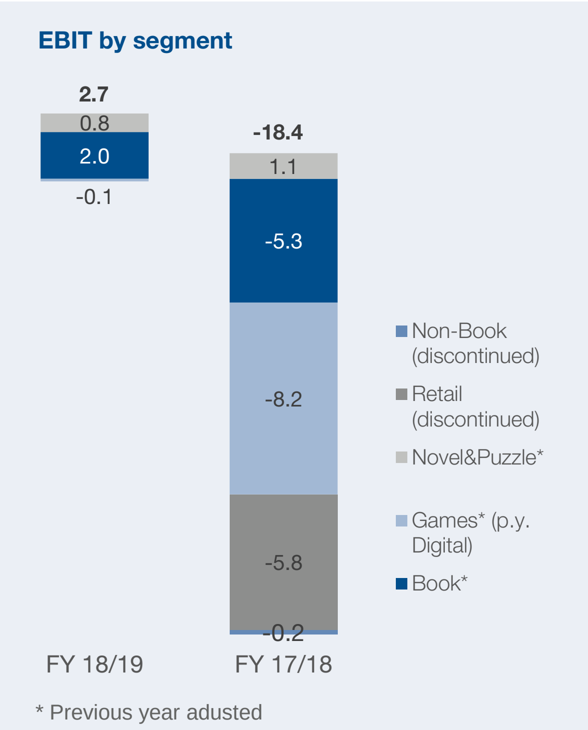
Segment reporting is carried out in the "Books", "Games" and "Novel Booklets and Puzzle Magazines" segments. With the sale of Buchpartner GmbH at the end of the 2017/2018 financial year, the Retail segment was discontinued.

Sales revenues in the “Book” segment sank by 11% in the past financial year compared to the previous year to EUR 75.8 million in the context of programme-related fluctuations. It must be taken into account that the “Book” segment includes the newly-consolidated subsidiary Moba for the first time in the reporting year. The sales contribution of this subsidiary amounts to EUR 2.0 million. The 13th volume of the serial hero Greg by US author Greg Kinney, which reached the number one slot in the annual bestselling ranks in the children’s and YA book segment in just 10 weeks, developed positively. The operating result (EBIT) of the segment climbed from EUR -5.3 million to EUR 2.0 million. The previous year had been negatively affected by the one-off effects of the additional write-offs on prepaid royalties (EUR 8.2 million) and write-offs on participations (EUR 1.6 million). It should be noted that the EBIT of the previous year was increased by the investment income from Moba, which in the past was allocated to the " Novel Booklets and Puzzle Magazines " segment.

Sales revenues in the segment “Games” (previous year: “Digital”) dropped by EUR 1.9 million to EUR 9.1 million (previous year: EUR 11.0 million). The reduction is due on the one hand to the decline in sales at Daedalic and on the other hand to the intra-year sale of the subsidiaries Beam Shop GmbH and BookRix GmbH & Co. KG to explain. The EBIT achieved EUR -0.1 million compared to EUR -8.2 million in the previous year (adjustment of previous year see Notes to the Consolidated Financial Statements No. 6). In the previous year, the write-offs on intangible assets in Daedalic and oolipo amounting to EUR 6.6 million were the main causes for the incurred loss. In the reporting year, the sale of the loss-making subsidiaries Beam shop and Book Rix as well as special effects from the agreement with a contractual partner had a positive effect on the EBIT.

At EUR 10.0 million (previous year: EUR 9.8 million), sales revenues in the “Novel Booklet and Puzzle Magazines” segment was very close to the previous year’s figure. The EBIT fell from EUR 1.1 million (adjusted by the change in reporting investment income of Moba) to EUR 0.8 million. Additionally, increased printing and delivery costs had a negative impact.





Financial position

Principles and objectives of the financial and capital management

Objectives

The financing strategy of the Bastei Lübbe Group is based on the following objectives:

- Long-term maintenance of the business concern
- Safeguarding liquidity and financial flexibility
- Limiting financial risks

The following figures are also of particular importance within the context of the financial and capital management:

- Group equity ratio
- Equity and EBITDA of the Bastei Lübbe AG
- The ratio of net financial debt to Group EBITDA

Bastei Lübbe aims for an equity ratio of more than 40% as well as a net financial debt ratio (liabilities to banks less cash and cash equivalents) to Group EBITDA (= debt-equity ratio) of 2.5 or less. The equity ratio of 42.0% as at 31 March 2019 was slightly above the target value. At 2.3, the “net financing debt to Group EBITDA” KPI was also within the target range.

Financing mix

To ensure financial flexibility, Bastei Lübbe focuses specifically on a balanced mix of equity and debt financing. The external financing of Bastei Lübbe on the balance sheet date is as follows:

- Bank loans
- Nonrecourse factoring

On 27 June 2019, the lenders agreed to an extension of the syndicated loan agreement, which has an original term until 31 March 2020, to 31 March 2022. Owing to the combination of long payment terms for our clients and the high payments of guarantee royalties to authors prior to publication customary in the industry, Bastei Lübbe has a significant need for financing.

In line with the Group’s structure, financing for Bastei Lübbe AG and other Group companies is dealt with separately. Daedalic Entertainment GmbH in particular has its own credit financing.

The following criteria are considered by Bastei Lübbe when selecting the financing instruments:

- Flexibility in utilisation
- Credit support/covenants
- Maturity profile

Dividend policy

The Executive Board pursues the goal of a dividend policy aimed at continuity in order for the shareholders to benefit from the success of the company with a share of 40-50% in the annual surplus distributable to the shareholders of Bastei Lübbe AG. The precondition for this is the compatibility with the financing circumstances of the group of companies and long-term and sustainable business development. In view of the not yet completely restored ability to pay dividends, the Executive Board and the Supervisory Board will thus propose once again at the AGM on 18 September 2019 that the distribution of dividends is waived.

Derivative financial instruments

To limit the risk of interest on the long-term syndicated loan, Bastei Lübbe AG concluded an interest swap deal on 26 October 2016 for a credit volume of originally EUR 10 million with a term up to 26 November 2021 and a fixed interest rate of 0.75%. The nominal amount of the derivative decreases every three months by EUR 0.5 million and, as a result, still accounts for EUR 5.5 million on the balance sheet date.

In addition, Daedalic concluded three further interest swap transactions for a credit volume totalling EUR 3 million with a term up to 28 June 2019 or 30 June 2019 and a fixed interest rate of 3.0%.

31 March 2019 saw a (negative) market value (fair value) for the interest derivatives amounting to EUR 84k which is reported among the financial liabilities. No hedging is undertaken on the balance sheet.

In order to limit the exchange rate risk, a forward exchange transaction in conjunction with a long-term author contract, which makes provision for remuneration in USD, was concluded during the reporting year. The nominal volume of the five individual transactions totals USD 1.5 million, with terms ranging to between 31/10/2019 and 29/10/2021. There was a (positive) fair value in the amount of EUR 60k as at 31 March 2019.

Capital structure

As at 31 March 2019, the liquidity reserves of the Group held liquid assets of EUR 3.4 million (previous year: EUR 0.9 million). Within the existing credit agreements, there are credit lines with a volume totalling EUR 28.4 million. 47% of these credit lines were used as of the reporting date. As at 31 March 2019, the Bastei Lübbe Group had short and long-term financial debts amounting to EUR 21.2 million (previous year: EUR 31.1 million). Of this amount, EUR 21.2 million (previous year: EUR 26.1 million) is due for repayment within the next 12 months as of 31 March 2019.

As at 31 March 2019, net debt amounted to EUR 17.8 million (previous year: EUR 30.1 million). The reason for this decrease was, for one thing, the introduction of nonrecourse factoring for the receivables from goods and services from the “digital” book business and, for another, the lower advance payments for manuscripts. Thus, the positive cash flow from current business activities could be used for the greater part for scheduled and non-scheduled repayment of the credit lines used.

Liquidity analysis and investments

The cashflow from current business activities grew across the Group from EUR 5.5 million to EUR 14.4 million in the reporting year. The conclusion of a factoring contract for the receivables from the digital book business in the reporting year meant that tied-up liquidity in the amount of EUR 3.5 million could be freed up once-off. In addition, investments in prepaid royalties decreased in comparison to the previous year.

The cash flow from investment activities changed in the reporting year compared to the previous year (EUR -0.5 million) to EUR -2.7 million. Investments in intangible assets amounting to EUR 3.5 million concern in particular the development of games at Daedalic Entertainment GmbH, as in the previous year (EUR 4.6 million). Fixed asset investments primarily concerned Group-wide expansion and replacement investments.

Cash flow from financing activity showed an outflow of funds totalling EUR 10.0 million (previous year: EUR 5.2 million) in the reporting year. This is a result of the high amount of repayments of credit liabilities, particularly at Bastei Lübbe AG, amounting to EUR 11.6 million. On the other hand, the cash inflow from Daedalic's borrowings amounted to EUR 1.6 million.

Assets position

The balance sheet total for the Group, compared to 31 March 2018, sank by EUR 15.3 million to EUR 85.9 million (EUR 101.2 million in the previous year). This drop is due in particular to the reduction in the inventory of prepaid royalties and the introduction of a nonrecourse factoring for the receivables in the “Book” segment.

Long-term assets amount to EUR 51.3 million, compared to EUR 59.6 million as of 31 March 2018.

Intangible assets decreased from EUR 20.9 million to EUR 19.9 million. This drop is the result of the reduction in own work capitalised and write-offs on self-generated intangible assets in the “Games” segment amounting to EUR 0.8 million.

The inventory of prepaid royalties dropped from EUR 27.8 million to EUR 20.5 million. This reduction is based in particular on scheduled write-offs in the reduced advance payments for new manuscripts, compared to the previous year.

Current assets amount to EUR 34.6 million, following EUR 41.6 million as at 31 March 2018. The reduction by EUR 7.0 million is the result in particular of the introduction of non-recourse factoring for trade receivables.

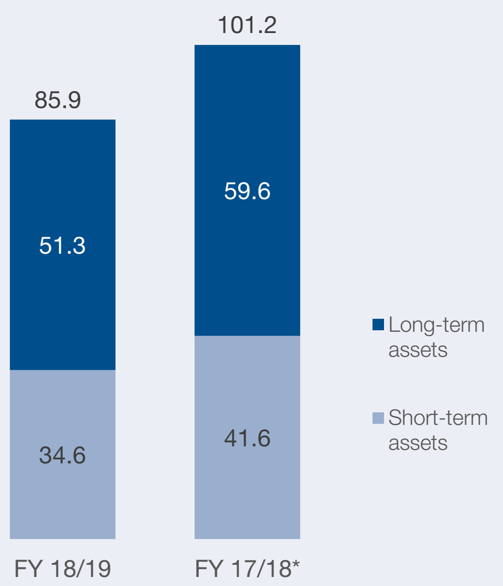
The share of equity attributable to the parent company's shareholders amounts to EUR 34.7 million, higher than the previous year (EUR 31.1 million). The reason here lies in the positive period results of EUR 0.7 million attributable to the shareholders of the parent company as well as the inclusion of MOBA in the consolidated Group for the first time. In addition, the investment in Räder GmbH is valued as an equity investment and designated at fair value through other comprehensive income (FVOCI).

Long-term debts amount to EUR 1.9 million, compared to EUR 7.3 million as at 31 March 2018. The long-term financial liabilities amounted to EUR 5.1 million as at 31 March 2018 and are listed in the reporting year under short-term financial liabilities.

Current debts amount to EUR 47.9 million as at 31 March 2019, following EUR 61.7 million as at 31 March 2018. The financial liabilities diminished from EUR 33.1 million in the previous year to EUR 24.7 million in the reporting year through the repayment of liabilities to credit institutions. Trade payables dropped from EUR 19.3 million to EUR 14.2 million due to lower liabilities arising from royalties.

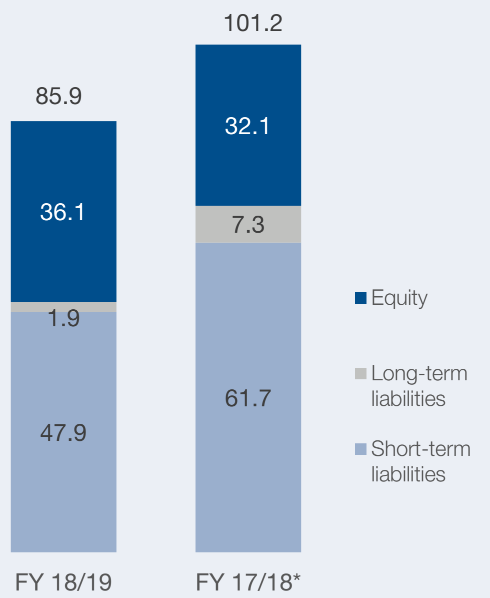
Provisions and other liabilities barely changed in comparison to the previous year.

Balance Sheet: Assets



* Previous year adusted

Balance Sheet: Liabilities



* Previous year adusted

Subsequent Events

Corresponding information can be found under Note 48 in the consolidated notes.

Forecast

Economic conditions

With regard to 2019, the International Monetary Fund (IMF) forecasts a continued slowdown in global economic growth to 3.3%. Growth is expected to accelerate once again to 3.6% in 2020. Even in the eurozone, growth for 2019 is expected to slow down dramatically, with Germany (0.8% vs. 1.5%) and Italy (0.1% vs. 0.9%) in particular displaying greater weakness, before reaching the level attained in 2018 once again in 2020.[27]

According to the Kiel Institute for the World Economy (IfW), the inflation rate in the eurozone will see little change in 2019 and 2020, and is expected to be around the 1.5% mark compared to previous years. The ongoing fall in unemployment will continue, albeit in a somewhat weakened form. This development continues to require private consumer spending.[28] The IfW is also forecasting a further increase in employment for Germany. Private consumer spending should therefore see a significant increase, particularly given that consumer prices are only expected to see moderate growth. The inflation rate is forecast to be 1.5% in 2019 and approximately 1.8% in 2020.[29]

Future industry situation

The economic situation for the book trade generally seems to be a positive one in the first quarter of 2019. However, as a result of Easter moving to April, there was a slight fall in revenue of 1.5% compared to the previous year.[30] In the meantime, the gap between book purchasers and non-purchasers is becoming ever greater. The figures regarding buyer progression are now pointing towards the situation stabilising, following on from the falls the previous year. The number of book purchasers increased by 1.6% in the first three quarters of 2018.[31] The efforts by German publishers to inspire readers and keep books in mind as a leading medium in the future, too, appear to have paid off. As a result, publishers have developed new marketing strategies, found new approaches for digital natives or successfully experimented with narrative formats.

According to forecasts by the management consultancy firm PricewaterhouseCoopers (PwC)[32], revenues in the German book market should grow by an average of 0.4% per year during the period 2018 to 2022. Increasing e-book revenues should therefore compensate for the print markets in Germany that are expected to experience falls in all segments. In PwC's view, the market for electronic books is, in future, expected to grow by at least 10 per cent per year. With regard to print revenues, PwC expects there to be an average annual fall in revenue of 1.5% for the period between 2018 and 2022 overall; in the case of e-books, average annual growth of 12.8% is expected over the same period. Using the public market as the basis, PwC forecasts an average annual fall in print revenues of 0.6%, whilst e-books are forecast to have annual average growth in revenue of 10%. However, in PwC's view, German consumers still have a strong preference for printed books. The revenue share of e-books on the overall public market is therefore expected to remain significantly behind the globally observed usage intensity – even in the long term – and is also expected to amount to much less than 10% in 2022.

[27] International Monetary Fund (April 2019): World Economic Outlook: Growth Slowdown, Precarious Recovery
[28] Kiel Institute for the World Economy (March 2019): The global economy in spring 2019
[29] Kiel Institute for the World Economy (March 2019): The German economy in spring 2019
[30] boersenblatt.net 2019: Easter effect
[31] Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association): German publishers start the year with optimism, 24 January 2019
[32] Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association), PwC forecast regarding the German media market, 14 November 2018

According to the management consultancy firm PricewaterhouseCoopers (PwC), the market for electronic games (e-games) in Germany is characterised by stable growth rates and revenues. The experts from PwC expect the market for computer and video games to grow by an average amount of 6.4% annually between 2018-2022. Key trends here include in particular virtual reality and augmented reality along with the enormous success of multiplayer online games. As a result, major publishers are increasingly focusing on these multiplayer games and are pulling back from the solo game sector in particular. This reduces competitive pressure in this sector and opens up new opportunities for smaller developer studios, such as Bastei Lübbe's subsidiary, Daedalic. Overall, it should be noted that revenues from the sale of physical games and browser games are falling, with growth arising primarily in the digital businesses and advertising.[33]

According to PwC, the market for printed general interest magazines, which includes novel booklets, comics and puzzle magazines, is continuing its negative trend seen in recent years. Revenue from the sale of magazine is expected to fall from EUR 2.0 billion in 2017 to EUR 1.5 billion in 2022. With regard to revenue from the sale of digital magazines, the experts from PwC expect to see an average increase of 10.4% per year. Despite the positive developments seen in the digital sector, PwC is forecasting an annual fall in the total sales revenues by 4.3% up until 2022.[34]

Expected earnings and financial position of the Group

After the focus was placed in the past year on the implementation of the efficiency programmes and streamlining of structures in the “Book” segment, the path has been set for profitable growth in the next years.

A sure-fire sales candidate will be published in autumn with Volume 14 of “Gregs Tagebuch”. In the fiction segment, Rebecca Gablé will build on earlier successes with the continuation of the Waringham series. Other bestseller guarantees include authors from the publishing houses LYX and Bastei Lübbe Taschenbuch, in particular Mona Kasten and Petra Hülsmann. Audio also benefits in this current financial year from the general market trend towards digital audiobooks. Through the implementation of efficiency enhancement measures and successful portfolio adjustment, the Executive Board expects to see the earnings situation vastly improved.

In the “Games” segment, the management team is focusing over the next few months on realising the triple-A “Lord of the Rings” licence and growth opportunities in the international streaming and mobile business.

In the current financial year 2019/2020, the consolidated Group sales is expected to be between EUR 85 and 87 million (reporting year: EUR 95 million). Of this, EUR 67 to 68 million (reporting year: EUR 76 million) will be attributable to the “Book” segment. The Executive Board estimates the autumn programme 2019 and the spring programme 2020 in fiction to be overall less attractive. In the reporting year, the “Save” series by Mona Kasten in particular ensured an additional boost in sales. Measures have been put in place to strengthen the programme sustainably. In one to two years, the downturn in sales should be caught up again. In the “Games” segment, sales in the range of EUR 11 to 12 million (reporting year: EUR 9.1 million) is expected. A significant portion of the sales in the next financial year will be generated through the acquisition of “third-party titles”, for which Daedalic will act as publisher.

The “Novel booklets” segment should achieve sales of around EUR 7 million following the spin-off of the puzzles division (reporting year: EUR 10 million).

In the current financial year, a positive EBIT in the range of between EUR 3.5 and 5.3 million is expected. For the “Book” segment, an EBIT of between EUR 1.5 and 2.6 million is expected (reporting year: EUR 2.0 million). Thanks to the measures of the efficiency program in the current fiscal year, EBIT is expected to be at about the same level as in the year under review despite lower sales.

[33] PricewaterhouseCoopers 2018: German Entertainment and Media Outlook 2018-2022 – video games
[34] PricewaterhouseCoopers 2018: German Entertainment and Media Outlook 2018-2022 – magazines

For "Games", EBIT is expected to be in the range of EUR 1.2 to 1.9 million (reporting year: EUR -0.1 million). This is attributable to the planned sales increase of approximately EUR 2 million and lower depreciation.
For "Novel Booklets", an EBIT of EUR 0.8 million (reporting year: EUR 0.8 million) is targeted.

The effects of the application of accounting regulation IFRS 16 for the EBIT, which newly regulated the reporting arrangements for leasing contracts, amount to around EUR 0.1 million in the financial year 2019/2020.

The financial planning of the Bastei Lübbe Group assumes that the net debt in the current financial year as at 31 March 2020 should be at around the same level as that of the reporting year (EUR 17.8 million).

General statement on the predicted development of the Group

Against the backdrop of the above-mentioned individual conditions and the assessment of the future development of the industry, the Executive Board considers a positive development to be realistic. Following a successful increase in efficiency, the focus in the future will be on increasing profitability and expanding business activities. The Executive Board is aiming for sales growth of around EUR 100 million in the medium term. The goal continues to be an EBIT margin of 6-8% for the Group. In addition, the balance sheet ratios, in particular equity ratio and debt ratio, should be continually improved.

Like before, the following still applies: Bastei Lübbe is concentrating on its core business and is working towards the expansion of business in the “Book” segment.

Risk report

Risk management system

One of the key tasks for the Executive Board is to ensure that the company is successful in the long term and is strengthened in a sustainable manner. As part of its activities undertaken in its business segments, the Bastei-Lübbe Group is exposed to the general risks that are always associated with entrepreneurial acts.

The aim of this risk management system (hereinafter referred to as RMS) is to promptly identify risks for the Group so that counter-measures can be taken and controls implemented. The principles are laid down in a binding manner by way of a risk management policy. Clear, appropriate and controllable risks are entered into consciously where a reasonable rate of return is to be expected. Risks are covered by insurance where possible. Suitable countermeasures are taken for all other risks, and adherence to these measures is regularly monitored. The countermeasures and risk situations are revised and updated as required – but at least once a year. This also occurred in the 2018/2019 financial year.

The RMS includes all consolidated subsidiaries. Risks are recognised according to uniform categories and documented in a risk inventory. The risks are then assessed using the probability of occurrence and the loss value.

Today, the system regulates the recognition and examination of risks in the following areas in particular:

- Operative risks
- Financial risks
- Strategic 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. The Executive Board is informed immediately when risks emerge that have a major impact on the company. The Board regularly discusses the risk management system in board meetings and frequently reports to the Supervisory Board on the risk management system.

Despite these efforts, the opportunity and risk management system cannot guarantee total certainty with regard to the achievement of the related objectives. As with all discretionary decisions, those taken with regard to the implementation of appropriate systems can be fundamentally flawed. Controls may not be functional in individual cases due to errors or mistakes, or changes to situational variables may not be recognised until a later stage despite appropriate observation. The same applies to intentional acts of damage caused by individuals.

Accounting-related risk management system (RMS) and internal control system (ICS)

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 assets, financial position and earnings of Bastei Lübbe corresponding to the true circumstances. One core function of the accounting and financial reporting processes is the steering of Bastei Lübbe AG and its operational units.

As a general rule, the four eyes 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. 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 workflows.

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 in external support in the preparation of the consolidated financial report.

To prepare the consolidated financial statements, the individual financial statements and supplementary information are adjusted and reviewed in the consolidation software, LucaNet. All consolidation processes as well as the transfer of local individual financial statements to the IFRS accounting standard are undertaken centrally and documented.

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 workflows within the preparation of the consolidated financial report, Bastei Lübbe has created a reporting calendar. It provides information on the timeline and on responsibilities. Bastei Lübbe uses the calendar to monitor compliance with predetermined workflows as well as with predetermined deadlines. This enables status tracking so that risks can be recognised promptly and eliminated.

Significant risks

In addition to the general business risk, the Group is also exposed to the risks explained below. These risks are classified into classes A, B and C during the course of an observation period of two years in descending order according to the expected loss amount, as shown in the graph below. In the case of the specified loss amounts, this involves net consideration of the EBIT effect.

Loss amount (in EUR million)	(5) very low (0 to < 10)	(4) low (11 to < 25)	(3) medium (26 to < 50)	(2) high (51 to < 75)	(1) very high (76 to 100)
(1) very high (> 5)	B	A	A	A	A
(2) high (2,5 to ≤ 5)	B	B	A	A	A
(3) medium (1 to ≤ 2,5)	B	B	B	A	A
(4) low (0,25 to ≤ 1)	C	C	B	B	A
(5) very low (to 0,25)	C	C	C	C	B

Probability of occurrence (in %)

Unscheduled development of holdings

Bastei Lübbe's economic success will continue to depend on the future results of our holdings. With regard to the holdings, there is the risk that the expected results will not be achieved.

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

There are regular telephone calls and face-to-face discussions between the Executive Board and the management of the holdings. In this way, Bastei Lübbe AG is informed of the economic development of and results from the holdings in good time and has the opportunity to counteract any potential undesirable developments.

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.

The risk from this is classified as an “A” risk when there is a low probability of occurrence and a very high loss amount.

Non-compliance with the agreed financial indicators

A significant risk for non-compliance with the agreed financial indicators could arise out of the syndicated credit agreement with Bastei Lübbe AG, given that the banks are entitled to special rights of termination in the event of non-compliance with the indicators. The agreed financial indicators are, on the one hand, the absolute equity and, on the other hand, are a minimum EBITDA for Bastei Lübbe AG at certain times. In the event of non-compliance, there is the opportunity to negotiate with the consortium of banks to avoid termination of the agreement (compare Financial Risks). This is typically associated with one-off costs. The same applies to the subsidiary Daedalic. Daedalic's loan agreement, which originally ran until 30 June 2019, was extended after the balance sheet date until further notice.

Based on the financial year planning of the Bastei Lübbe AG for the current 2019/20 financial year, a potential breach of the agreed financial indicators is forecast as at 31 December 2019. In this particular instance, the lenders had a contractually defined right of termination. In this light, the Executive Board entered into early negotiations with the banks regarding the adjustment of financial indicators. In their letter dated 27 June 2019, the lenders consented to prolongation of the financing up until 31 March 2022 as well as to the newly negotiated financial indicators. The legal documentation in the form of an update to the loan agreement provisions should be implemented in a timely fashion.

The risk from this is classified as an “A” risk when there is a medium probability of occurrence and a low loss amount.

Promising titles absent from range

It is possible that, at the beginning of a financial year, not enough titles, in particular top titles in the “Book” segment, were bought to generate the necessary sales revenues and profit for the year. Given that fixed costs cannot be quickly reduced, too little sales revenue can lead to a lower EBIT figure.

Bastei Lübbe plans content within a time frame of 18 to 24 months. This applies to all divisions. There is a list of contents, arranged according to genre, content and release date. This arrangement means that it can be identified early on whether one or more titles are still lacking in a genre for the financial year. Title lists are updated on an ongoing basis and made available to management and the Executive Board on a monthly basis.
A lack of profitable titles in the programme can be detected early. As a result of the lead time, there is sufficient time to move available titles forward or purchase more titles.

The risk from this is classified as a “B” risk when there is a medium probability of occurrence and a medium loss amount.

IT risks

Disruption to operational procedures due to the failure of key IT systems constitutes a permanent risk for the Group. Bastei Lübbe has its own IT department. Significant areas are outsourced so that the company can remain capable of operating without internal IT structures – for a certain time at least. This reduces the direct economic risk 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.

The risk from this is classified as a “B” risk when there is a medium probability of occurrence and a medium loss amount.

Personnel risks

The future financial performance of the Bastei-Lübbe Group essentially depends on the commitment and performance of its employees. The Group counters the increasing competition for highly qualified technical staff and managers by implementing targeted personnel development measures in order to be able to retain valuable employees over the long term.

The risk from this is classified as a “B” risk when there is a medium probability of occurrence and a low loss amount.

Risks as a result of the payment of excessive guarantees

With regard to the measurement of pre-paid author royalties, there is the threat of high impairment requirements owing to a lack of demand for the purchased titles, which can have a detrimental impact on Bastei Lübbe’s EBIT. All rights are calculated in advance and the potential yield is estimated as part of a documented process. With regard to the potential yield of the title to be purchased, both previous titles and, especially in the case of new authors, comparative titles from other publishers will be used.

The risk from this is classified as a “B” risk when there is a medium probability of occurrence and a medium loss amount.

Data protection and protection against unauthorised acts

It is essential that data is handled in a responsible and legally compliant manner in order to prevent financial losses as well as reputational losses. The statutory provisions contained in the Federal Data Protection Act (Bundesdatenschutzgesetz, BDSG) have been adopted by the Bastei-Lübbe Group and implemented in the operative business. Organisational and technical measures for handling customer data have been installed in order to ensure compliance with statutory provisions. In this regard, there is also regular optimisation of internal processes (including with assistance from external technical consultants) as well as the IT landscape. Data protection is also closely linked to information security. Regular security reviews of IT systems are conducted for this purpose.

The risk from this is classified as an “B” risk when there is a low probability of occurrence and a high loss amount.

Inability to deliver

The business is materially impacted by the ability to deliver, particularly in the “Books” segment. Customers are increasingly ordering their goods at short notice, meaning therefore that delivery bottlenecks can arise in the case of highly successful titles. At the same time, reprints can typically be completed within 14 days, meaning therefore that the ability to deliver can be restored relatively quickly.

The risk from this is classified as a “B” risk when there is a high probability of occurrence and a low loss amount.

“C” risks are not listed in detail here due to the fact their impact is not material in nature. “C” risks are not aggregated due to their independence from each other.

In addition, the following potential risks that are not quantified further in the risk management system (RMS) are under constant observation.

Financial risks

There is a range of financial risks within the Bastei-Lübbe Group. They also include the impact of exchange rates and interest rates as well as the default risk and liquidity risk. Risks arising from the use of financial instruments are not material in nature for the Group.

Companies belonging to the Bastei-Lübbe Group are predominantly active in the euro area, meaning therefore that there is only limited reliance on the performance of exchange rates outside the euro area. Interest swap deals for an original credit amount of EUR 13 million (EUR 8.5 million on the due date) with a term running up until 26 November 2021 and/or 30 June 2019 were concluded to restrict the interest rate risk. There is also a risk arising from the interest rate adjustment owing to rating changes. Forward exchange transactions were concluded in individual cases to restrict the currency risks.

Liquidity risks arise from the possible inability of the Bastei Lübbe Group to fulfil existing or future payment obligations owing to a lack of sufficient means of payment. The Bastei Lübbe has to finance the majority of its business in advance. Authors generally receive their guarantee payments by the time the book is released. The booksellers – or platforms – have long payment terms. The same applies to the so-called secondary markets. Bastei Lübbe's financial risk is split across several bodies. On the one hand, Bastei Lübbe AG finances itself through genuine factoring. On the one hand, Bastei Lübbe AG finances itself through genuine factoring. On the other hand, Bastei Lübbe has concluded a syndicated credit agreement with Commerzbank AG as lead manager, and Deutschen Bank AG and Sparkasse Cologne-Bonn as underwriters. The Management Board considers the risk of the loan agreement being terminated in the event of a breach of contract to be low. Daedalic has extended its loan agreement with its principal bank, which runs until 30 June 2019, until further notice after the balance sheet date.

Efforts are made within the framework of liquidity management to ensure that the Bastei-Lübbe Group has sufficient funds for its ordinary course of business and for investments. The risks in terms of receivables are restricted on the one hand through the sale of receivables, and by credit checks and credit management systems on the other hand.

Overall view of the risk situation of the Bastei-Lübbe Group

From our present point of view, based on the information we know, it must be noted that there are no risks presenting a threat to the continued existence of the company, nor are any such risks recognisable in the future.

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 it is regularly identified, analysed and evaluated as to how the company might target and exploit the various opportunities. Opportunities lie 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.

Strategic opportunities

Strategic opportunities arise from altered market conditions. Bastei Lübbe has identified digitisation and changing customer reading habits as being influential for the future of the business.

Opportunities through digitalisation

Increasing digitalisation enables Bastei Lübbe to access new areas of business. Over the past few years, special electronic e-book readers such as Kindle or Tolino, which provide the customer with a convenient, digital reading experience, have been developed and become more widespread. Books are also increasingly being read digitally on smartphones or tablets. The market for digital audiobooks continues to grow, particularly in the "streaming" sector.

Bastei Lübbe began to develop and market digital content very early on. This should be developed further in the future.

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 are reading less or not even picking up a book at all, as they are spending more time on their mobile phone.[35] Publishers must react to these altered reading habits and address this young group of buyers with an appropriate range of material, for example. With imprints such as LYX and ONE, Bastei Lübbe has successfully managed to attract young target audiences with analogue and digital offerings. The company is treading new paths, both in terms of content as well as in its marketing. This focus on small and very clearly defined target audiences enables efficient end customer marketing online and ensures high repurchase rates.

Other opportunities

Bastei Lübbe also tries to take advantage of other opportunities that come along, for example by raising profit with the same or lower expenditure by acquiring a promising title on favourable terms or through efficient processes (operative opportunities). Bastei Lübbe is also constantly reviewing the options available in order to expand the existing publisher portfolio by way of acquisitions. We also try to utilise highly qualified, competent managers and employees to the best of their abilities (personnel opportunities).

Other opportunities can arise from changes in the legal or regulatory framework conditions such as the announced reduction in the VAT rate on e-books from 19% to 7%

[35] www.buchreport.de/nachrichten/verlage/verlage_nachricht/datum/2015/04/22/warum-bedroht-candy-crushden-buchmarkt-herr-markowetz.htm

Supplementary information for Bastei Lübbe AG (in accordance with HGB)

Bastei Lübbe AG business and financial performance

As the controlling company of the Bastei Lübbe Group, Bastei Lübbe AG depends on the development of the "Book" and "Novel Booklet" segments for one thing and on the development of the holding companies for another with regard to the business performance and situation and the expected developments with its significant opportunities and risks.

Income statement for the financial year from 1 April 2018 to 31 March 2019 in accordance with HGB.

(in KEUR)	2018/2019	2017/2018
Sales revenue	**85,671**	**95,983**
Changes of inventories of finished goods and work in progress	-3,218	-1,868
Other operating income	1,096	794
Material expenses	-43,407	-56,965
Personnel expenses	-16,418	-17,072
Amortisations	-1,280	-7,029
Other operating expenses	-20,326	-27,507
Earnings from investments	360	396
Depreciation of financial investments and of securities classified as current assets	-	-1,914
Other interest and similar earnings	196	343
Interest and similar expenditure	-1,275	-1,373
Taxes on income and earnings	80	718
Annual net profit/net loss	**1,481**	**-15,496**
Loss/Profit carried forward	-14,404	1,092
Net loss	**-12,923**	**-14,404**

Sales of around EUR 88 million was planned for Bastei Lübbe AG, with EUR 85.7 million achieved (previous year: EUR 96.0 million).

The business performance of the "Book" and "Novel Booklet and Puzzle Magazines" segments is explained on page 34/35 in the section "Business performance of the segments".

In personnel expenses and other operational expenses, expenditure on the efficiency programme amounting to EUR 1.7 million is included. In addition, the other operational expenses also include expenditure for the adjustment of the participation portfolio amounting to EUR 0.3 million.

Earnings from investments amounting to EUR 0.4 million (previous year: EUR 0.4 million) are comprised from profits from Moba as well as dividends from various press wholesalers.

On average, Bastei Lübbe AG employed 221 members of staff in the financial year 2018/2019 (previous year: 253 employees).

Annual net profit amounted to EUR 1.5 million following an annual net loss of EUR -15.5 million in the previous year. The forecast for the EBIT of between EUR 1 and 2.3 million was achieved.

Financial position of Bastei Lübbe AG

As at 31 March 2019, the liquidity reserves of Bastei Lübbe AG held liquid assets of EUR 1.8 million (previous year: EUR 0.8 million). Within the existing credit agreements, there are credit lines with a volume totalling EUR 28.4 million. 51% of these credit lines were used as of the reporting date. As at 31 March 2019, Bastei Lübbe AG had liabilities to credit institutions amounting to EUR 14.4 million (previous year: EUR 25.9 million).

Assets position of Bastei Lübbe AG

ASSETS (in k EUR)	31/03/2019	31/03/2018
Fixed assets		
Intangible assets	2,128	2,741
Tangible assets	1,241	1,543
Financial investments	12,522	11,726
	15,891	**16,010**
Inventory of pre-paid royalties	**20,378**	**27,770**
Current assets		
Inventories	15,156	18,421
Receivables and other assets	10,615	20,977
Bank balances	1,785	776
	27,556	**40,174**
Deferred income	**543**	**586**
Total ASSETS	**64,367**	**84,541**

The balance sheet total, compared to 31 March 2018, sank by EUR 20.2 million to EUR 64.4 million (EUR 84.5 million in the previous year). This reduction is due for one thing to the decrease in the inventory of prepaid royalties. The inventory of prepaid royalties dropped from EUR 27.8 million to EUR 20.4 million. This can be attributed in particular to the drop in advance payments on author royalties.

Current assets have decreased from EUR 40.2 million to EUR 27.6 million. This drop is essentially due to the switch from recourse factoring to nonrecourse factoring as well as to measures for reducing stock.

LIABILITIES (in k EUR)	31/03/2019	31/03/2018
Equity		
Issued capital stock	13,200	13,200
Capital reserves	26,659	26,659
Retained earnings	100	100
Net loss	-12,923	-14,404
	27,036	**25,555**
Provisions	**11,224**	**10,883**
Liabilities		
Liabilities to credit institutions	14,375	25,930
Trade payables	9,201	15,326
Other liabilities	2,529	6,789
	26,106	**48,045**
Deferred income	**3**	**57**
Total LIABILITIES	**64,367**	**84,541**

At EUR 27 million, equity was above that of the previous year (EUR 25.6 million). The reason for this was the annual net profit of EUR 1.5 million.

Reserves amount to EUR 11.2 million, compared to EUR 10.9 million as at 31 March 2018. Reserves primarily contain provisions for returns amounting to EUR 5.9 million (previous year: EUR 7.1 million).

Liabilities have been reduced from EUR 48.0 million to EUR 26.1 million. This reduction is based for one thing on lesser liabilities to credit institutions due to the scheduled and unscheduled repayment of loans. For another, the other liabilities have decreased through the switch from recourse factoring to nonrecourse factoring as well as liabilities vis-à-vis licensors.

Risk situation of Bastei Lübbe AG

The risk situation corresponds essentially with that of the Bastei Lübbe Group and is described on Page 46 in the section “Risk report”.

Forecast for Bastei Lübbe AG

The development of Bastei Lübbe AG depends primarily on the development of the “Book” and “Novel Booklets” segments. Overall, sales amounting to around EUR 75 million is expected. Of this, around EUR 68 million (reporting year: EUR 76 million) is attributed to the “Book” segment. The “Novel booklets and Puzzle Magazines” segment should achieve sales of around EUR 7 million following the spin-off of the puzzles division (reporting year: EUR 10 million). Overall, an operational result (EBIT) in the range of EUR 2 to 3.4 million (reporting year: EUR 2.5 million) is expected. For the “Book” segment, an EBIT of up to EUR 2.6 million is expected, with an EBIT of around EUR 0.8 million targeted for the “Novel Booklet” segment.

Supplementary report

The corresponding information can be found in the notes to the individual financial statements of Bastei Lübbe AG.

Remuneration Report

Executive Board remuneration

In considering the norms of the sector and internal remuneration relationships (verticality), the remuneration system ensures compliance in particular with the requirements of the German Companies Act (Aktiengesetz) and the German Corporate Governance Code.

Structure and remuneration elements of the remuneration system are as follows:

- The remuneration system continues to feature non-performance-related (non-variable) and performance-related (variable) components.
- The on-target ratio of basic remuneration to variable remuneration (when hitting 100% of targets) is approximately 60: 40.
- The on-target ratio of one-year to multi-year variable remuneration (when hitting 100% of targets) is approximately 40: 60.
- Fringe benefits predominantly include company cars and insured benefits.
- In principle, no additional company pension is granted to members of the Executive Board.
- There is an individual right to choose between basic remuneration and a contribution to the pension scheme.

In the case of special benefits, and where the company enjoys corresponding financial success, the Supervisory Board can, at its discretion, decide on an additional voluntary management bonus totalling no more than the target value for the one-year variable remuneration.

One-year variable remuneration

- The one-year variable remuneration for members of the Executive Board is based on the Bastei-Lübbe Group’s EBIT (performance target).
- If 75% of targets are hit, then 50% of the target bonus will be paid out; no bonus will be paid below this level (entry threshold). The one-year remuneration increases up to 200% of the target bonus if 150% of targets are hit.
- The Supervisory Board has the option to adjust at its discretion the calculated one-year variable remuneration within a framework of 80% to 120% (discretionary multiplier). By doing so, the achievement of strategic targets and/or outstanding individual performance can be taken into account, for example.
- The maximum value of the one-year variable remuneration is limited to 200% of the target value, including any discretionary portion.

Target value	X	Achievement of goals - EBIT performance target	=	Arithmetical result	X	Discretionary multiplier	=	Payout (in cash)

Multi-year variable compensation

- So-called performance share units (PSUs, which are performance-dependent virtual shares) are granted to members of the Executive Board as multi-year variable remuneration.
- The PSUs are granted annually. The starting point is the target value divided by the share price at the start of the term (average of closing rates over 30 trading days prior to the start of the term). The target value is defined as the contractually stipulated multi-year variable remuneration if 100% of targets are hit.
- The respective annual PSUs granted are measured at the end of a three-year term and are then paid out to the Executive Board in cash.
- A target value for the average profit per share over the three-year term is defined at the start of the term using the medium-term planning as the basis.
- As is the case for the one-year variable remuneration, the entry threshold involves hitting 75% of targets; if an average of 150% of targets is hit over the three-year period, then the number of shares granted at the start of the first year is increased by the target achievement factor (up to 150% cap).
- The share price at the end of the three years is taken into account when determining the amount disbursed. The increase in the share price to be taken into account can increase to a maximum of 250% compared to the starting point.
- The maximum disbursement from the long-term area is therefore limited to 375% of the target value.
- Should the Executive Board depart prior to the end of the three-year period, the bonus will be calculated at the end of this term, with the money disbursed on a pro rata temporis basis.
- The start date of the first three-year period is 1 April 2018 and/or 1 April 2019.

Target value (converted into virtual shares)	X	Achievement of goals - EPS (over 3 years)	=	Final number of virtual shares	X	Share price (at end of the term)	=	Payout (in cash)

In the event of prior termination of their Executive Board mandates, no payments may be made to members of the Executive Board exceeding the value of two annual salaries, or that are more than the remaining term of the agreement, including ancillary benefits (severance payment cap in accordance with Clause 4.2.3 (4) of the German Corporate Governance Code). If the employment contract is terminated for good cause that the member of the Executive Board is responsible for, no payments will be made to the member of the Executive Board. With regard to the calculation of the severance payment cap, this should be based on the total remuneration for the previous financial year and, where necessary, the expected total remuneration for the current financial year as well (Clause 4.2.3 (4) of the German Corporate Governance Code).

A promise of payments following the prior termination of the Executive Board mandates as a result of a change of control must not exceed 150% of the severance payment cap, if any such promise can be granted in the first place (Clause 4.2.3 (5) of the German Corporate Governance Code).

The entire remuneration of the Executive Board for the 2018/2019 financial year, as well as allocations in non-variable and variable remuneration, is shown in the tables below (recommended by the German Corporate Governance Code).

Remuneration of the Executive Board – benefits granted

	Carel Halff Chairman				Ulrich Zimmermann Chief Financial Officer				Klaus Kluge Director Marketing and Sales			
in KEUR	**2018/19**	**2018/19 min**	**2018/19 max**	**2017/18**	**2018/19**	**2018/19 min**	**2018/19 max**	**2017/18**	**2018/19**	**2018/19 min**	**2018/19 max**	**2017/18**
Non-variable remuneration	360	360	360	150	220	220	220	173	250	250	250	280
Fringe benefits	37	37	37	15	9	9	9	6	8	8	8	16
Total	**397**	**397**	**397**	**165**	**229**	**229**	**229**	**179**	**258**	**258**	**258**	**296**
One-year variable remuneration												
Management bonus	240	120	240	50	71	0	112	53	85	0	134	–
Multi-year variable remuneration												
Performance Share Unit	–	–	–		22	0	126		26	0	150	–
Total	**240**	**120**	**240**	**50**	**93**	**0**	**238**	**53**	**111**	**0**	**284**	**0**
Total remuneration	**637**	**517**	**637**	**215**	**322**	**229**	**467**	**232**	**369**	**258**	**542**	**296**

Remuneration of the Executive Board – allocations

	Carel Halff Vorstandsvorsitzender		Ulrich Zimmermann Vorstand Finanzen		Klaus Kluge Vorstand Marketing und Vertrieb	
in KEUR	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Non-variable remuneration	360	150	220	173	250	280
Fringe benefits	37	15	9	6	8	16
Total	**397**	**165**	**229**	**179**	**258**	**296**
One-year variable remuneration						
Management bonus	50	–	53	–	–	38
Total	**50**	**–**	**53**	**–**	**–**	**38**
Total remuneration	**447**	**165**	**282**	**179**	**258**	**315**

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 remuneration is accrued for committee work. Remuneration is paid out after the end of the financial year.

Members of the Supervisory Board received the following remuneration for the 2018/2019 financial year:

in KEUR	**2018/2019**	**2017/2018**
Robert Stein, Chairman of the Supervisory Board	80	80
Dr Mirko Caspar	60	60
Prof. Dr Friedrich L. Ekey	40	40
Total	**180**	**180**

Other disclosures under sections 289a and 315a 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 according to Section 23(1) of the Articles of Association of Bastei Lübbe AG. As in the previous year, the number of treasury shares amounted to 99,900 as of the balance sheet date (see Note No. 16).

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 AktG) in the Notes to the individual financial statements of Bastei Lübbe AG.

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 can appoint an Executive Board member as Chair or spokesperson for the Executive Board and can appoint a further member as Vice Chair or spokesperson. The Supervisory Board can furthermore assign one or all members of the Executive Board sole power of representation. The Supervisory Board can 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 (2) BGB).

Amending the Articles of Association

The annual general meeting is responsible for any amendments to the Articles of Association (Section 179 (1) (1) AktG). According to Section 9 of the Articles of Association of Bastei Lübbe AG, the Supervisory Board is entitled to make changes to the Articles of Association that only relate to the wording.

Powers of the Executive Board to issue or buyback shares

The following resolution was adopted at the annual general meeting held on 10 September 2013:

1. 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 capital of the company. The applicable stock market price is, in accordance with the aforementioned regulation, 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 last 10 trading days preceding the sale of the share.

2. 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.

3. 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 shares of the company of the same unit class at the time of sale. The applicable stock market price is, in accordance with the aforementioned regulation, 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 10 stock market days preceding the use of the share.

4. The subscription right of the shareholders is excluded from the implementation of the measures beyond the stock exchange listed above under 1. and 3. The authorisation described in 1. and 3. above can be used wholly or in part.

Voting right notifications in accordance with Section 33 (1) WpHG if voting rights exceed 10%

Ms Birgit Lübbe informed us on 17 October 2014 in accordance with Section 21 (1) WpHG that her share in the voting rights of Bastei Lübbe, Cologne, had dropped below the threshold of 50% of the voting shares on 13 October 2014 and now amounted to 48.87% (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) (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 in Bastei Lübbe AG amounts to 3% or more: Lübbe Beteiligungs-GmbH.

Lübbe Beteiligungs-GmbH, Cologne, informed us on 20/04/2015 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 3% of the voting shares on 16/04/2015 and now amounted to 0% (corresponding to 0 voting shares).

Material agreements subject to the condition of a change of control

Bastei Lübbe AG has concluded the following material agreements, which contain provisions in the event of a change of control, such as may occur due to a takeover bid:

- Syndicated loan agreement dated 19 October 2018 which provides for a right of termination for the lenders in the event that a person (with the exception of Mrs Birgit Lübbe) or a group of persons acting in concert acquires direct or indirect control over 30 % or more of the shares or voting rights in the company or another controlling influence within the meaning of Section 290 (2) HGB.
- All major sales agreements contain change-of-control clauses customary in the industry.

Special rights and control of voting rights

The Management Board is not aware of any restrictions pursuant to Section 315a (1) No. 2 HGB. There are no special and control rights pursuant to Section 315a (1) Nos. 4 and 5 HGB.

Corporate Governance

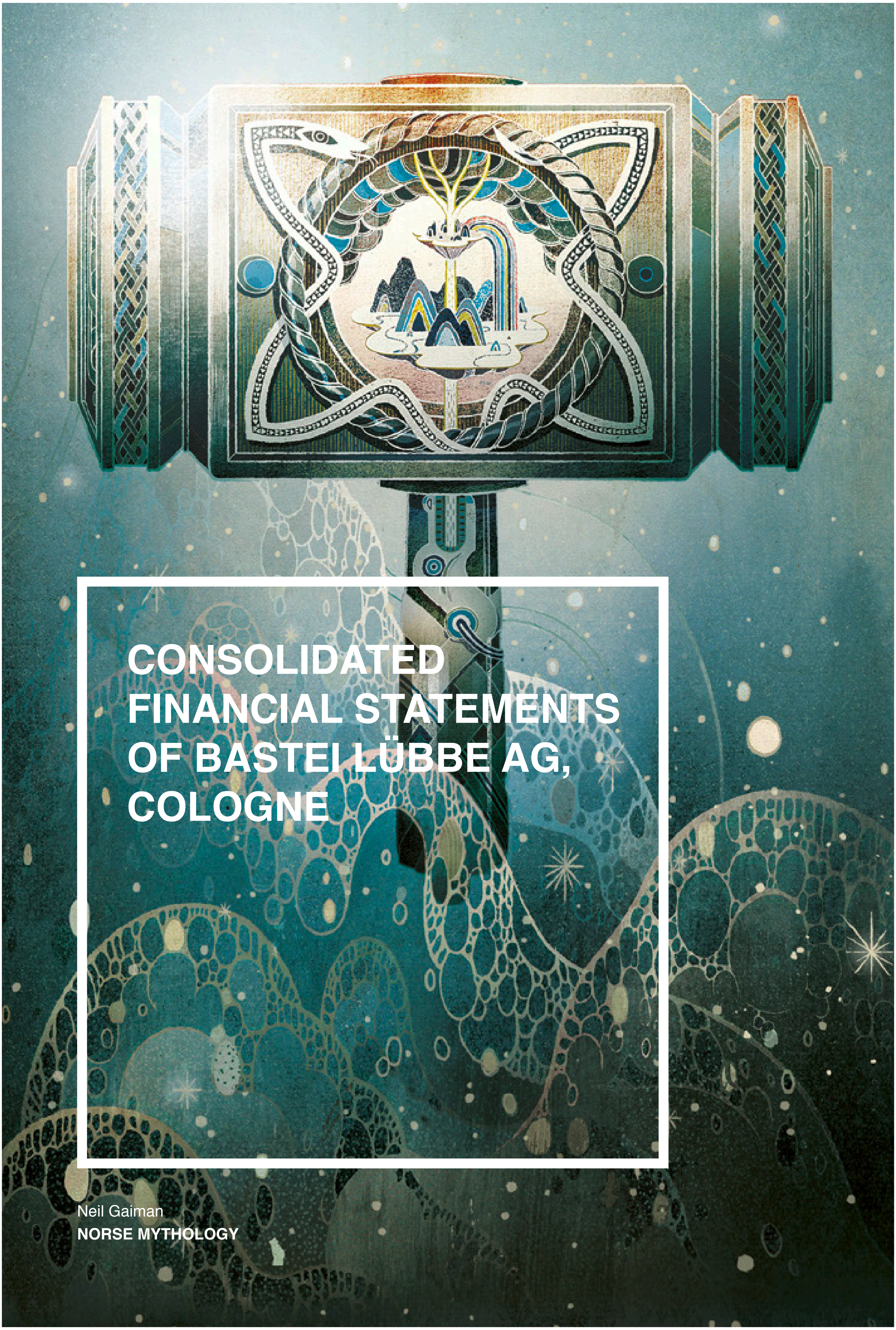
The company has once more addressed the content of the German Corporate Governance Code for the 2018/2019 financial year. Bastei Lübbe adheres to the recommendations and suggestions of the Corporate Governance Code. The Executive Board and the Supervisory Board issued a limited Declaration of Conformity pursuant to Section 161 AktG on 10 July 2019, according to which the company, with the exception of Clauses 4.2.3 and 7.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 7 February 2017. The current Declaration of Conformity, as well as all earlier Declarations of Conformity, have been made permanently available to shareholders on the company website (see www.luebbe.com/de/investor-relations/corporate-governance/entsprechenserklaerung).

Further information on Corporate Governance can be found in the separate section in the annual report entitled “Corporate Governance Report”.

The consolidated declaration on management according to Section 289f HGB and Section 315d HGB is available to the public in the annual report as well as on the company website at www.luebbe.com/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung.

Cologne, 9 July 2019
Bastei Lübbe AG

Carel Halff Chairman	Ulrich Zimmermann Chief Financial Officer	Klaus Kluge Programme Director, Sales and Marketing



CONSOLIDATED FINANCIAL STATEMENTS OF BASTEI LÜBBE AG, COLOGNE

Neil Gaiman
NORSE MYTHOLOGY

Consolidated income statement and statement of comprehensive income for the period from 1 April 2018 to 31 March 2019

	Note	2018/19 Total	Continued operations*	Dis-continued operations	2017/18* Total
		KEUR	KEUR	KEUR	KEUR
Sales revenue	22.	94,922	107,034	33,139	140,173
Change in inventories of finished goods and work in progress	23.	-3,215	-1,865	0	-1,865
Other capitalised self-constructed assets	24.	2,741	3,098	0	3,098
Other operating income	25.	1,123	1,064	3,339	4,403
Material expenses					
a) Expenditure on raw materials and supplies and on purchased goods		-667	-642	-19,408	-20,050
b) Expenses for purchased services		-18,756	-23,775	-2,148	-25,923
c) Expenses for fees and amortisation of royalties		-27,695	-37,743	-4	-37,747
		-47,118	**-62,160**	**-21,560**	**-83,720**
Personnel expenses					
a) Wages and salaries	26./27.	-17,258	-17,839	-6,290	-24,129
b) Social security contributions and expenses for pensions and support schemes	26.	-2,867	-3,023	-1,410	-4,433
		-20,125	**-20,862**	**-7,700**	**-28,562**
Other operating expenses	28.	-20,777	-26,665	-6,772	-33,437
Operating profit	29.	50	396	0	396
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**7,601**	**40**	**446**	**486**
Amortisation of intangible assets and property, plant and equipment	30.	-4,895	-12,114	-6,172	-18,286
Depreciation of financial investments	30.	0	-550	0	-550
Earnings before interests and taxes (EBIT)		**2,706**	**-12,624**	**-5,726**	**-18,350**
Financial result	31.	-1,173	-1,468	-252	-1,720
Earnings before taxes (EBT)		**1,533**	**-14,092**	**-5,978**	**-20,070**
Taxes on income and earnings	32.	-679	3,366	257	3,623
Results for the period		**854**	**-10,726**	**-5,721**	**-16,447**
Of which is attributable to:					
Shareholders of Bastei Lübbe AG		667	-9,124	-3,690	-12,814
Equity capital shares of non-controlling shareholders	33.	187	-1,602	-2,031	-3,633
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	17.	0.05	-0.69	-0.28	-0.97

* adjusted, see Note 6

Consolidated statement of comprehensive income for the period from 1 April 2018 to 31 March 2019

	Note	2018/19 Total	Continued operations*	Dis-continued operations	2017/18* Total
		KEUR	**KEUR**	**KEUR**	**KEUR**
Results for the period		**854**	**-10,726**	**-5,721**	**-16,447**
Amounts that cannot be reclassified to the income statement in the future		**1,989**	–	–	–
Changes in fair value of available-for-sale financial assets	34.	1,989	–	–	–
Amounts that can be reclassified to the income statement in the future		-12	–	–	–
Currency differences		-12	–	–	–
Other income		**1,977**	–	–	–
Total comprehensive income		**2,831**	**-10,726**	**-5,721**	**-16,447**
Of which is attributable to:					
Shareholders of Bastei Lübbe AG		2,645	-9,124	-3,690	-12,814
Equity capital shares of non-controlling shareholders		186	-1,602	-2,031	-3,633

* adjusted, see Note 6

Consolidated balance sheet as of 31 March 2019

	Note	31/03/2019 KEUR	31/03/2018* KEUR
Long-term assets			
Intangible assets	7.	19,934	20,869
Inventory of pre-paid royalties	8.	20,455	27,770
Tangible assets	9.	1,573	1,956
Financial investments	10.	4,603	3,580
Trade receivables	13.	672	898
Deferred tax claims	11.	4,053	4,536
		51,290	**59,609**
Short-term assets			
Inventories	12.	15,509	18,478
Trade receivables	13.	12,487	18,841
Financial assets	10.	1,098	1,472
Income tax receivables	11.	307	896
Other receivables and assets	14.	1,847	974
Cash and cash equivalents	15.	3,356	907
Assets from discontinued operations		0	7
		34,604	**41,575**
Total assets		**85,894**	**101,184**
Equity			
Share of equity attributable to parent company shareholders:			
Subscribed capital	16.	13,200	13,200
Capital reserves	16.	26,804	26,804
Net profit/loss	16.	-7,245	-8,967
Other comprehensive income		1,980	-
		34,739	**31,037**
Equity capital shares of non-controlling shareholders	16.	1,363	1,102
Total equity		**36,102**	**32,139**
Long-term liabilities			
Accruals	18.	84	84
Deferred tax liabilities	11.	1,200	1,078
Financial liabilities	19.	0	5,114
Other liabilities	21.	577	1,030
		1,861	**7,306**
Short-term liabilities			
Financial liabilities	19.	24,684	33,069
Trade payables	20.	14,153	19,310
Income tax liabilities	11.	4	6
Accruals	18.	7,297	7,235
Other liabilities	21.	1,793	2,044
Debts from discontinued operations		0	75
		47,931	**61,739**
Total debt		**49,792**	**69,142**
Total liabilities		**85,894**	**101,184**

* adjusted, see Note 6

Consolidated cash flow statement for the period from 1 April 2018 to 31 March 2019*

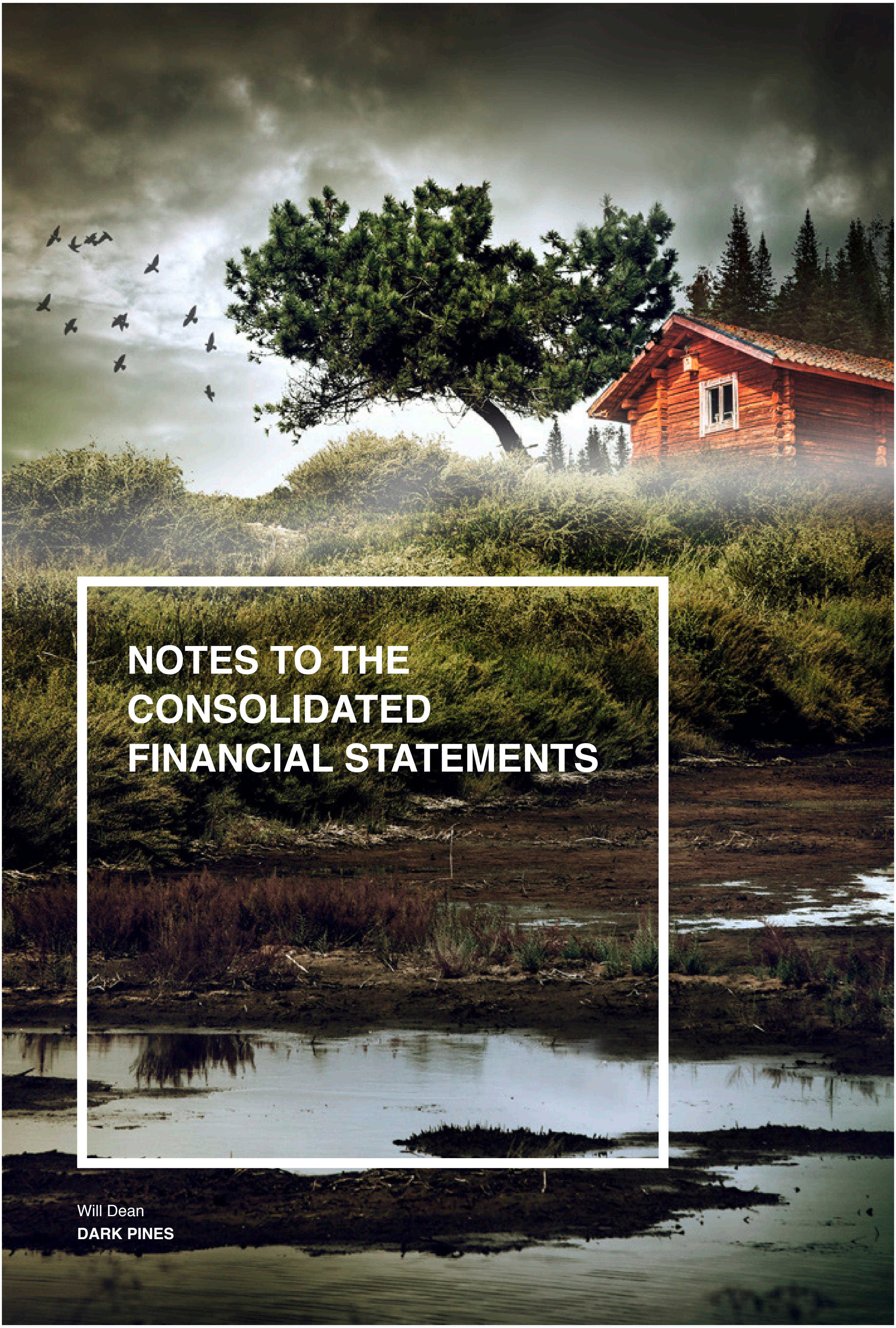
		2018/2019 KEUR	2017/2018** KEUR
Results for the period		854	-16,447
+/-	Depreciation/appreciation of intangible assets and property, plant and equipment	4,894	18,286
+/-	Depreciation/appreciation on financial investments	0	550
+/-	Depreciation/appreciation on author royalties	14,619	24,064
+/-	Other non-cash expenses/income	204	914
+/-	Increase/decrease in provisions	62	1,139
-/+	Profit/loss from the disposal of intangible assets and fixed assets	-38	-1
-/+	Profit/loss from the sale of discontinued operations, after tax	–	-3,261
-/+	Profit/loss from the sale of other financial investments	-50	–
-/+	Profit/loss from the sale of consolidated companies	-75	-
-/+	Increase/decrease in income tax receivables and liabilities, incl, deferred tax claims and liabilities	1,007	-4,013
-	Prepaid royalties	-7,551	-14,458
-/+	Increase/decrease in inventories, trade receivables and other assets not associated with investment or financing activities	3,344	3,353
+/-	Increase/decrease in trade liabilities and other liabilities not associated with investment or financing activities	-2,842	-4,658
Cash flow from current business activities		**14,428**	**5,468**
+	Payments received from the disposal of intangible assets	44	0
-	Outflow of funds for investments in intangible assets	-3,473	-4,607
+	Income from the disposal of fixed assets	0	8
-	Outflow of funds for investments in fixed assets	-122	-1,072
+	Income from the disposal of financial assets	830	84
-	Outflow of funds for investments in financial assets	0	-31
+	Income from the sale of consolidated companies less cash and cash equivalents sold	35	5,080
Cash flow from investment activities		**-2,686**	**-538**
+	Incoming payments from the sale of non-controlling shares	0	0
-	Disbursements to shareholders (dividends))	-36	0
+	Proceeds from the issuance of bonds and obtaining (financial) credit	1,596	9,294
-	Outflow of funds for the repayment of bonds and (financial) credit	-11,555	-14,520
Cash flow from financing activities		**-9,995**	**-5,226**
	Cash-effective changes in cash and cash equivalents	1,748	-296
+	Consolidation-related increase in cash and cash equivalents	700	0
+	Cash and cash equivalents at start of period	907	1,203
=	**Cash and cash equivalents at end of period**	**3,356**	**907**

* see Note 35
** adjusted, see Note 6

Consolidated statement of change in equity for the period from 1 April 2018 to 31 March 2019*

	Parent company						Shares of non-controlling shareholders	Group equity capital
(all sums in KEUR)	**Subscribed capital**	**Capital reserves**	**Net profit**	**Other comprehensive income**	**Currency compensation items**	**Equity**	**Equity**	**Equity**
As at 01/04/2017	13,200	26,804	3,847			43,851	7,143	50,994
Changes in the consolidated Group	–	–	–			–	-2,408	-2,408
Net profit for the period = Net profit	–	–	-12,710			-12,710	-3,533	-16,243
As at 31/03/2018 (reported)	**13,200**	**26,804**	**-8,863**			**31,141**	**1,202**	**32,343**
Change due to error corrections**	–	–	-104	–	–	-104	-100	-204
As at 31/03/2018 (adjusted)	**13,200**	**26,804**	**-8,967**	**–**	**–**	**31,037**	**1,102**	**32,139**
As at 01/04/2018	13.200	26.804	-8.967	–	–	31.037	1.102	32.139
Adjustments from first-time application of IFRS 9, after tax	–	–	-135	–	–	-135	-5	-140
Adjusted as at 01/04/2018	13,200	26,804	-9,102	–	–	30,902	1,097	31,999
Changes in the consolidated Group	–	–	1,190	–	–	1,190	116	1,306
Dividends paid	–	–	–	–	–	–	-36	-36
Result of the periods	–	–	667	–	–	667	187	854
Other income	–	–	–	1,989	-11	1,978	-1	1,977
Total result	**–**	**–**	**667**	**1,989**	**-11**	**2,645**	**186**	**2,831**
As at 31/03/2019	**13,200**	**26,804**	**-7,245**	**1,989**	**-11**	**34,739**	**1,363**	**36,102**

* see Note 16
** see Note 6



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Will Dean
DARK PINES

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1. General Information

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

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, audiobooks, e-books 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 development and marketing of premium quality and multi-platform computer and video games via the company Daedalic Entertainment GmbH. The sale of books, particularly in the grocery retail trade segment via BuchPartner GmbH, was transferred to the existing minority shareholders via a transfer of shares, with effect from 31 March 2018. The main areas of activity of the Bastei Lübbe group (hereinafter also “Bastei Lübbe”), are described in the notes to the segment reporting (Note 37).

As a publicly owned public limited company (AG – Aktiengesellschaft), Bastei Lübbe AG is required by Section 4 of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards, to prepare consolidated financial statements in line with the International Financial Reporting Standards (IFRS) adopted by the European Union.

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 2018 to 31 March 2019 were prepared by the Executive Board on 9 July 2019, approved for publication, and will be submitted to the Supervisory Board for approval on 10 July 2019.

Please refer to Note 48 for events after the balance sheet date that could be material for the assessment of the net assets, financial position, results of operations and cash flows that occurred up to 9 July 2019.

2. Accounting principles

a) Underlying accounting regulations

The consolidated financial statements dated 31 March 2019 were prepared in accordance with the regulations on accounting valid on the reporting date, as determined in the International Financial Reporting Standards adopted by the European Union (EU) and in line with the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), based in London. The various German statutory provisions applicable according to Section 315e (1) of the German Commercial Code (HGB) are also observed.

b) Valuation of assets and debts

The consolidated financial statements are prepared on the basis of historical acquisition and production costs, except for derivative financial instruments. These are allocated a current market value in accordance with the IFRS 13 Fair Value Measurement.

c) Currency conversion

The consolidated financial statements of economically independent foreign Group companies are translated into the Group currency in accordance with the functional currency concept. When translating these financial statements, all assets and liabilities are translated at the closing rate, while income and expense items are translated at the average rate for the reporting period. Equity components of subsidiaries are translated at the historical exchange rate prevailing at the date of the transaction. Exchange differences arising on translation are recognised as a currency translation adjustment within other accumulated equity or non-controlling interests.

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary items are translated at the mean spot exchange rate on the balance sheet date. The currency gains and losses arising from these translations are recognised in the income statement.

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 and estimations particularly affect future cash flows with interest deducted in the context of impairment tests for intangible assets and the inventory of pre-paid author royalties, the definition of depreciation methods for the inventory of pre-paid author royalties and anticipated rates of return on goods sold to determine the returns on corresponding goods. We refer you to the corresponding explanations for information determined on the basis of estimations.

Key discretionary decisions relate in particular to the approach with regard to the depreciation method for pre-paid author royalties as well as the methods used to identify write-downs in the inventory.

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. Adjustments made to any previously made assumptions are also explained in the relevant notes.

3. Accounting policies

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

a) New regulations applied for the first time in the financial year

These consolidated financial statements for the first time applied those accounting standards and interpretations revised, supplemented and newly issued by the IASB that were adopted by the EU and were therefore mandatory for Bastei Lübbe AG in the 2018/2019 financial year.

The standards, clarifications and interpretations to be applied from 1 April 2018, in particular IFRS 9 - Financial Instruments and IFRS 15 – revenue from contracts with customers, had an impact on the net assets, financial position and results of operations and are presented below. The first-time application of all other amended accounting standards had no or no material impact on the presentation of the net assets, financial position and results of operations.

Transition to IFRS 9 - financial instruments

The Bastei Lübbe Group applied IFRS 9 for the first time in the financial year beginning 1 April 2018. The transition to the new standard will take place retrospectively, but without adjustment of the comparative figures. Instead, the difference between the previous carrying amount and the carrying amount at the beginning of the financial year was recognised in the opening balance of retained earnings.

IFRS 9 introduces a new approach to the classification and measurement of financial assets. The classification is based on the contractual cash flows and the business model according to which these are managed. In addition, the standard provides for a new risk provisioning model according to which expected losses must also be taken into account.

If the cash flows of a financial asset consist solely of interest and principal payments and the business model is to hold the asset, they are measured at amortised cost. If the business model envisages a sale, it is recognised at fair value with no effect on income. Otherwise, the financial asset must be measured at fair value through profit or loss.

Equity instruments are generally classified at fair value in accordance with IFRS 9. These assets have already been measured at fair value in accordance with IAS 39. In this respect, the change in classification has no financial effect.

In addition to the classification rules for financial assets, the impairment model for these has also changed. Financial assets not measured at fair value through profit or loss are therefore subject to new impairment provisions. The model to be applied for expected credit losses comprises three stages that the financial assets pass through. It determines how the impairment loss is to be determined and how the effective interest method is to be applied.

The standard provides for a simplified model for trade receivables. As these are due in the short term and therefore do not contain any significant financing components, the impairment of these assets must be measured from the outset on the basis of the expected credit loss over the term. Additional impairment losses of EUR 0.2 million were therefore recognised as of 1 April 2018. There were no additional impairments to be taken into account for the other financial assets.

The regulations on the classification of financial liabilities do not lead to any changes. The following table shows the changes resulting from the transition to IFRS 9:

	Measurement category		**Book values as at 01/04/2018**		
(KEUR)	**according to IAS 39**	**according to IFRS 9**	**according to IAS 39**	**according to IFRS 9**	**Effect of first-time adoption**
Assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	907	907	–
Trade receivables	Loans and receivables	Amortised cost	19,739	19,526	-213
Other original financial assets	Loans and receivables	Amortised cost	1,698	1,698	–
Investments	Available for sale	Fair value above other income	716	716	–
			22,344	**22,137**	-213
Liabilities					
Trade payables	Liabilities at amortised cost	Amortised cost	19,310	19,310	–
Liabilities to credit institutions	Liabilities at amortised cost	Amortised cost	31,135	31,135	–
Other primary financial liabilities	Liabilities at amortised cost	Amortised cost	6,837	6,837	–
Derivatives without hedging relationships relating to accounts	Fair value through profit or loss	Fair value through profit or loss	211	211	–
			57,493	**57,493**	**–**

Transition to IFRS 15 - revenue from contracts with customers

The Bastei Lübbe Group applied IFRS 15 - revenue from contracts with customers and the clarification of IFRS 15 for the first time in the financial year beginning 1 April 2018.

The transition to the new standard will take place retrospectively, but without adjustment of the comparative figures. Instead, the cumulative adjustment amount from first-time adoption is recognised in the opening balance of retained earnings. In addition, the disclosure requirements under IFRS 15 were generally not applied to comparative information.

The objective of IFRS 15 is to inform users of financial statements about the nature, amount, timing and uncertainty of revenue arising from a contract with a customer and the resulting cash flows.

Advertising subsidies paid in connection with customer contracts are recognised as sales deductions when determining the transaction price. Distribution expenses in connection with license revenues are also reported as sales deductions.

Obligations to customers arising from remission agreements are recognised as a reduction in sales in the amount of the expected reimbursement liability and reported as a contractual liability within current provisions. At the same time, a contract asset from the return claim of the returned goods is reported under other receivables and assets.

The following table summarises the effects of the application of IFRS 15 on the relevant items of the income statement for 2018/2019.

(KEUR)	2018/2019 as reported	Advertising subsidies	Remission arrangements	Sales licences	2018/2019 IAS 18
Sales revenue	94,922	+2,262	-472	+454	97,166
Material expenses	-47,118		+472		-46,646
Other operating expenses	-20,777	-2,262		-454	23,493
Result from operating activities	2,706	–	–	–	2,706

The following table summarises the impact of the application of IFRS 15 on the affected items of the consolidated balance sheet as of 31 March 2019.

(KEUR)	31/03/2019 as reported	Remission arrangement	31/03/2019 IAS 18
Other receivables and assets	1,847	-1,180	667
Short-term assets	1,847	-1,180	667
Accruals	7,297	-1,180	6,117
Short-term liabilities	7,297	-1,180	6,117

The provision reported at the changeover date of 1 April 2018 increased by EUR 1,652 thousand due to IFRS 15, with a corresponding increase in other receivables and assets.

b) New regulations not yet applied in the financial year

The Bastei Lübbe Group did not make use of the option to apply new standards and interpretations early in the year under review. It is planned to apply the standards and interpretations from the date on which they become mandatory. With the exception of IFRS 16 (see below), the adoption of new standards and interpretations is not expected to have a material impact on the net assets, financial position and results of operations of the Group. In accordance with the transitional provisions of the respective IFRS (in particular IFRS 16), prior-year figures are not restated where permissible.

IFRS 16 abolishes the previous classification of leases as operating and finance leases and instead introduces a uniform lessee accounting model. Accordingly, lessees must recognise assets (for the right of use) and financial liabilities for rental payments for lease agreements with a term of more than twelve months. The application of the new standard from the mandatory acquisition date on 1 April 2019 is expected to result in a conversion effect from operating leases (in particular leased real estate). All values in use are measured at the amount of the lease liability upon acquisition.

Excluding current and low-value leases, which will continue to be recognised as expenses in the income statement, the recognition of rights of use and lease liabilities in the amount of approximately EUR 8 million is expected as of 1 April 2019. It is also expected that EBIT will increase by around EUR 0.1 million due to the adoption of the new regulations and that earnings after taxes will decrease by around EUR 0.1 million. The increase in cash flow from operating activities and the decrease in cash flow from financing activities is estimated at approx. EUR 1.1 million due to the current rental and leasing agreements, as the repayment of the capital requirement of the leasing liability is classified as cash flow from financing activities.

c) Consolidation principles and cut-off date

Capital consolidation of all fully consolidated companies is generally performed according to the purchase methods used on the date on which control was established (date of acquisition). 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 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 equity capital under “equity shares of non-controlling interests”. No use is made of non-controlling shareholder voting rights with regard to business or company asset accounting practices.

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, will be eliminated insofar as the impact on Group assets, financial position and earnings is not of secondary importance.

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

Three Group companies have a financial year that is the same as the calendar year but deviates from the consolidated financial year. For the purposes of the consolidated financial statements, two of the companies prepare interim financial reports as at the consolidated balance sheet date. In the case of another company, for cost/benefit considerations, the annual financial statements corresponding to the financial year that is the same as the calendar year are incorporated into the consolidated financial statements.

d) Intangible assets

Acquired intangible assets (with the exception of the pre-paid author royalties referred to under (e)) are valued at acquisition cost minus 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 capitalised 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	3-7	14.29-33.33
Internally-developed computer games	5-7	14.29-20.00
Publishing and title rights	15	12.50

For goodwill and intangible assets with indeterminable useful lives, these impairment tests are performed at least on an annual basis; for intangible assets subject to scheduled amortisation, they are performed whenever reasons for impairment exist. Impairment losses are recorded where this is deemed appropriate in the course of the impairment tests that are performed. When the reasons for impairment cease to apply, corresponding write-ups are effected, with the exception of goodwill, as 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 there are still write-downs and impairments which occurred in earlier periods, and goodwill netted out with equity without influence on net income is not subsequently capitalised.

e) Inventory of pre-paid author royalties

Pre-paid author 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.

A depreciation method which reflects assets' performance is used to calculate pre-paid author royalties. The value depends on the sales and turnover and on contractually determined royalty rules. There is a strong correlation between sales revenues and the commercial use of exploitation rights. The values of the inventory of pre-paid author royalties and fees paid are furthermore reviewed at least once annually (generally on the balance sheet date) to see if there is evidence of impairment. Where there is evidence of impairment, an estimate of future sales and the corresponding sales revenue serves as a basis to calculate the expected net revenue before the deduction of royalties, or the proportion of turnover which the author will be due as a royalty payment. In the event that the royalty payment exceeds the expected net revenue before the deduction of royalties, corresponding devaluations will be made and, where necessary, provisions made for potential losses. Any resulting expenses are recorded as material expenses.

All expenses connected to pre-paid author 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.

f) Tangible assets

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost minus accumulated and scheduled depreciation and impairment losses during the financial year. Acquisition costs include the purchase price, costs of commissioning and ancillary acquisition costs. 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 (leasehold improvements) 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 in years	Depreciation rate %
Real estate and property		
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 800)	< 1 year	100.00

If necessary, 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.

g) Impairment tests

The value of assets is reassessed at least once a year at Bastei Lübbe, either on the reporting date or, if deemed necessary, at another point during the course of the year. If and insofar as an independent evaluation of the affected assets is not possible, an evaluation will be carried out by the cash-generating unit (CGU) of the next highest level, as defined in 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 a group of CGUs that would be expected to benefit from the synergies of the business combinations and acquisitions. These groups of CGUs represent the lowest level at which these assets are monitored for the purposes of corporate steering. These generally correspond to individual companies 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 of fair value minus selling costs and value in use. The calculation of the value in use, which is used regularly at Bastei Lübbe, is based on the cash value, calculated by the discounted cash flow method of future payments forecast for the next three to five years in the current individual plans of the Bastei Lübbe Group – by company or business field – and based in particular on past experiences.

Calculation of the value in use is based on the following essential assumptions:

- Discount rate
- Sustainable growth rate
- Planned EBITDA growth rate

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 current base rate (as at the balance sheet date) of 1.0% as well as a market risk premium of 6.75% (upper value within the range recommended by IDW). Weighted capital costs in the amount of 10.8% before tax and 7.3% after tax were determined for Daedalic Entertainment GmbH as at 31 March 2019.

As in the previous year, the cash flows which exist in accordance with the detailed planning period are extrapolated with a sustainable growth rate of 1.0% for Daedalic Entertainment GmbH.

The key assumptions in accordance with IAS 36.134 regarding Daedalic Entertainment GmbH, which were used to estimate the recoverable amount, are illustrated below. The values assigned to the key assumptions constitute the Executive Board's assessment of future developments in the relevant industries and are based on historical values from external and internal sources:

	Daedalic Entertainment GmbH
Basis of achievable amount	Value in use
Significant assumptions cash flow forecast	Growth should be achieved based on the strategy, with enhanced focus on games developed in-house and the marketing of licensed games.
Cash flow planning procedures	Forecast cash flow growth based on the aforementioned strategy.
Detailed planning period	4 years + 1 year
Value in use (KEUR)	29,450
Book value (KEUR)	22,097
Discrepancy value in use / book value (KEUR)	7,353
Underperformance of free cash flow plan in perpetuity, resulting in value in use equal to carrying amount	29.0 %
Change in WACC that results in the value in use corresponding to the carrying amount	1.84 % points

Write-ups are undertaken where the achievable amount exceeds the book 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.

The recoverable amount for the cash-generating unit PMV was estimated on the basis of a purchase offer. An impairment was not necessary.

h) 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 associated 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 associated with ownership of the leased object (finance lease), the lessee must enter the leased object in the balance sheet.

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

i) Financial instruments

(i) Financial assets

Financial assets are divided into three classes in accordance with IFRS 9:

a) amortised cost;
b) fair value through other comprehensive income;
c) fair value through profit or loss.

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 by market regulations or practices.

(ii) Impairment of financial assets

The Company recognises valuation allowances for expected credit losses on financial assets measured at amortised cost. The company measures the value adjustments in the amount of the expected credit losses over the term and uses a three-step procedure to measure value adjustments.

Stage 1: In Stage 1, all instruments must be classified on access. For them, the present value of the expected payment defaults resulting from possible default events within 12 months of the balance sheet date must be recognised as expenses. Interest is entered on the basis of the gross book value, i.e. the effective interest method is to be carried out on the basis of the book value before risk provisioning is taken into account.

Level 2: This includes all instruments that have a significant increase in credit risk at the balance sheet date compared with the date of acquisition. Risk provisions must reflect the present value of all expected losses over the remaining term of the instrument. Interest is entered on the basis of the gross book value, i.e. the effective interest method is to be carried out on the basis of the book value before risk provisioning is taken into account.

Level 3: If, in addition to a significant increase in the default risk, there is also objective evidence of impairment at the balance sheet date, the provision for possible loan losses is also measured on the basis of the present value of the expected losses over the remaining term. However, interest recording must be adjusted in subsequent periods so that interest income in future is calculated on the basis of the net book value, i.e. the book value after deduction of loan loss provisions.

A financial asset is considered to be defaulted if it is unlikely that the debtor will be able to pay its credit liability in full to the company without the company having to resort to measures such as the realisation of collateral (if any).

(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 fulfils the conditions of IFRS 9.3.2.5 (pass-through arrangement), or the company has transferred its

contractual rights to receive cash flows from a financial asset, which involves either (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) neither the transfer nor retention of the opportunities and risks associated with ownership of the financial asset, but transfer of the authority to dispose of the financial asset.

(iv) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a term of less than three months. Cash and cash equivalents must be recognised at the date on which they were collected. Thus cheques must 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 must be converted at the cash rate in force on the balance sheet date. Currency differences arising from the exchange rate are recognised in profit or loss.

(v) Other derivatives

Changes in the fair value of derivatives that do not qualify for hedge accounting are measured at fair value and recognised in profit or loss.

(vi) Trade receivables

The simplified procedure must always be applied to trade receivables and other receivables that do not contain any significant financing components. The simplified procedure does not require changes in default risk to be tracked. Instead, a provision for losses on loans and advances in the amount of the expected default risk must be recognised over the entire term, both on initial recognition and as part of subsequent measurement.

In order to determine the provision for possible loan losses, impairments are determined using a valuation allowance table, which determines the expected losses over the remaining term as percentages depending on the duration of the overdue period.

(vii) Other financial assets

Other financial assets are measured at amortised cost if the fair value cannot be determined with sufficient certainty. In the event of an impairment loss, the impairment loss is recognised in profit or loss.

(viii) Financial liabilities

The company stipulates the classification of its financial assets when they are initially recognised. On the reporting date, almost all liabilities remaining were classified in the category “liabilities, measured at amortised cost”. With the exception of four derivatives held for trade without an interest rate swap (IRS), there are no liabilities which are valued at the fair value.

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 written off if the underlying obligation has been met or cancelled or if it has expired. For the valuation of derivatives held for trading, only market-based valuation methods are used. This complies with the Level 2 procedure. The market interest rate on the reporting date is used as an input factor for valuation of the interest rate swap (IFRS 13.91).

j) Financial investments

Equity instruments are generally measured at fair value in accordance with IFRS 9.

k) Inventories

The holdings listed under inventories pursuant to IAS 2 (Inventories) are recognised as the lower of their attributable cost of acquisition or production or net realisable value. 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 production overheads.

The net realisable value is the anticipated achievable selling price minus 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. In order to take inventory risks into account, value adjustments for excess stocks are made on obsolete inventories.

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

l) 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 expected scope of obligation is reduced by a changed estimate, the provision is reduced proportionately and income recorded as other operating income.

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

m) Revenue and expenses recognition

Bastei Lübbe mainly generates product and licence revenues. In accordance with the provisions of IFRS 15, sales revenues are recognised at the time when the promised goods and services are transferred to the customer, i.e. once the Group has met its performance obligation.

In the case of the sale of physical products, invoices are issued at this time, which are usually payable within 35 to 120 days. In the case of the sale of digital products, invoices are issued after receipt of the invoices from the sales portals, which are generally payable within 30 days.

The sales revenues are recognised in the amount that Bastei Lübbe can expect in return for the transfer. The sales revenues are net of revenue deductions and taxes. Granted discounts on total sales are assigned to the respective products in proportion to their individual selling prices. On the contrary, granted discounts issued solely for specific products are also only assigned to the product in question.

Product revenues principally encompass the sale of books, audio books and novel booklets and puzzle magazines to retailers. Sales corrections are performed, based on experience, for products where there is contractual agreement over a right of return.

Revenue-related license revenues are realised from the transfer of exploitation rights for e-books and computer games via digital distribution portals.

Other 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 they are 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.

n) 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 and 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 or in other income, the deferred taxes are also recorded directly in equity or in other income. They are recorded as income in all other cases.

o) Share-based payments

For cash-settled share-based payments, a liability is recognised for the services received and measured at fair value on initial recognition using an option pricing model. Until the liability is settled, the fair value must be remeasured at each reporting period and at the date of settlement. Any changes in fair value are recognised as personnel expenses in profit or loss.

4. Consolidated companies and shareholdings

Below are overviews of the key subsidiaries of the Group and the changes to the group of consolidated companies (see Note 5.) conducted during the 2018/2019 financial year:

Fully consolidated companies

	Headquarters	Ownership interest 31/03/2019	Ownership interest 31/03/2018
BEAM Shop GmbH	Cologne	–	100.00%
BookRix GmbH & Co. KG	Munich	–	54.04%
Daedalic Entertainment GmbH	Hamburg	51.00%	51.00%
Daedalic Entertainment Bavaria GmbH	Munich	51.00%	51.00%
Moravská Bastei MOBA s.r.o.	Brno, Czech Republic	89.76%	89.76%
oolipo AG i.L. (formerly BEAM AG)	Cologne	88.78%	88.78%

Non-controlling shares

There are significant non-controlling shares in the following subsidiaries.

	Headquarters	Ownership shares of non-controlling shareholders 31/03/2019	Ownership shares of non-controlling shareholders 31/03/2018
BookRix GmbH & Co. KG	Munich	–	45.96%
Daedalic Entertainment GmbH	Hamburg	49.00%	49.00%
Daedalic Entertainment Bavaria GmbH	Munich	49.00%	49.00%
Moravská Bastei MOBA s.r.o.	Brno, Czech Republic	10.24%	10.24%
oolipo AG i.L. (formerly BEAM AG)	Cologne	11.22%	11.22%

The following table shows a summary of financial information on the subsidiaries named (before Group-internal eliminations, where applicable):

	Daedalic Entertainment		Daedalic Bavaria		oolipo		BookRix**		Moba*	
(KEUR)	31/03/19	31/03/18	31/03/19	31/03/18	31/03/19	31/03/18	31/03/19	31/03/18	31/03/19	31/03/18
Long-term assets	17,425	18,060	–	–	0	14	–	26	108	–
Short-term assets	3,765	1,664	–	–	50	10	–	680	1,651	–
Long-term liabilities	3,177	8,719	–	–	0	0	–	0	0	–
Short-term liabilities	9,259	2,172	–	–	6,006	6,002	–	821	281	–
Net assets	8,754	8,833	–	–	-5,956	-5,978	–	-115	1,478	–
Net assets to be assigned to the non-controlling shares	1,887	1,926	-7	–	-668	-671	–	-53	151	–
Sales revenue	8,108	8,912	367	–	0	0	733	1,923	1,970	–
Period = total earnings	136	-2,127	-14	–	23	-3,940	197	-37	333	–
Total profit to be assigned to non-controlling shares	67	-1,042	-7	–	3	-442	91	-18	34	–

** Initial consolidation as at 01/04/2018*
*** Initial consolidation as at 31/08/2018*

The following table shows the net cash flows of Daedalic Entertainment:

(KEUR)	2018/2019	2017/2018
Net cash flows from operating activities	2,520	2,681
Net cash flows from investment activities	-3,299	-4,145
Net cash flows from financing activities	1,597	978
Total net cash flows	**818**	**-486**

Apart from Moravská Bastei MoBa s.r.o., all non-controlling shares must be allocated to the “Games” segment. MoBa is assigned to the “Books” segment. This company paid out dividends during the reporting year and the previous year. Otherwise, there were no dividend pay-outs on the part of the other subsidiaries in either of the two previous financial years.

Non-included subsidiaries, associated companies, joint ventures and other investments

All other subsidiaries and investments are not included in the consolidated financial statements because they are of minor significance for the assessment of the Group’s assets, financial position and earnings – both individually and in their entirety – because of their size or lower level of economic activity, or because the parent company – apart from the statutory minority rights – does not have any contractual or other rights which have a significant impact on the company. The ownership interest in the other companies remains unchanged in comparison with the previous year.

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

(KEUR)	Headquarters	Ownership interest	Equity	Net result
Siebter Himmel Bastei Lübbe GmbH[1)]	Cologne	100 %	149	64
Bastei Ventures GmbH[2)]	Cologne	100 %	18	-4
Daedalic Entertainment Studio West GmbH[3) 4)]	Düsseldorf	100 %	29	-8

1) Information according to preliminary annual financial statements as at 31 March 2019
2) Information according to the annual financial statements as at 31 December 2017
3) Information according to the annual financial statements as at 31 December 2017
4) Subsidiary of Daedalic Entertainment GmbH

Investments in non-consolidated companies (stake of between 20% and 50%)

(KEUR)	Headquarters	Ownership interest	Equity	Net result
CE Community Editions GmbH[1)]	Cologne	30 %	1,444	462
Räder GmbH[2)]	Bochum	20 %	3,363	2,609

1) Information according to preliminary annual financial statements as at 31 December 2018
2) Information according to preliminary annual financial statements as at 31 December 2018

All other interests in affiliates (less than 20 per cent stake) listed under financial assets are derived at both balance sheet dates from the participations (each less than 5%) in several “GROSSO” press distribution companies, mostly in eastern Germany.

5. Material changes to the consolidated companies

First-time consolidation of previously unconsolidated subsidiaries

The subsidiary Moravská Bastei MoBa s.r.o., Brno / Czech Republic, which was not previously included in the consolidated financial statements for reasons of materiality, will be fully consolidated as of 1 April 2018. Due to the fact that the materiality limit has now been exceeded, inclusion is necessary in the course of the reduction of the scope of consolidation. In the absence of specific regulations, initial consolidation is based on IFRS 1 on a simplified calculation of the difference as the difference between the carrying amount of the investment in the parent company and the carrying amount of the subsidiary's assets at the time of inclusion.

In the 2018/2019 financial year, Moba contributed revenues of EUR 1,970 thousand and a profit for the period of EUR 333 thousand to the consolidated result. The assets acquired and liabilities assumed at the time of inclusion are summarised below:

(KEUR)	
Intangible assets	3
Tangible assets	30
Manuscript inventory	83
Inventories	290
Trade receivables and other receivables	671
Cash and cash equivalents	700
Trade payables and other liabilities	-271
Net assets (and liabilities)	**1,506**
Non-controlling interests based on share of recognised assets and liabilities	**-154**
Investment book value	**-162**
Differential amount	**1,190**

The differential amount was offset in the balance sheet profit with no effect on income.

Disposals from the scope of consolidation

On 15 August 2018, Bastei Lübbe AG entered into an agreement to sell its shares in BookRix GmbH & Co. KG for a purchase price of KEUR 175. The sale resulted in a gain of KEUR 73.

On 30 August 2018 Bastei Lübbe AG entered into an agreement to sell its shares in BEAM Shop GmbH for a purchase price of EUR 1. The sale resulted in a profit of KEUR 2.

As part of the overall divestments, the Bastei Lübbe Group generated cash flows of EUR 35 thousand (previous year: EUR 5,080 thousand) after taking out cash and cash equivalents into account.

The divestments led to income from deconsolidation of KEUR 75 (previous year: KEUR 3,261), which is reported under "Other operating income". The following table shows their effects on the assets and liabilities at the time of deconsolidation:

(KEUR)	
Intangible assets	-25
Tangible assets	-1
Financial assets	-25
Trade receivables and other receivables	-662
Cash and cash equivalents	-44
Trade payables and other liabilities	715
Net assets (and liabilities)	**-42**

Additions to the scope of consolidation after the balance sheet date

By notarial deed dated 23/05/2019, and taking financial effect on 01/06/2019, Bastei Lübbe AG acquired 75% of shares in J.P. Bachem Editionen GmbH, which is headquartered in Cologne. J.P. Bachem Editionen GmbH is an establishment set up jointly with the sole shareholder of J.P. Bachem Verlag GmbH, in particular in order to service the corporate customer and corporate publishing segment. The company will become part of the "Books" segment. J.P. Verlag GmbH introduces the required business operation and customer relationship into the new company for this purpose by way of a contribution.

The acquisition costs for purchasing the shares amounted to KEUR 271. The purchase price was paid on 06/06/2019 and was settled using the freely available liquidity.

J.P. Bachem Editionen GmbH will be incorporated into the consolidated financial statements for the first time on 1 June 2019. If affiliated to the Group over an entire financial year, the company would contribute sales of EUR 1 million to the Group turnover figure and achieve a balanced result.

The valuation of the fair values of assets acquired as at the date of acquisition had not yet been completed by the date the consolidated financial statements were drawn up.

6. Error corrections

The Group discovered that there had been an error the previous year in calculating the planned cash flows with regard to the valuation of a computer game. As a result of this, the internally developed intangible assets were overvalued. The error was corrected by suitably adjusting the appropriate item in the financial statements for the previous year.

Consolidated balance sheet 31/03/2018

	Impact arising from error correction		
(KEUR)	**As previously reported**	**Adjustments**	**adapted**
Internally produced intangible assets	7,588	-301	7,287
Other	93,897	–	93,897
Total assets	**101,485**	**-301**	**101,184**
Deferred tax liabilities	1,175	-97	1,078
Other	67,967	–	67,967
Total liabilities	**69,142**	**-97**	**69,045**
Net profit/loss	-8,863	-104	**-8,967**
Non-controlling interests	1,202	-100	**1,102**
Other	40,004	–	**40,004**
Equity	**32,343**	**-204**	**32,139**

Consolidated statement of comprehensive income 01/04/2017 to 31/03/2018

	Impact arising from error correction		
(KEUR)	**As previously reported**	**Adjustments**	**adapted**
Amortisation on intangible assets and tangible assets	-17,985	-301	-18,286
Taxes on income and earnings	3,526	97	3,623
Other	-1,874	–	-1,874
Results for the period	**-16,243**	**-204**	**-16,447**
Total earnings	**-16,243**	**-204**	**-16,447**

There is neither any material impact on the undiluted and diluted earnings per Group share nor on the entire cash flows arising from operating activities or investment and financing activities for the period 01/04/2017 to 31/03/2018.

Comments on Consolidated Balance Sheet

7. Intangible assets

(KEUR)	Goodwill and company value	Internally generated intangible financial assets	Other intangible financial assets	Advance payments	Total
Acquisition/Production costs					
As of 01/04/2017	11,479	12,465	23,113	4,942	51,999
Reclassifications to IFRS 5	-4,918	0	-7,988	0	-12,906
Additions	0	3,090	774	744	4,608
Reclassifications	0	0	4,707	-4,707	0
Disposals	0	0	0	0	0
As of 31/03/2018	**6,561**	**15,555**	**20,606**	**979**	**43,701**
Accumulated amortisations and write-downs					
As of 01/04/2017	0	3,345	8,718	2	12,065
Reclassifications to IFRS 5	-4,918	0	-1,622	0	-6,540
Amortisations	0	1,227	3,615	92	4,934
Write-downs (adjusted)	5,759	3,696	2,918	0	12,373
Disposals	0	0	0	0	0
As of 31/03/2018	**841**	**8,268**	**13,629**	**94**	**22,832**
Carrying amounts					
As of 01/04/2017	**11,479**	**9,120**	**14,395**	**4,940**	**39,934**
As of 31/03/2018	**5,720**	**7,287**	**6,978**	**885**	**20,869**
Acquisition/Production costs					
As of 01/04/2018	6,561	15,555	20,606	979	43,701
Changes in scope of consolidation	0	0	-174	0	-174
Additions	0	2,742	55	676	3,473
Reclassifications	0	0	235	-235	0
Disposals	841	0	3,275	0	4,116
As of 31/03/2019	**5,720**	**18,297**	**17,446**	**1,421**	**42,884**
Accumulated amortisations and write-downs					
As of 01/04/2018	841	8,268	13,629	94	22,832
Changes in scope of consolidation	0	0	-153	0	-153
Amortisations	0	1,896	1,710	0	3,606
Write-downs	0	774	0	0	774
Disposals	841	0	3,268	0	4,109
As of: 31/03/2019	**0**	**10,938**	**11,918**	**94**	**22,950**
Carrying amounts					
As of: 01/04/2018	5,720	7,287	6,978	885	20,869
As of: 31/03/2019	**5,720**	**7,359**	**5,528**	**1,327**	**19,934**

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

(KEUR)	31/03/2019	31/03/2018
“Books” segment		
Eichborn	35	35
“Games” segment		
Daedalic	4,903	4,903
Novel booklets and puzzle magazines		
PMV	782	782
	5,720	5,720

With the exception of goodwill, there are no intangible assets with indefinite useful lives.

In the case of goodwill, the recoverability of the capitalised carrying amounts is reviewed once a year in accordance with IAS 36 and, if triggering events occur, on the basis of groups of cash-generating units.

The total amount of impairment losses recognised for goodwill amounts to EUR 5,759 thousand and was recognised in the previous year under "Amortization of intangible assets and depreciation of property, plant and equipment" in the statement of comprehensive income.

The internally generated intangible assets of EUR 7,359 thousand (previous year: EUR 7,287 thousand) relate exclusively to internally generated computer games, which are amortised on a straight-line basis over a useful life of five to seven years. In fiscal year 2018/2019, impairment losses of EUR 774 thousand (previous year: EUR 3,696 thousand) were recognised on this item because it must be assumed that the games in question could not deliver the expected economic benefit. The carrying amount of games still under development reported under internally generated intangible assets amounted to EUR 4,817 thousand as of 31 March 2019. To date, no scheduled amortization or impairment losses have been recognised for these games.

Other intangible assets primarily include title and trademark rights, which are amortised over a useful life of 15 years, totalling EUR 1,258 thousand (previous year: EUR 1,397 thousand) as of the balance sheet date. The main individual items of title and trademark rights have a remaining useful life of 9 to 10 years. Other intangible assets also included the "Games" segment for development costs for the oolipo streaming platform in the amount of EUR 3,119 thousand (previous year: EUR 3,119 thousand under prepayments made), for which impairments in the amount of the residual book value (EUR 2,843 thousand) had to be recognised in the previous year in addition to scheduled amortization over the expected useful life of five years, as the product launched at the beginning of the previous year failed to meet expectations and was discontinued. The streaming platform oolipo was sold in the current financial year for a purchase price of EUR 50 thousand. The remaining amounts mainly relate to software and licenses, which are amortised over three to five years. Their book value on the balance sheet date amounts to KEUR 3,538 (previous year: KEUR 5,580). Depreciation, amortization and impairments are included in the consolidated statement of comprehensive income under "Amortization of intangible assets and depreciation of property, plant and equipment".

8. Inventory of pre-paid royalties

(KEUR)	Prepaid royalties	Advance payments	Total
Acquisition/production costs			
As of 01/04/2017	53,663	5,555	59,218
Additions	1,801	13,654	15,455
Disposals	-4,331	-231	-4,562
Reclassifications	15,433	-15,433	0
As of 31/03/2018	**66,566**	**3,545**	**70,111**
Accumulated amortisations and depreciation			
As of 01/04/2017	21,689	153	21,842
Amortisations	22,394	0	22,394
Write-downs	1,728	0	1,728
Value recovery	0	-58	-58
Disposals	-3,565	0	-3,565
As of 31/03/2018	**42,246**	**95**	**42,341**
Carrying amounts			
As of 01/04/2017	31,974	5,402	37,376
As of 31/03/2018	**24,320**	**3,450**	**27,770**
Acquisition/production costs			
As of 01/04/2018	66,566	3,545	70,111
Additions from changes in the scope of consolidation	117	0	117
Additions	6,066	1,485	7,551
Disposals	-3,207	-271	-3,478
Reclassifications	2,739	-2,739	0
As of 31/03/2019	**72,281**	**2,020**	**74,301**
Accumulated amortisations and depreciation			
As of 01/04/2018	42,246	95	42,341
Additions from changes in the scope of consolidation	34	0	34
Amortisations	13,374	0	13,374
Write-downs	1,340	0	1,340
Value recovery	0	-95	-95
Disposals	-3,148	0	-3,148
As of 31/03/2019	**53,845**	**0**	**53,846**
Carrying amounts			
As of 01/04/2018	24,320	3,450	27,770
As of 31/03/2019	**18,435**	**2,020**	**20,455**

All expenses in connection with prepaid royalties and advance payments made thereon - including depreciation and impairments - are recorded within cost of materials under "Expenses for fees and write-downs on royalties"; write-ups and reversals of write-downs are recorded under other operating income.

The portfolio of prepaid royalties is still depreciated on a sales and revenue basis. In the previous year, depreciation was reassessed on the basis of historical sales trends. In the previous year, the revised estimate resulted in additional expenses of EUR 6.5 million.

In the past financial year, impairment losses of EUR 1,340 thousand (previous year: EUR 1,728 thousand) were recognised to the extent that it could be assumed that the net income to be generated in the future before the fee expense for the manuscript in question would not cover the capitalised amount. In the past financial year, write-ups of KEUR 95 (previous year: KEUR 58) were made on prepaid author's fees and advance payments made to the extent that future sales fees for the manuscripts concerned will cover the amounts still capitalised. Significant portions of impairment losses and reversals of impairment losses are based on changes in estimates of future expected sales.

9. Tangible assets

(KEUR)	Real estate and buildings	Technical equipment and machinery	Business and operating equipment	Equipment under construction	Total
Acquisition/Production costs					
As of 01/04/2017	1,592	38	5,713	9	7,352
Reclassifications to IFRS 5	-166	0	-2,304	-16	-2,486
Additions	122	0	943	7	1,072
Disposals	0	0	-62	0	-62
As of 31/03/2018	1,548	38	4,290	0	5,876
Accumulated amortisations and write-offs					
As of 01/04/2017	625	27	3,153	0	3,805
Reclassifications to IFRS 5	-58	0	-750	0	-808
Additions	204	4	771	0	979
Disposals	0	0	-56	0	-56
As of 31/03/2018	771	31	3,118	0	3,920
Carrying amounts					
As of 01/04/2017	967	11	2,560	9	3,547
As of 31/03/2018	777	7	1,172	0	1,956
Acquisition/Production costs					
As of 01/04/2018	1,548	38	4,290	0	5,876
Additions change in scope of consolidation	0	0	103	0	103
Additions	4	0	118	0	122
Disposals	0	0	-372	0	-372
As of 31/03/2019	1,552	38	4,139	0	5,729
Accumulated amortisations and write-offs					
As of 01/04/2018	771	31	3,118	0	3,920
Additions change in scope of consolidation	0	0	79	0	79
Amortisations	181	3	330	0	515
Disposals	0	0	-357	0	-358
As of 31/03/2019	952	34	3,170	0	4,156
Carrying amounts					
As of 01/04/2018	777	7	1,172	0	1,956
As of 31/03/2019	600	4	970	0	1,573

No impairment losses were recognised in the past financial year. All depreciation on property, plant and equipment is included in the statement of comprehensive income under "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.

10. Financial assets

(KEUR)	31/03/2019	31/03/2018
Long-term (financial assets)		
Investments in affiliated companies	150	367
Investments in associated companies and joint ventures	244	244
Other equity investments	2,094	105
Loans to other equity investments	1,797	2,638
Other loans	317	226
	4,603	**3,580**
Short-term		
Receivables from associated companies and joint ventures	0	43
Loans on other equity investments	0	196
Receivables from other equity investments	389	43
Receivables from factoring	125	601
Receivables from affiliated companies	0	84
Derivatives	60	–
Creditors with debit balances	91	45
Eichborn AG receivables (insolvency)	102	102
Supplier rebates	40	72
Other	290	286
	1,098	**1,472**

Shares in affiliated companies are not consolidated as they are of minor significance for the net assets, financial position and results of operations. Shares in associated companies and joint ventures are not consolidated at equity for reasons of materiality.

The loan to other investments relates to Räder GmbH with a fixed term until 31 December 2024 and an interest rate of 6 % p.a. Interest and redemption payments were made for the first time as of 31 December 2018.

The investment in Räder GmbH is measured as an equity investment and designated at fair value through other comprehensive income (FVOCI). The investment represents an investment that is not held for trading purposes.

In fiscal year 2017/2018, these investments were classified as available for sale - see Note 3. As of 31 March 2019, the fair value of Räder GmbH amounted to EUR 1,995 thousand. No dividends were received in the fiscal year.

The Eichborn AG receivable relates to the social plan expenses of the company, which is under insolvency administration, pre-financed by Bastei Lübbe. Bastei Lübbe has assumed the pre-financing so that the total volume of the social plan negotiated between the insolvency administrator and the works council of Eichborn AG does not fall under the relative restriction of § 123 (2) InsO and the employees receive the severance pay to which they are entitled immediately after termination of their employment relationship. In return, Bastei Lübbe AG has assigned the claims of the employees against the insolvency administrator to the social plan claims.

Other financial assets include a receivable for which there was objective evidence of impairment (Level 3). The gross carrying amount of the receivable amounted to EUR 210 thousand, which after an impairment of EUR 105 thousand is recognised with its net carrying amount of EUR 105 thousand.

Current financial assets are due for payment within one year.

11 Income tax assets and liabilities

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

(KEUR)	31/03/2019	31/03/2018
Deferred tax claims	4,053	4,536
Income tax receivables	307	896
Deferred tax liabilities	-1,200	-1,078
Income tax liabilities	-4	-6
Balance	**3,156**	**4,348**

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 deferred taxes 31/03/2019	liabilities deferred taxes 31/03/2019	assets deferred taxes 31/03/2018	liabilities deferred taxes 31/03/2018
Other intangible assets	2,370	2,573	2,891	2,552
Tangible assets	–	89	–	113
Financial investments	16	0	34	0
Trade receivables	70	73	54	72
Financial assets	–	19		
Other provisions	–	–	10	–
Financial liabilities	27	36	68	50
Tax losses carried forward	3,161	–	3,188	—
	5,644	**2,790**	**6,245**	**2,787**
Balancing	-1,590	-1,590	-1,709	-1,709
	4,053	**1,200**	**4,536**	**1,078**

Deferred tax assets on losses carried forward relate to the parent company (KEUR 1,803) and Daedalic Entertainment GmbH (KEUR 1,358). On the basis of the medium-term planning for the next three to five years, realisation is to be assumed. As of the balance sheet date, there were no deferred tax assets from oolipo AG on losses carried forward in the total amount of KEUR 2,097 (previous year: KEUR 3,433) to be formed, as their realization is not considered sufficiently certain according to the probabilities required by IAS 12.

Deferred tax liabilities are offset against corresponding tax assets to the extent that they relate to the same taxable entity and the same taxation authority. The change in deferred taxes can be reconciled to the deferred taxes in the income statement as follows:

(KEUR)		31/03/2019		31/03/2018	
Deferred tax claims 1 April		4.536		3.139	
Deferred tax liabilities 1 April		-1.078	3.458	-4.271	-1.132
Deferred tax claims 31 March		4.053		4.536	
Deferred tax liabilities 31 March		-1.200	2.853	-1.078	3.458
=	Change in balance		-605		4.590
+/-	Additions/disposals from changes in scope of consolidation		–		-1.683
+/-	Amounts recognised directly in equity		-69		
=	**Deferred tax result as per profit and loss statement**		**-674**		**2.907**

In addition, we refer to the comments on income tax expenses in Note 32.

12. Inventories

(KEUR)	31/03/2019	31/03/2018
Raw materials and supplies	227	252
Unfinished products	526	565
Finished goods	14,734	17,559
Merchandise	0	57
Prepayments on inventories	22	45
	15,509	**18,478**

Impairment losses on inventories amounted to KEUR 2,767 in the fiscal year (previous year: KEUR 4,546). Inventories serve as collateral for the syndicated loan to the extent that they relate to Bastei Lübbe AG and with the exception of customary retention of title.

13. Trade receivables

The long- and short-term trade receivables recognised in the balance sheet were as follows:

(KEUR)	31/03/2019	31/03/2018
Receivables from		
third parties	13,657	20,043
less long-term discounting	-23	-37
less value adjustments	-475	-267
	13,159	**19,739**

The long-term receivables from a customer amounting to EUR 695 thousand (previous year: KEUR 935) are discounted to their present value of KEUR 672 (previous year: KEUR 898) since no interest has been agreed. All other trade receivables are due within one year and are reported under current assets.

Based on historical data, the simplified impairment model is applied. In order to determine the value adjustments, a risk provision is recognised for all instruments, irrespective of their credit quality, in the amount of the expected losses over the remaining term. Accordingly, an overall allocation to level 2 is made upon addition and a transfer to level 3 if there are objective indications of impairment:

(KEUR)	31/03/2019	31/03/2018
Trade receivables		
Trade receivables from third parties	13,634	20,043
Expected credit losses over the term (Level 2)	-194	-213
Specific valuation allowances (Level 3)	-281	-267
Total trade receivables	**13,159**	**19,563**

Value adjustments in the fiscal year

(KEUR)	Expected credit losses over the term (Level 2)	Specific valuation allowances (Level 3)	Value adjustments
Trade receivables			
As of 01/04/2018	0	267	
Retrospective change in accounting policy due to IFRS 9	213	0	
Adjusted status as of 01/04/2018	213	277	
Decrease due to reduction in receivables volume	-19	0	
Addition	0	23	
Expenditure	0	-2	
Reversal	0	-7	
As of 31/03/19	**194**	**281**	
As of 01/04/2017			224
Disposals from changes in the scope of consolidation			-62
Addition			154
Expenditure			-43
Reversal			-6
As of 31/03/18			**267**

Disclosures on allowances for doubtful accounts trade receivables (Level 2):

(KEUR)	Inventory after specific valuation allowances	not due as of 31/03/2019	Days overdue			
			up to 90 days	91 to 180 days	181 days to 1 year	> 1 year
Trade receivables	13,353	8,861	4,304	98	33	58
Sales tax	-1,073	-397	-664	-7	-2	-4
Subtotal	12,280	8,464	3,640	91	31	54
Ø Failure rate		1.00%	2.50%	5.00%	10.00%	20.00%
Value adjustment as of 31/03/2019	194	85	91	4	3	11
Previous value adjustment from FY/2018	213					
Adjustment of value adjustment	-19					

Trade receivables serve as collateral for own liabilities on the balance sheet date.

14. Other receivables and assets

(KEUR)	31/03/2019	31/03/2018
Other accruals and deferrals	554	586
Sales tax refund claims	97	369
Asset from return provision (in accordance with IFRS 15)	1,180	–
Other	16	19
	1,847	**974**

All amounts are realisable within a year.

15. Cash and cash equivalents

(KEUR)	31/03/2019	31/03/2018
Credit balances at financial institutions		
Sight deposits and fixed deposits	3,330	877
Cash assets	26	30
	3,356	**907**

This item is not subject to any restrictions on ownership or disposal, with the exception of a bank account of Bastei Lübbe AG, which is pledged as collateral under a factoring agreement (balance at 31 March 2019: KEUR 1,776).

16. Equity

Since the IPO in October 2013, the parent company's share capital has consisted of 13,300,000 no-par value shares, each with a notional interest in the share capital of EUR 1.00, i.e. a total of EUR 13,300,000.00.

In the course of the IPO and in October 2014, the parent company acquired treasury shares based on the authorization granted by the Annual General Meeting on 10 September 2013. In July 2015, 100 of the 100,000 treasury shares held up to then were transferred to an author free of charge in order to strengthen his ties to Bastei Lübbe, so that the number of treasury shares at the balance sheet date was still 99,900. The acquired shares can be used for all legally permissible purposes. Accordingly, as in the previous year, there were 13,200,100 issued and fully paid up no-par shares of Bastei Lübbe AG outstanding on the balance sheet date. As in the previous year, there were no changes in this regard in the financial year.

The Group's capital reserve mainly comprises the premium from the 2013 capital increase.

Retained earnings comprise the adjustment from the first-time application of IFRS 9, the difference from changes in the scope of consolidation (see No. 5), the net income for the year and the profit carried forward. As in the previous year, the profit carried forward includes amounts of EUR 1,920 thousand from the revaluations and revaluations carried out in connection with the preparation of the IFRS opening balance sheet as of 1 April 2011 as well as income and expenses of previous years recognised in profit or loss that deviate from the commercial law result.

The equity attributable to non-controlling interests relates to the equity attributable to the minority shareholders of Daedalic Entertainment, Daedalic Bavaria, oolipo, BookRix and Moba and developed as follows in the past fiscal year:

(KEUR)	Daedalic Entertainment	Daedalic Bavaria	oolipo	BookRix	Moba	Total
As of 31/03/2018	1,826	–	-671	-53	–	1,102
Adjustment IFRS 9	-5	–	–	–	–	-5
Adjusted status 01/04/2018	1,821	–	-671	-53	–	1,097
Pro rata result for the period	67	-7	3	90	34	187
Additions/disposals due to changes in the scope of consolidation	–	–	–	-37	153	116
Dividend	–	–	–	–	-36	-36
As of 31/03/2019	**1,887**	**-7**	**-668**	**–**	**151**	**1,363**

17. Earnings per share

When calculating earnings per share (EUR 0.05 per share, previous year: EUR -0.97 per share), the profit for the period attributable to the shareholders of the parent company and the average number of shares outstanding (13,200,100 shares) were used as weighted averages, offsetting the treasury shares held by the company.

There is no dilutive effect to be taken into account either in the year under review or in the previous year.

18. Other provisions

Die sonstigen Rückstellungen haben sich wie folgt entwickelt:

(KEUR)	As of 01/04/2018	Adjustment IFRS 15	Availment	Reversal	Addition	Regrouping	As of 31/03/2019
Long-term							
archiving costs	84	0	0	0	0	0	84
	84	**0**	**0**	**0**	**0**	**0**	**84**
Short-term							
remittances	7,067	1,652	8,367	0	6,698	0	7,050
Litigation	78	0	62	16	182	0	182
Specific risks receivables from factoring	90	0	65	25	65	0	65
Other	0	0	0	0	0	0	0
	7,235	**1,652**	**8,494**	**41**	**6,945**	**0**	**7,297**

Provisions for returns relate to contractual liabilities in accordance with IFRS 15 from expected returns of publishing products. The customer will be credited for the full amount of the invoice. In the case of novel issues distributed according to the bodiless remission procedure, the goods will not be returned. Only the corresponding credit note is issued. The return provision is determined on the basis of the return ratio for the past financial year. A separate determination is made for different areas. The temporal remission process has been statistically recorded by the company for several years and is stable over time. It is therefore possible to reliably estimate the provision for remissions. In the current financial year, provisions for returns remained virtually constant. The majority of the obligation is settled within the first eight months after the balance sheet date. Experience has shown that remissions are completed within 18 months.

In the financial year, the provision for returns was adjusted to IFRS 15. Accordingly, an asset in the same amount was capitalised under other assets, reflecting the value of the returned publishing products. No further sales were realised from the provisions formed in the previous year, as the returns have occurred or are expected.

Provisions have been recognised for ongoing litigation to the extent that their risks can be reasonably estimated. These provisions are calculated on the basis of communications and cost estimates from the attorneys responsible for representation and cover all fees and legal costs estimated by them as well as any settlement costs. In the year under review, provisions for litigation amounting to EUR 16 thousand were released due to the positive prospects of success.

The provisions for individual risks Receivables from factoring relate to receivables from customers who are in collection or insolvency proceedings to the extent that the factor has already paid Bastei Lübbe. Since this is pre-financing, there is a risk that the amounts paid will have to be returned to the factor.

19. Financial liabilities

(KEUR)	As of 31/03/2019 of which with a remaining term of				As of 31/03/2018 of which with a remaining term of			
	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years
Liabilities (to/from)								
Banks	21,175	21,175	0	0	31,135	26,135	5,000	0
Balanced processing charges	-110	-110	0	0	-154	-154	0	0
VVA pre-financing	0	0	0	0	6,117	6,117	0	0
Forwarding obligation LUX	2,095	2,095	0	0	0	0	0	0
Employees	1,188	1,188	0	0	652	652	0	0
Debtors with credit balance	129	129	0	0	136	136	0	0
Derivatives (interest swap)	84	84	0	0	211	97	114	0
Other	123	123	0	0	86	86	0	0
	24,684	**24,684**	**0**	**0**	**38,183**	**33,069**	**5,114**	**0**

On 19 October 2018, the parent company concluded a revised syndicated loan agreement with a well-known banking syndicate for a total volume of EUR 28 million. The syndicated loan has a term until 31 March 2020 (see Note 48). In the year under review, the agreed financial ratios (covenants) as of 31 March 2019 were met. In the event of non-compliance with these, the lenders generally have a right of termination. Daedalic Entertainment GmbH also has its own credit agreement with a well-known bank.

Liabilities to employees mainly include bonuses and severance payments.

20. Trade payables

Trade payables (KEUR 14,153, previous year: KEUR 19,310) mainly relate to fee liabilities to authors and agencies, liabilities to printing companies, liabilities to other publishing houses, from consulting services and rental agreements.

21. Other liabilities

(KEUR)	31/03/2019	31/03/2018
Liabilities (to/from)		
Accruals and deferrals	951	1.627
Other taxes	326	462
Accrued vacation and overtime	704	791
Other	389	194
	2,370	**3,074**

In addition to the amounts for which the company is liable, liabilities from other taxes also include taxes paid on behalf of third parties (in particular wage and church taxes).

Of the amounts shown, the following have remaining terms of more than one year:

(KEUR) Liabilities (to/from)	31/03/2019	31/03/2018
Accruals and deferrals	477	930
Other taxes	0	0
Other	100	100
	577	**1,030**

Comments on the Statement of Comprehensive Income

The profit and loss statement is organised by types of expense (total cost procedure). The following explanations and breakdowns are related to the entries of the statement of comprehensive income, including the discontinued BuchPartner business segment.

22. Sales revenue

Sales and their development by segment and region are shown in the segment report (Note 37).

	2018/2019			2017/2018		
(KEUR)	**Physical**	**Digital**	**Total**	**Physical**	**Digital**	**Total**
Book	51,143	24,635	75,778	59,672	25,027	84,699
Novel booklets and puzzle magazines	9,704	336	10,041	9,517	306	9,823
Retail	-	-	-	34,734	-	34,734
Non-Book	-	-	-	-67	-	-67

	2018/2019			2017/2018		
(KEUR)	**Games**	**E-Book**	**Total**	**Games**	**E-Book**	**Total**
Games	8,293	810	9,103	8,830	2,154	10,984
Sales revenue			**94,922**			**140,173**

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

	Inventory		Changes in inventory	
(KEUR)	**31/03/2019**	**31/03/2018**	**2017/2019**	**2016/2018**
Unfinished products	526	565	-39	-18
Finished goods	14,734	17,559	-2,883	-2,304
			-2,922	**-2,322**
plus changes in the group of consolidated companies			-287	457
			-3,215	**-1,865**

The changes resulting from changes in the scope of consolidation include those resulting from the first-time consolidation of Moba and the disposal of BuchPartner in the previous year.

24. Other capitalised self-constructed assets

The other own work capitalised (KEUR 2,741 in the previous year: KEUR 3,098) relates to internally generated intangible assets (mainly games) of Daedalic Entertainment GmbH.

25. Other operating income

(KEUR)	2018/2019	2017/2018
Income from the sale of fully consolidated subsidiaries	75	3.261
Income from the sale of participations	55	–
Income from the derecognition of liabilities	247	89
Benefits in kind	217	220
Exchange rate gains	33	37
Income from the reversal of provisions	41	20
Income from the reversal of specific valuation allowances	38	68
Other	417	708
	1,123	**4,403**

Other operating income includes KEUR 27 of non-period income.

26. Personnel expenses

(KEUR)	2018/2019	2017/2018
Wages and salaries	17,261	23,860
Expenses for pensions and other social security contributions	2,589	4,317
Other	275	385
	20,125	**28,562**

27. Share-based Payments

With the appointment of the new members of the Management Board, Bastei Lübbe AG has promised a share-based payment within the meaning of IFRS 2 as a salary component. This variable remuneration begins with the 2018/2019 financial year on 1 April 2018 and entitles the members of the Management Board to receive a cash payment after a waiting period of three years. The plan is structured in such a way that a number of virtual shares are issued in the amount of a contractually agreed target figure at the time of the grant date based on the 30-day closing price of the Bastei Lübbe share. In this context, 58,196 virtual shares were issued as of April 01, 2018. The final number of virtual shares is linked to the degree to which a non-market condition has been met. The defined target achievement must be at least 75% and a maximum of 150%. The number of virtual shares will be adjusted at the end of the plan according to the average target achievement within the range of 0% - 200%. The share-based payments of the two members of the Management Board do not entitle them to shares in the company.

The fair value of the virtual shares was determined using the Black-Scholes formula. Service and market-independent performance conditions associated with the transactions were not taken into account in determining the fair value.

The following parameters were used to determine the fair values of the virtual shares on the grant date and the measurement date.

Valuation parameters IFRS 2	Grant Day 01/04/2018	Valuation Date 31/03/2019
Fair Value (in EUR)	3,04	1,65
Share Price (in EUR)	3,09	1,65
Expected Volatility (gewichteter Durchschnitt, in %)	38,87%	52,33%
Expected Term (in years)	3	2
Expected Dividends (in %)	0,00	0,00
Risk-free interest rate (based on government bond, in %)	1,01	1,01

The expected volatility is based on an assessment of the historical volatility of the Company's share price, in particular over the period corresponding to the expected maturity.

The total amount of expenses from share-based payment with cash settlement amounts to KEUR 49 (previous year: -).

The total carrying amount of liabilities from share-based payment amounts to KEUR 49 (previous year: -).

28. Other operating expenses

(KEUR)	2018/2019	2017/2018
Distribution expenses	6,657	9,513
Advertising expenses	6,051	10,155
Legal, consulting and audit costs	3,517	3,278
IT expenses	1,498	1,213
Rent, leasing and other occupancy costs	1,463	3,515
Other expenses	1,591	5,763
	20,777	**33,437**

The value adjustments on receivables include value adjustments on trade receivables as well as on receivables from investments.

29. Earnings from investments

The result of investments is derived from the following companies:

(KEUR)	2018/2019	2017/2018
MoBa s.r.o., Brünn / Tschechien	–	344
diverse Pressevertriebsgesellschaften	50	52
	50	**396**

Moba was not included in the scope of consolidation in the previous year, so that income from investments was reported in 2017/2018.

30. Depreciation and Amortisation

(KEUR)	2018/2019	2017/2018
Scheduled depreciation and amortisation		
Intangible assets	3,606	4,934
Tangible assets	515	979
	4,121	**5,913**
Write-downs		
Intangible assets	774	12,373
Financial assets	–	550
	774	**12,923**
	4,895	**18,836**

Of the impairment losses in the previous year, KEUR 7,704 related to continuing operations.

31. Financial result

(KEUR)	2018/2019		2017/2018	
Finance income				
Income from accumulation of long-term trade receivables	14		20	
Interest income from affiliated/shareholding companies	177		187	
Income from interest derivatives	187		44	
Interest income from covered funds for partial retirement provisions	–		1	
Other	6	384	6	258
Financial expenses				
Interest expense on syndicated loan	-925		-1,146	
Syndicated loan processing costs	-212		-44	
Interest expense of other long-term bank loans	-236		-188	
Interest expenses loans of non-controlling shareholders	–		-127	
Interest expense from factoring	-181		-323	
Expenses from derivatives	–		-125	
Other	-3	-1,557	-25	-1,978
Financial result		**-1,173**		**-1,720**

32. Income tax expense and income

(KEUR)	2018/2019	2017/2018
Income taxes refunded, paid or due		
for the current year	-104	-156
for previous years	98	-560
	-6	**-716**
Deferred taxes		
on temporary differences	-646	-1.147
on changes in losses carried forward	-28	-1.760
	-674	**-2.907**
	-679	**-3.623**

We refer to Note 11 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)	2018/2019	2017/2018
Earnings before income taxes	**1,533**	**-19,769**
Expected income tax expense (32.45 %)	498	-6,415
Tax rate differences	-56	55
Write-downs, goodwill from capital consolidation	–	1,869
Write-downs, non-consolidated holdings	3	389
Amortisations consolidated balance sheet surplus	-24	-24
Non-deductible operating expenses / tax-free income / special area	36	-64
Trade tax corrections	116	89
Tax income from partnerships	-8	-21
Deconsolidations	-17	-1,058
Non-recognition of deferred taxes on losses carried forward	109	2,559
Write-off of deferred taxes from previous years	–	-239
Adjustment of the deferred taxes due to changes in the previous year	–	-97
Taxes from previous years	-98	-560
Other	120	-106
Actual income tax expenditure	**679**	**-3,623**

The tax rate corresponds to the tax rate of the parent company and is calculated, as in the previous year, from the corporate income tax rate of 15 % plus the solidarity surcharge of 5.5 % and the trade tax with an average multiplier rate of 475 %.

33. Shares in the net profit or loss for the period, pertaining to equity shares of non-controlling shareholders

The non-controlling interests of Moba, Daedalic, oolipo and BookRix in the amount of KEUR 187 (previous year: KEUR -3,633) represent the sum of the respective profit shares, see also Note 16. For further financial information regarding the non-controlling interests, please refer to Note 4.

34. Other result

Other comprehensive income mainly includes unrealised gains from changes in the fair value of equity instruments in the amount of KEUR 1,989 (previous year: KEUR 0).

Other disclosures

35. Notes on the Cash Flow Statement

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

The cash flow statement differentiates between cash flows from current operating activity (indirect method), investment activity and financing activity. Changes in the inventory of pre-paid author royalties are shown in the cash flow from current operations. The cash balance comprises cheques, cash on hand and cash at banks with a residual maturity of less than three months. They are recognised under the balance sheet item “Cash and cash equivalents”.

The total amount (balance) of income tax payments made in the previous financial year is KEUR -582 (previous year: KEUR 390) and the interest payments made KEUR 1,165 (previous year: KEUR 1,583). The income taxes and interest payments are assigned to the operating cashflow.

The result for the period (KEUR 854, previous year: KEUR -16,447) has increased by KEUR 17,301 year-on-year. In the previous year, the added non-cash depreciation (including impairments) was particularly high, mainly due to impairments, especially in the digital area. The extraordinarily high non-cash depreciation (including impairments) on royalties in the previous year were caused by the effect of the reassessment of the amortisation charge. The operating cash flow (KEUR 14,428, previous year: KEUR 5,468) increased compared to the previous year mainly due to lower advance payments of royalties (KEUR 7,551; previous year: KEUR 14,458). The new factoring agreement for receivables from digital sales in the amount of KEUR 3,495 also had a positive effect.

Investments in intangible assets (KEUR 3,473, thereof KEUR 3,381 at the subsidiary Daedalic) and property, plant and equipment (KEUR 122) resulted in a cash outflow of KEUR 2,686 (previous year: KEUR 538) from investing activities in the year under review.

The cash flow from financing activities shows a cash outflow totalling KEUR 9,995 (previous year: KEUR 5,226) in the reporting year. The repayments of (financial) loans exceeded the proceeds from the raising of new funds. Short-term (usually 1-3 months) borrowings and repayments are netted out. In addition, payments are made for dividends to non-controlling shareholders.

This resulted in a total increase in cash and cash equivalents of KEUR 1,748 (previous year: decrease of KEUR 296).

36. Reconciliation for liabilities from financial activities

			Non-cash changes		
(KEUR)	**Book value 31/03/2018**	**Cash flows**	**Change in fair value**	**Other**	**Book value 31/03/2019**
Liabilities to banks	31,135	-9,960	–	–	21,175
Liabilities from derivatives	211	–	-127	–	84
Liabilities from pre-financing VVA	6,117	–	–	-6,117	–
	37,463	**-9,960**	**-127**	**-6,117**	**21,259**

37. 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 or their sales channels. The business units are always monitored by the Executive Board using EBIT. The Group financing (including financial expenses and income) and income taxes are taxed in a standardised way throughout the Group and are not assigned to the individual business segments. The transfer prices between the business segments are determined using conditions which are in line with the market between external third parties.

Since the start of the 2017/2018 financial year, Bastei Lübbe AG's business involving digital e-book and audio products is assigned to the "Books" segment (previously in the "Digital" segment). The "Retail" segment, to which BuchPartner GmbH was exclusively assigned, was discontinued with the sale of the majority shareholding in BuchPartner GmbH shortly before the end of the 2017/2018 financial year.

- Books
- Retail (until 31 March 2018)
- Games (Digital in previous year)
- Non-Book (until 31 December 2016)
- Novel booklets and puzzle magazines

Books

The "Books" segment contains all print products from books, as well as the digital e-book and audio products from Bastei Lübbe AG. The products are distributed under various labels, including hardbacks, paperbacks and pocket books. The subsidiary Moravská Bastei MoBa s.r.o., Brno, Czech Republic, for the first time also belongs to the segment. For this reason, the previous year's figures were adjusted by the amount of the investment income previously reported in the balance sheet to improve comparability.

Retail (until 31 March 2018)

In the "Retail" segment, the 51% shareholding in BuchPartner GmbH in Darmstadt was consolidated up until its sale shortly before the reporting date of the previous year.

Games

The digital products made by the subsidiary Daedalic Entertainment GmbH (game developer and publisher) belong to the "Games" segment. The companies oolipo AG i.L. (streaming platform), BookRix GmbH & Co. KG (self-publishing platform) and BEAM Shop GmbH (e-book shop) are also assigned to this segment. Following the sale of these companies, the segment was renamed.

Non-Book (until 31 December 2016)

Until 31 December 2016, the "non-book" segment mainly comprised gift items sold under the Räder label, as well as merchandise and similar products. Furthermore, the activities of the participation in PRÄSENTA PROMOTION INTERNATIONAL GmbH, Solingen (accounted at equity), which was sold in the financial year 2015/2016, also belonged to this segment. Because of the sale of the Räder business division on 1 January 2017, this segment no longer exists in the Bastei Lübbe Group.

Novel booklets 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 previous year's figures were adjusted, as the investment income of the subsidiary Moravská Bastei MoBa s.r.o., Brno / Czech Republic was still reported here.

The segments performed as follows over the past financial year:

(KEUR)	Books (previous year adusted)		Retail (discontinued)		Games (previous year adusted)		Non-Book (discontinued)		Novel booklets and puzzle magazines (previous year adusted)	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
Segment sales revenue	75,793	86,227	–	34,734	9,285	11,065	–	-67	10,041	9,823
Internal sales	14	1,528	–	–	182	81	–	–	–	–
External sales	**75,778**	**84,699**	–	**34,734**	**9,103**	**10,984**	–	**-67**	**10,041**	**9,823**
EBITDA	**2,952**	**-3,548**	–	**378**	**3,702**	**2,563**	–	**-195**	**947**	**1,289**
Amortisations	1,002	1,741	–	6,172	3,758	10,750	–	–	135	173
EBIT	**1,950**	**-5,289**	**–**	**-5,794**	**-56**	**-8,187**	**–**	**-195**	**812**	**1,116**
The following key non-cash matters are included here:										
Impairment on goodwill	–	–	–	-4,918	–	-841	–	–	–	–
Impairment on other intangible assets	–	–	–	–	-774	-6,614	–	–	–	–
Impairment on author royalties	-1,340	-1,728	–	–	–	–	–	–	–	–
Value recovery on author royalties	95	58	–	–	–	–	–	–	–	–
Impairment on financial instruments and inventories	-2,780	-5,682	–	-595	–	-140	–	–	–	–
Value recovery on financial instruments and inventories	–	80	–	3	–	–	–	–	–	–

(KEUR)	Group total (continuing and discontinued operations)		Discontinued operations (including IFRS 5 valuation)		Continuing operations	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
Segment sales revenue	95,119	140,173	–	n,a,,	n,a,	n,a,
Internal sales	197	–	–	n,a,	n,a,	n,a,
External sales	**94,922**	**140,173**	**–**	**33,139**	**94,922**	**107,034**
EBITDA	**7,601**	**486**	**–**	**446**	**7,601**	**40**
Amortisations	4,895	18,836	–	6,172	4,895	12,664
EBIT	**2,706**	**-18,350**	**–**	**-5,726**	**2,706**	**-12,624**
Financial result					-1,173	-1,468
Earnings before taxes (EBT)					**1,533**	**-14,092**
Taxes on income and earnings					-679	3,366
Result for the period					**854**	**-10,726**

Transactions between the segments include in particular intra-segment revenues and are generally effected at market prices.

The following table shows the geographically defined revenues for the segments:

(KEUR)	Germany		Foreign countries		Total	
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018
External sales	66,743	113,176	28,179	26,997	94,922	140,173

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 generates more than 10% of its sales revenue from its largest customer. The total revenue generated from this customer refers to the “Books” segment and amounts to KEUR 17,673.

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

Segment assets and liabilities are mainly located in Germany.

38. Capital management

The capital management of the Group ensures that the aims and strategies can be achieved on behalf of shareholders and their employees. The focus of the management is minimum interest and return on equity. To do this, we aim for an increase in Group value and its partial sectors, which benefits all stakeholders of the company.

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. In order to strengthen the equity base, there is a particular intention to reinvest a larger share of net profit for the period. Participation of employees in the company in the form of employee share programmes has not been the intention so far.

The following figures are also of particular importance within the context of capital management:

- Group equity ratio
- Equity and EBITDA of Bastei Lübbe AG
- The relation of net financial debt to the Group EBITDA

Bastei Lübbe generally aims for an equity ratio of more than 40% and a ratio of net financial debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less. The Group's equity ratio was 41.97% as of 31 March 2019; the gearing ratio at the same time was 2.3. This is calculated from net debt of KEUR 17,820 and EBITDA of KEUR 7,601.

Within the framework of the new syndicated loan agreement agreed on 19 October 2018, new covenants were defined which must be complied with in order to continue to receive the required funds at the agreed conditions. As in the past, this relates to EBITDA and, for the first time, equity in the annual financial statements of Bastei Lübbe AG (previous year: debt-equity ratio at Group level). Lenders have a special right of termination in the event of non-compliance with the key figures. In the past financial year, the financial indicators EBITDA and equity were maintained at the relevant reporting dates of 31 December 2018 and 31 March 2019.

39. Financial instruments

The following table illustrates the book values and the fair values for financial instruments according to the respective classes, as well as a breakdown into the different categories of financial instruments in accordance with IFRS 9 for the reporting date as at 31/03/2019 and/or in accordance with IAS 39 for the reporting date as at 31/03/2018.

(KEUR)	Measurement category according to IFRS 9	Amount recognised in the balance sheet according to IFRS 9				
		Book value 31/03/2019	Amortised cost	Fair value recognised directly in equity	Fair value through profit or loss	Fair value 31/03/2019
Assets						
Cash and cash equivalents	AC	3,356	3,356			–
Trade receivables	AC	13,159	13,159			–
Other original financial assets	AC	1,098	1,098			–
Derivatives without hedge accounting	FVPL	60			60	60
Investments	FVOCI	1,995		1,995		1,995
Investments	AC	493	493			–
Liabilities						
Trade payables	AC	14,153	14,153			–
Liabilities to credit institutions	AC	21,175	21,175			–
Other primary financial liabilities	AC	4,908	4,908			–
Derivatives without hedging relationships relating to accounts	FVPL	84			84	84

(KEUR)	Measurement category according to IAS 39	Amount recognised in the balance sheet according to IAS 39				
		Book value 31/03/2018	Amortised cost	Fair value recognised directly in equity	Fair value through profit or loss	Fair value 31/03/2018
Assets						
Cash and cash equivalents	LaR	907	907			–
Trade receivables	LaR	19.739	19.739			–
Other original financial assets	LaR	1.698	1.698			–
Investments	AfS	716	716			–
Liabilities						
Trade payables	OL	19.310	19.310			–
Liabilities to credit institutions	OL	31.135	31.135			–
Other primary financial liabilities	OL	6.837	6.837			–
Derivatives without hedging relationships relating to accounts	FLPL	211			211	211

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

- Cash, trade receivables, other current receivables and assets, trade liabilities, current liabilities to banks and other current liabilities come very close to their carrying values, largely as a result of the short terms of these instruments.
- Non-current assets not traded on an active market are valued by the company based on parameters such as interest rates and creditworthiness. The carrying values of these receivables do not materially differ from their fair values at the balance sheet dates.

- The fair value of available-for-sale holdings is calculated with the aid of valuation models, as no quoted market prices exist on an active market. The valuation models use market data to the greatest extent possible and company-specific data as little as possible.
- The fair value of the derivatives without hedging relationship maintained for trade purposes (interest swap / forward exchange contract) is derived from the managing bank from the mid-market price.

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 the liability.
- The calculation of the fair value of all financial instruments recognised in the balance sheet and in these Notes is either based on listed Level 1 prices or on the information and input factors referred to under Level 2. 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 results from the respective categories of financial instruments according to IFRS 9 for the reporting period are displayed in the overview below:

	From interests	From subsequent valuation			Other
(KEUR)		**Change in fair value**	**Currency conversion**	**Value adjust-ment**	**Net result**
Financial assets, measured at amortised cost (AC)	16			102	118
Financial investments in equity instruments, measured at fair value through other comprehensive income (OCI)		1,989			1,989
Financial assets, measured at fair value through profit or loss (FVPL)		60			60
Financial liabilities, measured at amortised cost (AC)	-1,376		-23		-1,399
Financial liabilities, measured at fair value through profit or loss (FVPL)		127			127

The net results from the respective categories of financial instruments according to IAS 39 for the period in the previous year are displayed in the overview below:

	From interests	From subsequent valuation			Other
(KEUR)		**Change in fair value**	**Currency conversion**	**Value adjust-ment**	**Net result**
Financial assets, measured at amortised cost (LaR)	227			-1,361	-1,134
Financial investments in equity instruments measured at fair value through equity via other comprehensive income (AfS)				-550	-550
Financial liabilities, measured at amortised cost (OL)	-1,848		-157	89	-1,916
Financial liabilities measured at fair value through profit or loss (FLPL)		-70			-70

40. Financial risk management

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

Credit risk

At Bastei Lübbe, credit risks in the field of trade receivables are partially transferred in the form of trade credit insurance. Adherence to the relevant trade credit limit is monitored on a monthly basis. There is essentially one main customer 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.

Furthermore, a majority of receivables from sold books (physical and digital), merchandising items etc. are sold within the framework of a genuine factoring process. The sold books are supplied via VVA (Bertelsmann subsidiary in Gütersloh). VVA 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 customers. In consultation with Bastei Lübbe, these customers are then blocked from receiving further deliveries.

Receivables from the digital distribution of e-books and audio are also sold as part of genuine factoring or are largely insured against default risk.

The maximum default risk for financial assets comprises the amount of the book values of financial assets.

Liquidity risk

The liquidity required by Bastei Lübbe was specifically ensured, by the reporting date, by the syndicated loan agreement made in October 2018 with a volume, as at the reporting date, totalling EUR 28 million. Please refer to Note 48. 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 at 31/03/2019 undiscounted cash outflows				
(KEUR)	**Book value**	**Total**	**up to 30 days**	**> 30 days, up to 180 days**	**> 180 days, up to 1 year**	**more than 1 year**
Trade payables	14,153	14,153	6,800	3,529	2,841	983
Liabilities to credit institutions	21,175	21,300	125	6,800	14,375	0
Other original financial liabilities	3,509	3,509	2,207	1,033	269	0
	38,930	**39,055**	**8,225**	**11,362**	**17,485**	**983**

		As at 31/03/2018 undiscounted cash outflows				
(KEUR)	**Book value**	**Total**	**up to 30 days**	**> 30 days, up to 180 days**	**> 180 days, up to 1 year**	**more than 1 year**
Trade payables	19,310	19,423	8,200	8,624	867	1,723
Liabilities to credit institutions	31,135	31,231	26,179	52	0	5,000
Other original financial liabilities	874	874	87	332	455	0
	51,319	**51,528**	**34,466**	**9,008**	**1,322**	**6,732**

Gross inflows and outflows particularly include future interest payment obligations in addition to the liabilities' carrying values. The handling fees settled with the transaction costs of the syndicated loan are not taken into account here, as resulting outflows have already been effected. With regard to the interest swap, it is supposed that the cash flow balances out due to the relatively low market value.

Currency risk

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

A forward exchange transaction in conjunction with a long-term author contract, which makes provision for remuneration in USD, was concluded during the reporting year. The nominal volume of the five individual transactions totals USD 1.5 million, with terms ranging between 31/10/2019 and 29/10/2021.

As of 31 March 2019, the (positive) market value (fair value) was KEUR 60.

Any additional change in the exchange rate within the expected fluctuation ranges would not have any material impact on the Group's assets, financial position and earnings.

Interest rate risk

Interest rate change risks are countered by suitable instruments from the derivatives market (e.g. exchanging fixed interest rates for variable ones). Due to the currently low interest level of the money market, a variable interest rate is accepted for short-term use of the current account.

To limit the risk of interest on the syndicated loan, an interest swap deal was concluded on 26 October 2016 for a credit volume of originally EUR 10 million with a term up to 26 November 2021 and a fixed interest rate of 0.75%. The nominal amount of the derivative decreases every three months by EUR 0.5 million and, as a result, still accounts for EUR 5.5 million on the balance sheet date.

To limit the interest risk on loans, Daedalic GmbH concluded three interest swap deals totalling EUR 3 million with a fixed interest rate of 3% and a term up to 28 June and/or 30 June 2019.

There was a negative fair value of all interest derivatives in the amount of KEUR -84 as at 31 March 2019.

Bastei Lübbe also has only fixed or low-interest financial assets and financial liabilities that are not accounted for at fair value through profit or loss. Changes in interest rates within the expected fluctuation ranges would not therefore have any material impact on consolidated earnings.

There is also the general risk that the interest rate specific to the company would change due to changes in creditworthiness. If interest rates increased by 1 percentage point, interest expenses would be increased by approximately EUR 0.2 million.

41. Contingent liabilities, operate leasing and other financial obligations

a) Contingent liability under joint and several liability for guarantees and cash advances, open purchase orders

There were no contingencies as at the balance sheet date that would need to be reported here. Open purchase orders for royalties as at the balance sheet date total KEUR 15,142 (previous year: KEUR 15,340). The payment dates are dependent on the occurrence of events regulated in the respective contract, such as submitting the manuscript for a purchased work.

b) Operate leasing

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 still rented for a fixed period of up to three years. With regard to the leased property located on Schanzenstrasse in Cologne, there is an extension option of five years, which can be utilised twice. This option must be exercised 12 months prior to the end of the lease. Once the lease agreement has expired, the lease shall continue for an indefinite period of time with a notice period of 12 months.

Rental and lease payments of KEUR 1,847 (previous year: KEUR 1,793) 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)	31/03/2019	31/03/2018
within one year	1,847	1,778
between 1 and 5 years	2,760	4,245
in more than five years		0
	4,607	**6,023**

c) Other financial obligations

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

(KEUR)	31/03/2018	31/03/2018
within one year	676	446
between 1 and 5 years	29	38
in more than five years	0	0
	705	**484**

42. Comments on related parties

Ms Birgit Lübbe is the majority shareholder of Bastei Lübbe AG. On 26 November 2014, an agreement was reached with Birgit Lübbe that she would assume representational duties. From this, KEUR 123 (previous year: KEUR 126) fees and expenses resulted in the 2018/2019 financial year.

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

(KEUR)	2018/2019	2017/2018
Affiliated companies		
Sale of goods	19	59
Services purchased	0	-1,330
Interest income	0	10
	19	**-1,261**
Associated companies and other investments		
Services rendered	285	210
Interest income	162	6
	447	**216**
Total	**466**	**-1,045**

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

(KEUR)	31/03/2019	31/03/2018
Affiliated companies		
Trade receivables	0	1
Trade payables	0	-13
Other receivables	0	84
	0	**72**
Associated companies and other investments		
Trade receivables	0	42
Trade payables	-16	0
Other receivables	0	1
Other liabilities	0	0
	-16	**43**
Executive board/supervisory board and related individuals (without remuneration)		
Trade payables	-1	-1
Other receivables	0	0
	-1	**-1**
Total	**-17**	**114**

43. Declaration of Conformity pursuant to Section 161 AktG

The Declaration of Conformity is permanently available for public viewing on the website of Bastei Lübbe AG at www.luebbe.com/en/investor-relations/corporate-governance/statement-of-compliance.

44. Executive bodies

The following are members of the Supervisory Board:

- Robert Stein, Cologne (Chairman), Dipl.-Betriebswirt (BA)
  Mr Stein is the Managing Director of Arcana Capital GmbH, Cologne,
  Member of the Board of Directors of Arcana Capital AG,
  Managing Director of Euripides GmbH, Walldorf.
- Dr Mirko Caspar (Deputy Chairman), Diplom-Kaufmann
  Dr Caspar is the Managing Director of Mister Spex GmbH, Berlin,
  Shareholder of Userlutions GmbH, Berlin,
  Shareholder of Caspar Feld Marketing-Performance GmbH, Berlin.
- Prof. Dr. Friedrich L. Ekey, lawyer
  Prof. Dr. Ekey is a partner in the “Dr. Ekey & Kollegen” law firm, Cologne,
  Honorary Professor at the University of Applied Sciences in Cologne (Rheinische Fachhochschule).

The total emoluments of the Supervisory Board (not including non-variable remuneration) and their allocation for the financial year 2018/2019 are illustrated in the following table:

(KEUR)	2018/2019	2017/2018
Robert Stein, Chairman of the Supervisory Board	80	80
Dr Mirko Caspar	60	60
Prof. Dr Friedrich L. Ekey	40	40
Total	**180**	**180**

The former member of the Supervisory Board, Prof. Dr. Michael Nelles, sued Bastei Lübbe AG for outstanding remuneration in the amount of EUR 0.4 million. The claim was rejected in the first instance. The appeal procedure is still open. Due to the positive prospects of success, no provision was made.

Bastei Lübbe AG itself sued Prof. Nelles and two companies in which he is a shareholder for the repayment of remuneration in the amount of EUR 1.3 million. Claims were also filed in parallel against the former Executive Board member Thomas Schierack as well as the former Supervisory Board members Dr Friedrich Wehrle and Prof. Dr. Gordian Hasselblatt for compensation in the amount of EUR 0.9 million. The procedure is in the first instance and is still open. No claims were capitalised due to the early stage of the procedure.

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

- Carel Halff, Augsburg (Chair)
- Klaus Kluge, Cologne (Director of Marketing and Sales)
- Ulrich Zimmermann, Hamburg (Director of Finance)

The total emoluments of the Executive Board for the 2018/2019 financial year are illustrated in the following table:

	Fixed remuneration		Other remuneration		Short-term bonus		Long-term bonus		Total	
(KEUR)	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018
Carel Halff	360	150	37	15	240	50	–	–	637	215
Klaus Kluge	250	280	8	16	85	–	26	–	369	296
Ulrich Zimmermann	220	173	9	6	71	53	22	–	322	232
Total	**830**	**603**	**54**	**37**	**396**	**103**	**48**	**–**	**1.328**	**743**

45. Employees

In the Group, an average of 331 (previous year: 431) employees and no previous year: 153) industrial employees were employed in the financial year. As of 31 March 2018, the Group employed a total of 324 staff members (previous year: 330).

46. Group auditor fees

The auditor fee paid to the Group auditor in accordance with Section 319(1) Sentences 1 and 2 of the German Commercial Code (HGB) is broken down as follows:

(KEUR)	2018/2019	2017/2018
Statutory auditing services	290	443
Other attestation services	–	9
Tax advisory services	69	105
Other services	55	111
	424	**667**

The audit services comprise the audit of the annual financial statements and the consolidated financial statements of Bastei Lübbe AG for the past financial year as well as the support of an enforcement procedure.

The tax consultancy services include in particular the preparation of tax returns for Bastei Lübbe AG, the examination of tax assessments, the processing of individual tax enquiries and the accompaniment of an action before the tax court.

Other services essentially include expenses in connection with the review of the half-year financial statements, accounting issues relating to the audit and questions on the audit of transactions in previous years commissioned by the Supervisory Board, which were carried out by the Group auditor in previous years.

47. Group affiliations

Bastei Lübbe AG, Cologne, Germany, is a listed parent company and thus required to compile consolidated financial statements pursuant to Section 315e(1) HGB 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).

48. Subsequent events

The M&A process started in August 2018 to clarify the strategic options for Daedalic Entertainment GmbH is due to be temporarily suspended. The Daedalic management team is focusing over the next few months on realising the triple-A licence “Lord of the Rings” and growth opportunities in the international streaming and mobile business.

Bastei Lübbe AG acquired 75% of the shares in J.P. Bachem Editionen GmbH, Cologne, by notarised agreement dated 23 May 2019 and with financial effect from 1 June 2019 (see Note 5).

With economic effect from 1 June 2019, Bastei Lübbe AG has concluded an agreement to sell the "Puzzle Magazines" division as part of an asset deal, which results in a book profit in the mid six-figure range. The “Puzzle magazines” division is part of the “Novel booklets and puzzle magazines” segment, generating sales of EUR 2.7 million during the reporting year with a sightly negative EBIT.

On 27 June 2019, the lenders agreed to extend the syndicated loan agreement, which has an original term until 31 March 2020, until 31 March 2022. The legal documentation in the form of an update of the credit agreement regulations is to be implemented promptly.

In addition, 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, 9 July 2019

Bastei Lübbe AG
Executive Board

Carel Halff
Chief Executive Officer

Ulrich Zimmermann
Chief Financial Officer

Klaus Kluge
Programme Director,
Sales and Marketing

SUPPLEMENTARY INFORMATION

Kira Licht

STAUB UND FLAMMEN

Responsibility Statement

Statement of the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of Bastei Lübbe AG, Cologne, as of March 31, 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 9 July 2019

Bastei Lübbe AG
The Executive Board

Carel Halff Chief Executive Officer	Ulrich Zimmermann Chief Financial Officer	Klaus Kluge Programme Director, Sales and Marketing

Independent Auditor's Report

To Bastei Lübbe AG, Cologne

Report on the audit of the consolidated financial statements and of the combined management report

Audit opinions

We have audited the consolidated financial statements of Bastei Lübbe AG, Cologne, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 March 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 April 2018 to 31 March 2019, and consolidated notes to the financial statements, including a summary of material accounting methods.

In addition, we have audited the combined management report and group management report (hereinafter referred as "combined management report") of Bastei Lübbe AG, Cologne for the financial year from 1 April 2018 to 31 March 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance report presented in the Annual Report, the corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) and the declarations of conformity in accordance with section 161 German Public Limited Companies Act (AktG [Aktiengesetz]), also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2019 and of its financial performance for the financial year from 1 April to 31 March 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance report presented in the Annual Report, the corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d HGB and the declarations of conformity in accordance with section 161 AktG, also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the summarized management report.

Pursuant to section 322 para. 3, sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the summarized management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter referred as ”EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditors (IDW [Institut der Wirtschaftsprüfer]). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the combined management report” section of our auditor’s report. We are independent of the Group entities in accordance with the requirements of European and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and on the summarized management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the Financial Year from 1 April 2018 to March 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon, we do not provide a separate audit opinion on those matters.

In our view, the matters of most significance in our audit were

1. valuation of pre-paid royalties;
2. valuation of the goodwill of Daedalic Entertainment GmbH.

Re 1. Valuation of pre-paid royalties

a) Risk for the financial statements

As of the reporting date, the consolidated balance sheet shows pre-paid royalties (i.e. author’s advances) with a total book value of EUR 20.4 Million. In addition to scheduled depreciation, which was largely unchanged, the legal representatives recognized an impairment loss of EUR 1.3 Million as a result of impairment tests (performed over the course of the year and on the reporting date).

The Group’s disclosures concerning pre-paid royalties can be found in the section of the Consolidated Notes on “pre-paid royalties” and in the sections of the group management report on “financial position” and “financial position of Bastei Lübbe AG.”

The valuation based on consideration of sales trends in determining depreciation, as well as calculation of the additional impairment needs, is affected to a great extent by estimated values. In view of the key importance and the amount of the capitalized pre-paid royalties, as well as the general volatility of the exploitation results, these matters were deemed to be of particular importance in the course of our audit.

b) Audit procedures and conclusions

Depreciation of pre-paid royalties is performed based on an evaluation of historical sales trends for the categorized forms of exploitation. In the course of our audit, we analyzed this categorization and the exploitation trends for adequacy with respect to the estimated valuation of the author’s advances.

We also evaluated the adequacy of the methods applied by the Group to identity whether triggering events for impairment testing exist. We then evaluated the forecasts and premises underlying the impairment tests for key works in light of the exploitation trends over the course of the year and discussed them with the employees responsible for sales and the Management Board. We also evaluated whether management has made biased judgements and estimations.

Overall, our audit led us to conclude that judgements on depreciation based on sales trends is comprehensible and properly derived. The valuation assumptions made by the legal representatives in the course of the individual impairment tests involve risks for a number of works but are within reasonable bounds.

Re 2. Valuation of the goodwill of Daedalic Entertainment GmbH

a) Risk for the financial statements

As of the reporting date, the Consolidated Balance sheet shows EUR 4.9 million in goodwill for Daedalic Entertainment GmbH. As a result of the Group's annual impairment test, there was no need to recognize any impairment loss for this goodwill.

The Group's disclosures concerning goodwill can be found in the sections of the Consolidated Notes on "Accounting Policies" and "Intangible Assets."

Pursuant to IAS 36.90, cash-generating units to which goodwill has been allocated must be tested for impairment whenever evidence of impairment arises, or at least once a year. In the course of this test, complex calculation models are applied which are based on expectations concerning future business performance and the resulting cash flows of the relevant operations. Accordingly, the results of the impairment test are affected to a great extent by estimated values.

In light of this situation, this circumstance was of particular importance for our audit.

b) Audit procedures and conclusions

In the course of our audit, we assessed the plausibility of the forecasts underlying the impairment test by analyzing the forecast assumptions and documents presented to us and through intensive discussions with the Management Board of Bastei Lübbe AG and local management. We also evaluated these forecasts to determine whether management has made biased judgements and estimations .

In addition to assessing the plausibility of the underlying forecasts, we also evaluated the accuracy of the forecasts by comparing the previous year's forecast to actual results. We also examined the calculation methods used for correct application, derivation of the discount rate and, for selected items, for mathematical accuracy.

We validated the results of the Group's calculations using additional analyses, including sensitivity analyses.

We also evaluated the accuracy and completeness of the assets and liabilities included in the book value of the cash-generating unit.

The valuation parameters and assumptions applied by the legal representatives are properly derived and were overall comprehensible to us.

Other Information

The legal representatives are responsible for other information. The other information comprises:

- the corporate governance report presented in the Annual Report, the corporate governance declaration posted on the Company's website pursuant to §§ 289f and 315d HGB and the declarations of conformity in accordance with § 161 AktG, also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the summarized management report;

- the other parts of the Annual Report, with the exception of the audited consolidated financial statements and the components of the summarized management report which were subjected to substantive review, as well as our auditor’s opinion; and
- the confirmation pursuant to § 297(2) Sentence 4 HGB concerning the consolidated financial statements and the confirmation pursuant to § 315(1) Sentence 5 HGB for the summarized management report.

Our audit opinions concerning the consolidated financial statements and the combined management report do not cover the other information and, consequently, we neither issue an opinion nor do we express any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the audited parts of the combined management report or our knowledge obtained in the audit or
- otherwise appear to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the executive directors and the Supervisory Board for the consolidated financial statements and the summarized management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with those provisions. In addition, the executive directors are responsible for such internal control as they, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless the intention is to liquidate the Group or discontinue operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report which, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this summarized management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Group.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal represenatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the shareholders on 19 September 2018. We were engaged by the Supervisory Board on 22 January 2019. We have been acting as the auditor of the consolidated financial statements for Bastei Lübbe AG, Cologne, since the 2016/17 Financial Year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Mr. Marcus Lauten.

Cologne, 10 July 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Christian Janßen
Wirtschaftsprüfer
[German Public Auditor]

Marcus Lauten
Wirtschaftsprüfer
[German Public Auditor]

Financial Calendar 2018/2019

Datum	Ereignis
11 July 2019	Press conference and analyst conference
15 August 2019	Quarterly report (Q1)
18 September 2019	Annual General Meeting
14 November 2019	Semi-annual financial report as of 30 September 2018 (1st semi-annual report)
13 February 2020	Quarterly report (Q3)

Legal Notice

The Annual Report of Bastei Lübbe AG can be downloaded as a PDF file at www.luebbe.com/en. You can also find further corporate information at www.luebbe.com/en.

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