Business report
Bastei Lübbe AG

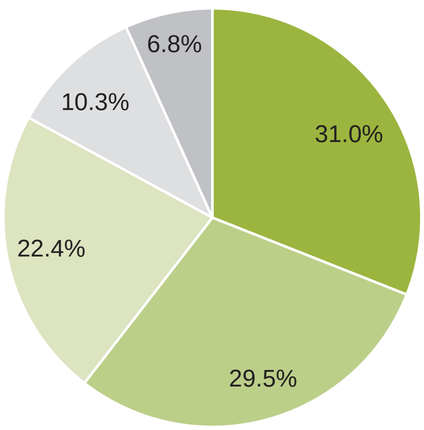
2016/2017

At a glance

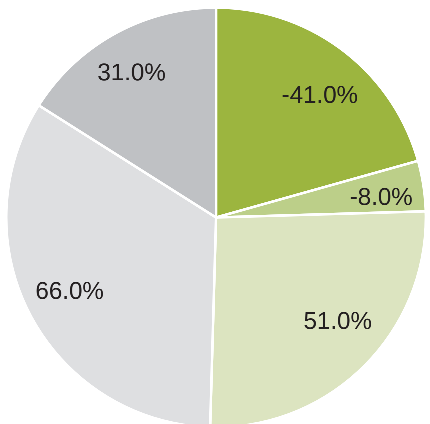
Key figures (IFRS)	2016/2017	2015/2016	Change in %
Business development in EUR million			
Group turnover	146.3	101.9	43.6 %
EBITDA	5.4	6.7	-19.4 %
EBITDA margin in %	3.7 %	6.6 %	-43.9 %
Consolidated earnings	-2.9	-0.3	>100.0 %
Financial and assets position in EUR million			
Balance sheet total	146.1	111.8	30.7 %
Equity *	51.0	49.7	2.6 %
Equity ratio in %	34.9 %	44.5 %	-21.6 %
Share-related indicators in EUR			
Earnings per share **	-0.16	-0.04	>100.0 %
Dividend per share ***	---	0.10	---
Year-end price	6.20	7.31	-15.2 %
Number of employees as of 31 March	595	413	44.1 %

* Incl. equity capital shares of non-controlling shareholders
** See consolidated financial statement, Note No. 16 for calculation
*** Proposal, given that the Annual General Meeting has yet to decide on the suspension of dividends

Turnover 2016/2017 according to segment



EBITDA 2016/2017 according to segment



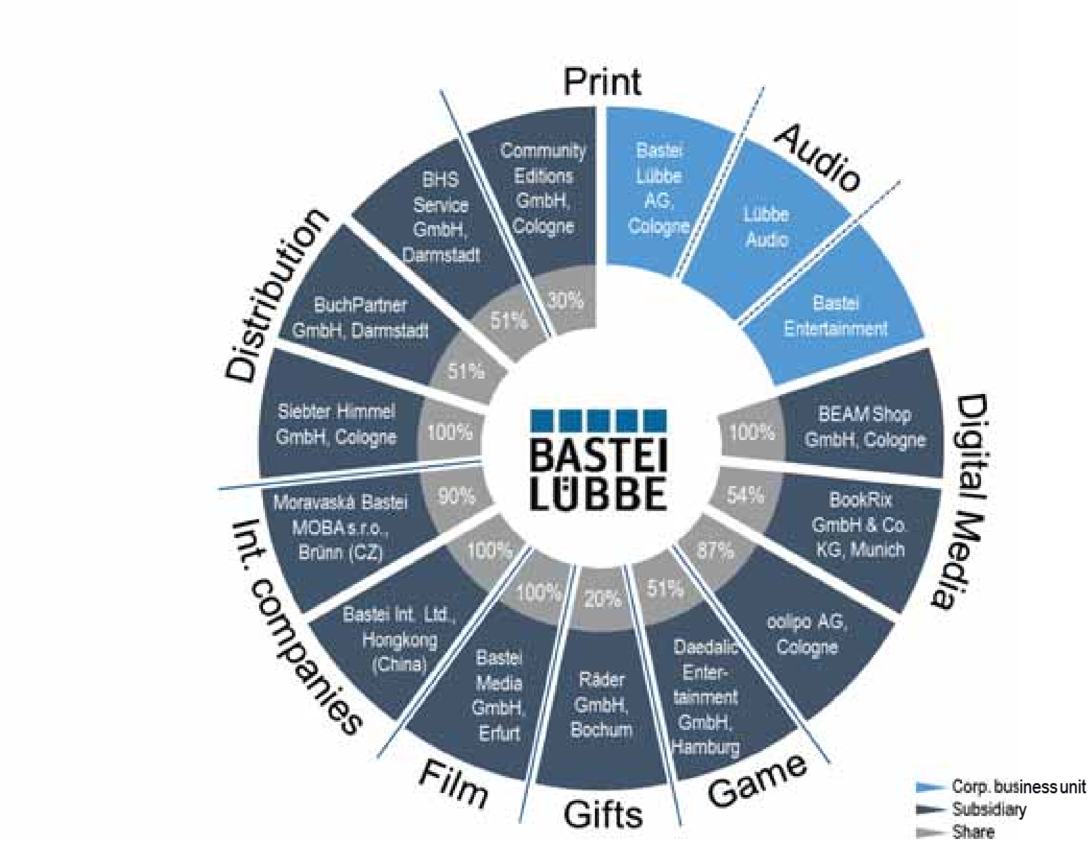
Book Retail Digital Non-book Novel booklets & puzzle magazines

Annual Report of Bastei Lübbe AG for the 2016/2017 fiscal year

Bastei Lübbe AG is a media company in the form of a publishing house. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, eBooks and other digital products in the genres of fiction and popular science, as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe also include the licensing of rights and the sale of books, audio books and computer games via the companies BuchPartner GmbH and Daedalic Entertainment GmbH. The development, production and sale of gift items sold under the Räder brand was sold by Bastei Lübbe, with effect from 1 January 2017, as part of an asset deal to a limited company (GmbH), established together with a partner, in which Bastei Lübbe AG holds a 20 % stake.

Daedalic Entertainment GmbH, BuchPartner GmbH, BookRix GmbH & Co. KG, BEAM Shop GmbH, oolipo AG, Bastei Media GmbH, Räder GmbH, HPR Bild & Ton GmbH, and several other smaller companies*, are part of the Bastei Lübbe group (hereinafter "Bastei Lübbe"). The companies Daedalic Entertainment GmbH, BuchPartner GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH belong to the group of consolidated companies.

Bastei Lübbe achieved a turnover of EUR 146.3 million in the 2016/2017 fiscal year. Bastei Lübbe especially stands for innovation and the development of new entertainment services. Customers both in Germany and also increasingly worldwide have been fans of our products for many years.



* NB: The subsidiaries Daedalic Entertainment GmbH, BuchPartner GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH shall be fully consolidated. The companies Bastei Media GmbH, Siebter Himmel GmbH, HPR Bild & Ton GmbH, Bastei International Limited, Bastei LLC, CE Community Editions GmbH, BHS Service GmbH, Bastei Ventures GmbH and the Czech company Moravská Bastei MOBA shall not be consolidated.

The corporate divisions of Bastei Lübbe AG

Books

The book segment is the core of Bastei Lübbe's business and includes all printed products. The products are distributed under the labels "Bastei Lübbe Hardcover", "Bastei Lübbe Taschenbuch", "Eichborn", "Quadriga" and "LYX". The portfolio also includes the children's and young adults' brands Baumhaus and Boje as well as the all-age imprint ONE. Unlike other traditional publishers, Bastei Lübbe not only purchases the rights to the content but also develops its own content, to which the Company holds all world and territorial rights.

in € million	2016/2017	2015/2016
Turnover	45.3	48.3
Adj. EBITDA*	0.9	2.9

*adjusted for unscheduled write-downs on the manuscript inventory to the value of EUR 3.1 million (previous year: EUR 0.7 million)

Novel booklets and puzzle magazines

The novel booklet and puzzle magazine segment includes novel booklets such as the cult series "Jerry Cotton" and "John Sinclair" as well as puzzle magazines such as "Mein großer Rätselspaß", "Kreuzwort Nr. 1", "Rätsel Sterne". The first novel booklets were developed by Bastei Lübbe more than 60 years ago. The novel booklet and puzzle magazines sector continues to represent constant and solid business today.

in € million	2016/2017	2015/2016
Turnover	9.9	9.8
EBITDA	1.7	1.7

Non-book

The gifts and home accessories which are distributed under the "Räder" label are listed in the Non-book segment. Synergies between book products and book-related products are to be created through the "non-book" business segment. Until the sale in September 2015, the "non-book" segment also included the 50 % shareholding in Präsenta Promotion International GmbH. The assets associated with the Räder label and brands were sold to an investor as part of an asset deal with effect from 1 January 2017. Bastei Lübbe holds 20 % of shares in the newly established company, Räder GmbH.

in € million	2016/2017	2015/2016
Turnover	15.1	17.0
Adj. EBITDA*	2.4	1.4

*adjusted for accounting profit arising from the sale of the Räder segment to the value of EUR 1.2 million (previous year: EUR 0)

Digital

In order to take the growing significance of the digital industry into account, Bastei Lübbe introduced a new segment during the course of the 2015/2016 fiscal year. Alongside Bastei Lübbe AG's digital revenues (eBooks and audios), the "digital" segment includes the participations in Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH.

in € million	2016/2017	2015/2016
Turnover	32.8	26.8
Adj. EBITDA*	3.9	1.4

*adjusted for unscheduled write-downs on the manuscript inventory to the value of EUR 1.1 million (previous year: EUR 0)

Retail

In the “retail” segment, the 51 % shareholding in BuchPartner GmbH in Darmstadt will be consolidated. BuchPartner GmbH is Germany’s leading wholesaler for the supply of books to grocery retail companies, in particular. BuchPartner’s customer base includes almost all the major grocery retail groups. BuchPartner supplied more than 4,000 individual shops as at the balance sheet date, with the current figure now totalling approximately 5,200 individual shops.

in € million	2016/2017	2015/2016
Turnover	43.2	-
Adj. EBITDA*	1.1	-

*adjusted for the increased cost of materials arising from the utilisation of the hidden reserves disclosed as part of the purchase price allocation in the acquired inventories of BuchPartner GmbH to the value of EUR 1.5 million (previous year: EUR 0)

The basic values of Bastei Lübbe

Innovation and tradition

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

Creative drive

We want to make a difference. We are therefore passionate about developing innovative ideas, inspiring ourselves and others. This is how ideas become successful products. Of course we know the environment we are active in very well: We know the markets and the challenges they present – and accept those challenges resolutely and boldly. We accept responsibility, even if success does not always follow and mistakes are to be recognised.

Quality

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

Partnership

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

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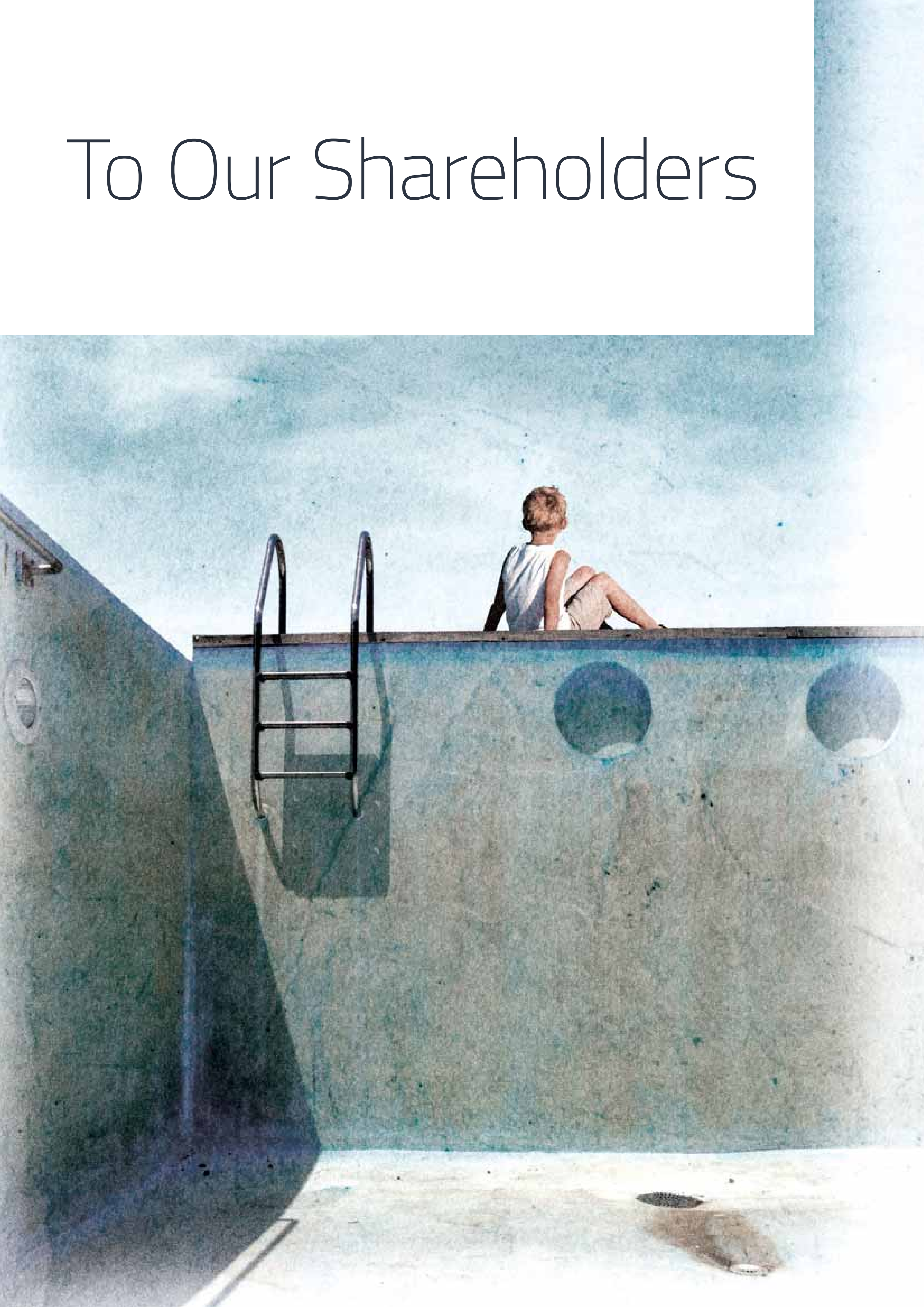
To Our Shareholders



Letter from the Executive Board to the Shareholders

Dear Shareholders,

Bastei Lübbe AG looks back on a challenging fiscal year for 2016/2017. Ultimately, we were unable to achieve the turnover and profit targets announced at the start of the reporting period due to a majority of one-off effects. Nevertheless, we remain optimistic in looking ahead to the future; nothing has changed in terms of the positive nature of our overall prospects. Over the next few months, Bastei Lübbe will have a stronger programme than it has had for a long time. In short, the prospects for the coming fiscal year are outstanding – all the more given that the demand for high-quality fictional content remains as high as ever. We have deliberately chosen the word “content” in this particular context. This is because the ever-increasing level of digitisation is impacting on many areas of our day-to-day lives and changing them in the long term. The traditional book market and its products are not exempt from this change either. As one of the largest German publishers that is also steeped in tradition, we have already taken steps to prepare for these clearly radical developments. The publishing industry has not been solely focused on print products such as books, journals and booklets for a long time now. Short stories, narratives and entire novels are now read – or indeed received – on eBook readers, laptops and smartphones. Text is complemented by videos and images and through the use of software to create a completely new, digital experience. This experience is one that stimulates virtually all the senses.

The eBook turnover figures indicate just how well-received works of fiction in digital format are. According to a study by the consultancy firm PricewaterhouseCoopers (PwC), the eBook market in Germany (fiction) is expected to be worth EUR 613 million in the current year. Further growth to EUR 830 million is expected by 2020, a figure that represents an increase of more than one-third. It is here that opportunities are also present for Bastei Lübbe AG. We are pioneering in our efforts to transform ourselves from a publisher that is steeped in tradition to an international, digital media publishing house. Of course, we expect to encounter setbacks during the course of this future-oriented project. But we intend to learn from these setbacks and continue on our journey with even greater purpose. Bastei Lübbe AG is well-equipped to deal with this potential digital future. We shall now look in greater detail at this future development as well as developments seen in the previous fiscal year.

Many special effects – but no impact on cash flow

Despite a significant growth in turnover, the overall results for 2016/2017 were below our expectations. Group revenue increased to EUR 146.3 million during the reporting period, compared to EUR 101.9 million the previous year. The main share of this growth came from the newly consolidated company, BuchPartner GmbH, with a contribution to sales to the value of EUR 43.2 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 5.4 million. In the previous year, this indicator was EUR 6.7 million. From an earnings perspective, we expected to see an EBITDA figure of between EUR 13 and 15 million. The main cause in particular for this unsatisfactory development of earnings was the high number of special and one-off effects. The positive effects, such as the sale of Räder, amounted to EUR 1.8 million. The negative one-off effects, such as the unexpected devaluation of the manuscript inventory, non-recurring charges arising from the initial consolidation of BuchPartner, additional costs associated with changing the date of the Annual General Meeting and the associated waiver costs, came to a total of approximately EUR 7 million. The impact on earnings arising from the unscheduled depreciation of royalties accounted on its own for a reduction in the EBITDA figure of EUR 5.2 million – netted out against revaluations. This arose as a consequence of the future monetary dimension of exploitation rights being subject to revaluation by management. The provisional purchase price allocation for BuchPartner GmbH was finalised within the framework of the annual financial statements. Overall, there was an additional EUR 1.5 million’s worth of material expenses arising from the disclosure of hidden reserves in the acquired inventories. Both these as well as the unscheduled write-downs have no impact on cash flow in the consolidated financial statements.

Digital division doubles its profit – going in the right direction

When adjusted for special effects, Bastei Lübbe generally remains on track based on the EBITDA figures, despite a poor fourth quarter in the “books” and “retail” segments. This statement also covers the BEAM Shop and the BookRix self-publishing platform. Our streaming platform oolipo is above target. Thanks to the acquisition of additional chain stores within the grocery retail trade, BuchPartner GmbH was able to expand its sales area by approximately 20 % and is well on target.

Details of how the individual business segments performed are shown below: In the **“books”** division, there was a moderate fall in turnover during the 2016/2017 fiscal year to EUR 45.3 million (previous year: EUR 48.3 million). EBITDA of EUR -2.2 million was significantly below the figure for the previous year (EUR 2.2 million). The difference arose from the revaluation of the manuscript inventory and the associated unscheduled depreciation. There was better news regarding the **“digital”** segment, which, in addition to Bastei Lübbe AG’s digital division (eBooks and audios), also includes the shareholdings in Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH. Here, turnover increased during the reporting year to EUR 32.8 million, compared to EUR 26.8 million the previous year. EBITDA doubled to EUR 2.8 million, up from EUR 1.4 million the previous year. Turnover of EUR 43.2 million and EBITDA of EUR -0.4 million were recorded in the new **“retail”** segment in which BuchPartner GmbH is consolidated. BuchPartner is the market leader in Germany in supplying the grocery retail trade with books and promotional items, as well as selected current best-sellers, in particular in the dynamic pocket book segment.

In the **“non-books”** segment, turnover totalled EUR 15.1 million compared to EUR 17.0 million the previous year. As a result of the sale of the gift item manufacturer Räder, the segment result only includes turnover generated in the first nine months of the consolidated financial year, however. EBITDA for the division totalled EUR 3.6 million (previous year: EUR 1.4 million). The capital gain is taken into account in this figure. The development, production and sale of gift items under the Räder brand was sold by Bastei Lübbe, with effect from 1 January 2017, as part of an asset deal to a new limited company (GmbH) established together with a partner. Bastei Lübbe holds 20 % of shares in Räder GmbH. The sale of Räder formed part of the efforts focusing on the key “content” area, and resulted in a sharp reduction in Bastei Lübbe AG’s bank liabilities. **“Novel booklets and puzzle magazines”** generated turnover of EUR 9.9 million, a figure slightly above the previous year’s figure of EUR 9.8 million. The segment generated EBITDA of EUR 1.7 million, thus matching the previous year’s figure, and was therefore able to maintain its operating margin.

The consolidated result for the period was EUR -2.9 million, following EUR -0.3 million in the previous year. EUR -2.1 million of this, following EUR -0.4 million in the previous year, is for the shareholders of Bastei Lübbe AG. Correspondingly, a result can be calculated in the reporting period per share of EUR -0.16 versus EUR -0.04 in the 2015/2016 fiscal year.

Positive signals for us – the outlook

Bastei Lübbe’s strategic orientation and outlook gives us cause for optimism; our environment remains intact, we are well positioned and there are many opportunities available to ensure sustainable growth. We want to make the most of these opportunities.

Demand for traditional print products remains stable, whereas the market for and with digital content is constantly growing. There also continues to be a number of interesting developments within the games software segment. Over the course of the next four years, turnover generated from video games in Germany is expected to grow by approximately EUR 250 million. The market as a whole would then have volumes worth approximately EUR 2.25 billion. Gaming fans in Germany generally favour titles from the “strategy and development” and “adventure” genres. These games are characterised in particular by a chosen story mode featuring highly narrative tales. For us as a publisher, this is an incredible opportunity to link business segments together, i.e. the “digital” segment with our innovative software developer, Daedalic Entertainment, and the “books” segment with our established authors. Computer/console games and highly narrative tales are increasingly merging into an innovative new format. We want to be able to cater for the demand for such games, and are well positioned to do so with our outstanding games, “Shadow Tactics” and “The Long Journey Home”. Two more fantastic games are due to be released in the next few months in the form of “State of Mind” and “Die Säulen der Erde”, based on the global best-seller by Bastei Lübbe’s highly-successful author, Ken Follett. In addition, the number of releases this year is approximately 50 % higher, with 27 releases compared to 19 the previous year.

But it is not just with games software that we want to hit the mark in the digital segment. Indeed, the digital publishing programme is also seeing an increasing level of success – both in terms of reading as well as within the audio segment. The “Cherringham” digital novel series created by Bastei Lübbe, which has since been successfully launched as an eBook and audio format in the DACH and UK sales regions, is particularly worth mentioning here. Our streaming platform oolipo is another key element in our efforts to become a digital media company. Launched in the spring, the beta version of this innovative software is now available for the platform. With effect from September 2017, external self-publishers and other publishers will be able to set up their multimedia content on oolipo using this software and make it available to a larger group of potential readers in one fell swoop. An Android version of the oolipo app will follow in the coming months.

Beyond the many digital activities that we are undertaking, we will not of course forget about our traditional business. The traditional book is what has made Bastei Lübbe great. We also plan in future to invest in and focus on stimulating and attractive content within the books segment. This year will see something unique in this regard: The publishing programme is due to feature three releases in autumn/winter from our authors Dan Brown (“Origin”), Ken Follett (“Das Fundament der Ewigkeit”) and the 12th volume of the children’s book series “Gregs Tagebuch”, written by Jeff Kinney. These three authors have a large and loyal readership, something which assists Bastei Lübbe with regard to generating important repeat business.

The stationary bookshop business has settled down again following a weak performance in the fourth quarter of 2016/2017. At the same time, the acquisition of BuchPartner has proven to be an investment in the future of this sector. It is here that the market has the highest growth rates. BuchPartner is in the best possible position and has acquired approximately 1,200 additional branches in the grocery retail trade during the current fiscal year. As a result, the branch network has been increased from 4,000 sites to its current total of 5,200 sites. This large branch network, combined with the fact that there is a corresponding network of rack jobbers, provides BuchPartner/Bastei Lübbe with the best possible opportunities to implement additional commercial activities.

We are particularly delighted to have secured the services of Ulrich Zimmermann as an ideal addition to the Management team. Bastei Lübbe AG has been strengthened by Mr Zimmermann in his position as Chief Financial Officer (CFO), which he has occupied since 19 June 2017. Until mid-2016, he had held the same role for many years at the listed company Hawesko AG. Given that Bastei Lübbe has enjoyed strong growth in recent years and wishes to improve the level of professionalism in the various structures even further, we are delighted to have secured the services of Ulrich Zimmermann.

The outlook for the current fiscal year is good. Over the next few months, Bastei Lübbe will have a stronger book programme than it has had for a long time. Pre-orders of blockbusters by Dan Brown and Ken Follett are ahead of target. Furthermore, as already discussed above, BuchPartner is due to significantly expand its managed territory from autumn onwards, and Daedalic will provide positive impetus with its new games. In view of the positive framework data, we expect to generate turnover of EUR 155 to 160 million and EBITDA of EUR 15 to 17 million for the current 2017/2018 fiscal year.

Finally, we would like to express our sincere gratitude to our colleagues and employees for all of their commitment during the course of the previous fiscal year. We win as a team and we lose as a team. Although there was a certain damper put on things, this will not dissuade us from our conviction in transforming our traditional publishing company into a provider of the very latest digital content. We are looking optimistically at the fiscal year ahead and are confident there will be opportunities afforded to us. This is how we will be able to create sustainable value for you, our valued shareholders. On behalf of the entire publishing company, we would like to express our sincere gratitude for the trust you have placed in us.

Cologne, 27 July 2017

Bastei Lübbe AG

The Executive Board

Ulrich Zimmermann
Chief Financial Officer

Thomas Schierack
Chairman

Klaus Kluge
Board Programme,
Sales and Marketing

Bastei Lübbe on the capital market

The price development of Bastei Lübbe's shares

The 2016 stock market year started off on a turbulent note on the international stock markets. Uncertainty regarding a "hard landing" for the Chinese economy, the stability of the European banking system and a recession in the USA all dragged market prices down during the first quarter of 2016. The People's Bank of China, the Bank of Japan and the European Central Bank loosened monetary policy as a result of this. The US Federal Reserve Bank opted against interest rate rises for the time being. As things progressed, this monetary stimulus combined with slight improvements to the economy in the USA and Europe helped bring about a shift in sentiment. Despite the turbulence seen following the shock "Leave" vote in the UK's EU referendum in June 2016, international stock markets ended the second quarter with a positive result. During the third quarter of 2016, market prices continued to grow, benefiting in particular from the failure of any real Brexit shock to materialise for the global economy. In addition, economic dynamism stabilised in China and there was also a slight recovery in commodity prices. The 2016 stock market year finished on a high with a strong fourth quarter. Despite its high valuation, the US stock market was even able to record double-digit gains. Donald Trump's election victory in particular provided stimulus with an unexpected shift in mood combined with good economic data. Boosted by the strong global economy, stock markets also made a positive start to 2017. As a result, neither the interest rate rise by the US Federal Reserve Bank in March 2017 nor the increasing yields on the bond markets or the unpredictable nature of the new US President's administration were causes of concern for stock markets.

The German leading DAX index recorded an increase of 23.6 % to 12,312.9 points during the reporting period from 1 April 2016 to 31 March 2017. The Euro Stoxx 50 index increased by 16.5 % to 3,500.93 points. In the meantime, the Bastei Lübbe AG share price recorded a fall of 15.2 % during the same period. As a result, Bastei Lübbe was at least able to partially offset the lost of 23.6 % posted in the first half of the year during the second half. Previously, the traditionally weak first quarter in the book industry, as well the change to the group of consolidated companies, had a negative effect on the share price.

On 1 April 2016, the share certificates of Bastei Lübbe AG were opened with a trading price of EUR 7.43. The shares marked their 12-month high of EUR 7.97 on 1 June 2016, whilst their low-point in the 2016/2017 fiscal year came on 12 September 2016 at EUR 5.11. The notation closed out the year on 31 March 2017 with a closing price of EUR 6.20 (all information based on Xetra rates). The average daily trade volume of Bastei Lübbe shares (Xetra and Frankfurt Stock Exchange floor trading) in the 2016/2017 fiscal year ran to 14,214 shares (previous year: 17,311 shares). Based on 13,300,000 shares and a closing price of EUR 6.20, Bastei Lübbe AG's market capitalisation stood at EUR 82.5 million as at 31 March 2017 (previous year: EUR 97.2 million with a closing price of EUR 7.31).

As a designated sponsor, Oddo Seydler Bank AG is continuing to provide binding ask and bid prices for trade on Xetra and is supporting the corresponding fungibility of the shares by means of a narrow price margin as well as appropriate liquidity.

Analyst research

The shares of Bastei Lübbe AG are continuously analysed and evaluated by renowned banking institutes, such as Oddo Seydler Bank AG and DZ Bank, as well as Warburg Research and Bankhaus Lampe, researchers specialising in the German stock market. In their current study on the development of the course of business and prospects of Bastei Lübbe AG, the analysts recommend purchasing and/or holding Bastei Lübbe shares. The stock price target is up to EUR 11.00. This corresponds to a stock potential of up to 77 % (closing price as at 31 August 2017: EUR 6.20). The full research studies are available to download from Bastei Lübbe AG's homepage at http://www.luebbe.de/investor-relations/die-aktie/research.

Shareholding structure

The shareholding structure changed in the reporting year and is as follows as of 31 March 2017: The largest shareholder in Bastei Lübbe AG is still Birgit Lübbe with a voting rights share of 33.08 %. 9.02 % of voting rights are allocated to the Roggen family, and 3.01 % to Larissa Juliana Zang. Joachim Schmitt holds 3.73 % of shares. Lazard Frères Gestion S.A.S. holds 3.07 % of shares. Universal-Investment-Gesellschaft holds a stake of 3.04 %. Allianz SE holds 2.86 % of shares in the company. The Executive Board has a 0.85 % stake in the share capital. 41.34 % 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 perspectives of society. During the course of the 2016/2017 fiscal year, Bastei Lübbe also participated in the German Equity Forum, the Solventis Shares Forum and various roadshows in Frankfurt am Main, Hamburg and Luxembourg. The quarterly reports were accompanied by telephone conferences organised by the company.

Shares in Bastei Lübbe AG belong to the strictly regulated Prime Standard sector 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 adhoc or as press releases. In the current fiscal year, too, Bastei Lübbe AG will continue our goal-orientated communication and open dialogue with the capital market participants. Potential investors can obtain further information from the Investor Relations section of the homepage at http://www.luebbe.com/investor-relations/startseite-investor-relations.

Annual General Meeting for the 2015/2016 fiscal year

The ordinary Annual General Meeting of Bastei Lübbe AG took place on 30 November 2016 in Cologne. Due to the change in the consolidated annual financial statements, the ordinary Annual General Meeting could not be held as planned on 15 September 2016. For this reason, the Executive Board cancelled the Annual General Meeting convened for 15 September 2016 and convened a new Annual General Meeting for 30 November 2016 in accordance with statutory formalities and time limits. On 30 November 2016, the Executive Board informed shareholders and their representatives in detail about the operational business development, the strategic position and further development of the company. The balance sheet-related issues in conjunction with the resale of shares in oolipo AG and Daedalic Entertainment GmbH were also the subject of the various explanations.

The general debate focused on the election on the new Supervisory Board. The incumbent Supervisory Board resigned from office at the end of the ordinary Annual General Meeting. In accordance with the agenda motion, the new Supervisory Board was elected for the period up until the conclusion of the Annual General Meeting which will discharge the Supervisory Board for the fiscal year ending 31 March 2018. In the constituent Supervisory Board meeting, Mr Robert Stein was elected Chair of the Supervisory Board.

In addition to the company's election of its Supervisory Board, a resolution regarding dividends was also one of the agenda items. With a majority vote, the Annual General Meeting approved a dividend of EUR 0.10 per share. The company paid out a total of EUR 1,320,010.00 to the shareholders as a dividend of the balance sheet profit of EUR 2,510,695.77 reported in the annual financial statements. The remaining partial amount of the balance sheet profit, totalling EUR 1,190,685.77, was brought forward to the next accounting period.

Approximately 68.2 percent of the statutory share capital of Bastei Lübbe AG was represented at the time of the vote. At the end of the Annual General Meeting, the shareholders approved the recommendations of the management board listed on the agenda.

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 2016/2017 fiscal year

Bastei Lübbe AG is still pursuing the aim of a dividend policy aimed at continuity in order that the 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 a necessary pre-requisite for the paying out of dividends in this case.

However, as was notified by the Executive Board by way of an adhoc message on 23 June 2017, it emerged when drawing up the consolidated financial statements for the 2016/2017 fiscal year that EBITDA, based on provisional calculations of approximately EUR 5 million, will remain significantly below the expected figure of EUR 13 to 15 million.

The Executive Board and the Supervisory Board will therefore propose at the Annual General Meeting on 22 November 2017 that the pay-out of dividends should be temporarily suspended. The Bastei Lübbe AG 2016/2017 annual financial statements under commercial law show a net profit of EUR 1,091,912.12 million to be carried forward to the next accounting period. This will ensure that the strategic demands of a value-oriented company are pursued and that shareholders will continue to be involved in a suitably appropriate and continuous manner in the future success of the company by making promising investments in future-proof developments.

Share Information

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

Group management report

Bastei Lübbe

Bastei Lübbe is a media company in the form of a trade book publisher. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, eBooks, games and other digital products in the genres of fiction and popular science, as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe also include the licensing of rights. On 31 December 2016, the development, production and sale of gifts and decorations were sold to a holding company in which Bastei Lübbe holds a 20 % stake. The purpose of the business also includes the operation of digital platforms and, thanks to the acquisition of the majority shareholding in BuchPartner GmbH, trade with books in particular. The development and distribution of games in the subsidiary Daedalic GmbH also belongs to the segment.

Unlike a traditional publishing house, Bastei Lübbe represents the entire value chain. This means that content and rights are not just bought, but are developed in-house in cooperation with external authors. The advantage is that Bastei Lübbe therefore owns all language and territorial rights to the content. On the sales side, Bastei Lübbe works with trade partners and various platforms, just like all other traditional publishing houses. The shareholding in BuchPartner GmbH has resulted in significant expansion of the traditional sales channel. Rights not commercialised by ourselves are sold abroad, for example in the form of licences. In addition, Bastei Lübbe aims to sell content via its own platform.

Bastei Lübbe's core market is Germany, Austria and Switzerland. The company has been expanding its international business activities over the last few years. This means that not only German titles are developed and sold, but also titles in English in particular. As a result, the oolipo platform launched in March 2017 is also in operation within the DACH region and in the UK. Bastei Lübbe's main locations are Cologne, Munich, Hamburg and Darmstadt.

Bastei Lübbe breaks down its business activities into five segments: **"books"**, **"novel booklets and puzzle magazines"**, **"digital"**, **"retail"** and **"non-book"**.

The **"books"** segment includes all printed products of Bastei Lübbe AG which are marketed under various labels, including as hardbacks, paperbacks and/or pocket books. In the current financial year, the thriller "Die Stille vor dem Tod" by Cody Mcfadyen, "Teufelsgold" by Andreas Eschbach, and the 11th instalment of "Gregs Tagebuch – Alles Käse" by Jeff Kinney are all worthy of particular mention in the hardcover segment.

The **"novel booklets and puzzle magazines"** segment includes printed novel booklets and puzzle magazines. The company's unbroken tradition over the last 60 years in the novel booklet sector has been successful yet again in the 2016/2017 fiscal year. Thus with a current total of 38 regularly released series and 25 anthologies, the range of products has once again been enlarged compared to the 2015/2016 fiscal year.

The comprehensive range of various series such as "Der Bergdoktor", "Doktor Stefan Frank", "Hedwig Courths-Mahler", "Jerry Cotton", "Geisterjäger John Sinclair" and the westerns of star author G.F. Unger, with a yearly circulation in the millions, was continuously expanded and added to with new series as well as a spread of special editions. It is precisely the use of special editions that made it possible to attract new reader groups and generate sales during the previous fiscal year. The 2016/2017 fiscal year was also characterised by relatively constant sales and targeted widening of the range on offer with new series.

The puzzle magazines are published under the "PMV" label. PMV published 35 puzzle magazines in the 2016/2017 fiscal year, with a total of 225 editions. As was the case with novel booklets, the sales and distribution of these puzzle magazines were conducted through the national Grosso, station bookshops as well as seasonally in the European holiday destination areas. New objects were launched in the previous fiscal year, although some were also discontinued. The content is being continuously optimised and adapted to the current market situation. The quantity and quality of the portfolio and the editions sold have continuously secured PMV its place in the top five entertainment puzzle magazines in the German-speaking area.

The **"non-books"** segment comprises gift items and decorations sold under the Räder label. This participation was sold, with effect from 1 January 2017, to the newly-established company Räder GmbH, in which Bastei Lübbe still holds a 20 % stake. Given that the minority participation in Räder GmbH is not consolidated, the "non-books" segment will no longer be reported with effect from the 2017/2018 fiscal year.

The **“digital”** segment includes the digital turnover of Bastei Lübbe AG (eBooks and audio) as well as that of the fully-consolidated companies Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH. Bastei Lübbe has invested in the digital market at an early stage. This applies not just to eBooks, but also to the field of audio. A majority shareholding in Daedalic Entertainment GmbH and in BookRix GmbH & Co. KG was acquired during the 2014/2015 fiscal year. Daedalic Entertainment GmbH, with offices in Hamburg and Dusseldorf, is considered to be one of the best game developers and publishers in Europe for narrative adventure games. Daedalic Entertainment GmbH develops and markets high-quality cross-platform computer and video games for the strategy and adventure genre worldwide. The focus is thus on producing outstanding entertainment software with a strong narrative character. The company has around 100 employees and, through the Daedalic Writer’s Room, has at its disposal a team of writers that is unique in the global games industry. In recent times, Daedalic Entertainment GmbH has won the German Developer Prize (Deutscher Entwicklerpreis) a total of 30 times, 9 times in the previous fiscal year alone. Daedalic Entertainment GmbH develops products such as games which are based on bestsellers from Bastei Lübbe. A prominent example is the recreation of Ken Follett’s “Die Säulen der Erde” as a computer game, which is due to be released in autumn 2017. The “Shadow Tactics” game was a global success during the 2016/2017 fiscal year.

oolipo AG operates a platform for digital serial multimedia content. It was launched in March 2017. It involves series content processed in a multimedia format. The product does not have any competition at present as it is the only platform able to offer such multimedia content. The content is edited in a manner tailored for smartphones. The platform for iOS was launched by Apple in March 2017. An Android version of it is due to be launched in the third quarter of 2017. In addition, further technical improvements and additional development of the software is due to take place this year. The development of software enabling third parties to create their own multimedia series content will be an outstanding achievement.

BookRix GmbH & Co. KG is a platform for self-publishers. More than 14,000 German authors uploaded their content to BookRix in 2016, which is then distributed via BookRix in the DACH region using well-known sales platforms.

BEAM Shop GmbH is an online shop for eBooks with content by Bastei Lübbe and other publishers. It is a 100 % subsidiary of Bastei Lübbe AG. The online shop specialises in series content and is the only shop that has a subscription function. The shop was fully launched in February 2017.

The **“retail”** segment includes the majority shareholding in BuchPartner GmbH. BuchPartner GmbH is a Darmstadt-based company occupying a leading position in supplying the grocery retail trade with books. More than 4,000 individual food retailers were supplied by BuchPartner as at the balance sheet date, with the current figure now totalling approximately 5,200 individual food retailers. In addition, more than 2,500 customers are served in the promotion-based business. BuchPartner is the market leader in Germany in the field of supplying the grocery retail trade, etc. The grocery retail trade segment is one of the few growth areas for the shop-based sale of books. BuchPartner GmbH has approximately 700 service staff nationwide and also has the logistics in place to supply over 5,200 branches in Germany with merchandise. In addition to the existing business with BuchPartner GmbH, this logistics system, etc., gives Bastei Lübbe AG the opportunity to access new business segments in the stationary bookshop sector.

Shareholdings consolidated “at equity”

Following the disposal of Präsenta Promotion International GmbH in September 2015, there are no longer any companies that are consolidated “at equity”.

Shareholdings that are not consolidated

Bastei Lübbe also has shareholdings in the following companies not consolidated in the reporting period: Moravská Bastei MOBA, s.r.o., Brno (Czech Republic) (90 % shareholding), Bastei Media GmbH, Erfurt (100 % shareholding), a 100 % shareholding in Bastei International Limited in Hong Kong, a 25 % shareholding in HPR Bild & Ton GmbH, Cologne, a 100 % shareholding in Siebter Himmel Bastei Lübbe GmbH (a bookshop in Cologne), the 100 % shareholding by BookRix GmbH & Co. KG in BookRix Verwaltungs GmbH, Munich (the Komplementärin [general partner] in BookRix GmbH & Co. KG), a 75 % shareholding in Daedalic Entertainment Studio West GmbH through Daedalic Entertainment GmbH, a 50 % shareholding in Bastei LLC, Santa Monica, California, USA, the 30 % shareholding in CE Community Editions GmbH, Cologne, the 51 % shareholding in BHS Service GmbH, Darmstadt, the 100 % shareholding in Bastei Ventures GmbH, Cologne, and the 20 % shareholding in Räder GmbH, Essen.

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. The aforementioned subsidiaries in which Bastei Lübbe AG holds less than 50 % of shares are not consolidated “at equity” due to a lack of significant influence.

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

Goals and Strategies

Having started out as a German-language trade book publisher, Bastei Lübbe is well on its way to becoming an international media company. The exploitation chain of content – be it for readers, listeners or gamers – appears as follows:

Content | **Publishing house** | **Distribution**

The strategy of Bastei Lübbe is to invest in the depth of exploitation, that is in the areas of “content” and “distribution”. In content, this has happened primarily through expanding the Own IP department and buying BookRix GmbH & Co. KG and Daedalic Entertainment GmbH. Investments were made in distribution in developing BEAM Shop GmbH, expanding the oolipo platform, and also the majority acquisition in BuchPartner GmbH. In this respect, Bastei Lübbe is continuing to focus on the creation and realisation of content, as well as on physical and particularly digital distribution. In so doing, the creation of content and the distribution thereof is intended not only to occur on a national scale, but also on an international scale as far as digital is concerned.

Content

Unlike many other publishing houses, Bastei Lübbe has already been very successful in developing its own content in the novel booklet sector for several decades. With the onset of digitisation, Bastei Lübbe has taken the decision to develop its own material, both in the digital products segment as well as increasingly in the physical books segment in order to benefit from more comprehensive exploitation opportunities – both nationally as well as internationally – as the copyright holder. The first success internationally was recorded in Great Britain with the in-house developed series, Cherringham. Bastei Lübbe AG considers there to be significant growth potential in the development of own material. Investment has also been made in the development of own material thanks to the majority shareholding in Daedalic Entertainment GmbH. Many of the games distributed by Daedalic are in-house developments distributed globally on the basis of comprehensive exploitation rights. With its majority shareholding in BookRix GmbH & Co. KG, Bastei Lübbe is now able to access a large pool of self-publisher authors who are particularly well-suited as authors to develop content for Bastei Lübbe AG.

Publishing house

In the publishing segment, Bastei Lübbe continues to rely on national and international licences in addition to the in-house content as described above. 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. Thanks to the acquisition of the “LYX” label, Bastei Lübbe has also been able to assume a market-leading position in the “romance” segment within the female entertainment sector. The aim over the coming years is to preserve this market dominance in the aforementioned genres and expand it further, where applicable. It is of particular importance in this context to expand the service offering for authors in the sales and marketing segment. The subsidiaries BookRix (self-publishing) and Daedalic (computer games) could also contribute in this context to obtaining and retaining authors, ensuring Bastei Lübbe AG has a particularly special place in the German publishing world within the framework of its publishing activities.

Distribution

Bastei Lübbe has consistently invested in the areas of physical and digital distribution.

BuchPartner

In acquiring a majority shareholding in the market leader BuchPartner GmbH, Bastei Lübbe has now taken up a key position in the increasingly important grocery retail trade market. Whereas the traditional retail book market is in slight decline, the specialist retail market is growing.

The shareholding in BuchPartner GmbH provides Bastei Lübbe with access to the logistics system of BuchPartner to which more than 700 rack jobbers belong throughout Germany. New business models (such as pop-up stores) should also be opened up in future with the aid of BuchPartner.

oolipo

oolipo AG is an independent platform that distributes short multimedia series content within the DACH region and in the UK. The content is a new format that has been specially developed for smartphones. At present, the content is published via an app that can be used by iPhone users. An Android and browser-based version is also due to be released in the third quarter of the 2017/2018 fiscal year. The business idea is based on the assumption that the younger “millennial” target audience in particular prefer to read shorter, series-based and multimedia content than classic eBooks. The iOS app was launched in March 2017. The content format newly developed by oolipo should not only help to attract younger readers, but also give third-party authors the opportunity, through the use of in-house developed production tools, to publish and distribute their own content on the oolipo platform.

BEAM Shop

The BEAM Shop stocks a full range of eBooks and sells products from Bastei Lübbe and other publishers. It specialises in digital series content and also offers subscriptions to series content as the first and only eBook platform in Germany to do so. As a digital playout module, the BEAM Shop enables implementation of the defined strategy to develop in-house content and exploit and/or distribute such content in a comprehensive manner, both physically as well as digitally. The IT infrastructure of the BEAM Shop as well as the design of the website was completely revised as part of a relaunch. The relaunch was completed in February 2017.

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; Thomas Schierack (Chairman), Klaus Kluge (Board 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, current business activities and potential acquisitions. The Supervisory Board is informed of all events that could have a serious impact on the future of Bastei Lübbe AG.

The Supervisory Board appoints the members of the Executive Board and monitors and advises the Executive Board on Company management. The three members of the Supervisory Board represent the shareholders. Shareholder representatives are selected at the Annual General Meeting. On 26 and 29 July, three members of the Supervisory Board, Dr Friedrich Wehrle (Chair of the Supervisory Board), Prof. Dr Michael Nelles (Deputy Chair of the Supervisory Board) and Prof. Dr -Gordian Hasselblatt, tendered their resignations to take effect at the close of the coming ordinary Annual General Meeting. At the proposal of the Supervisory Board, the vacant posts were taken up by Mr Robert Stein, Prof. Dr Friedrich L. Ekey and Dr Mirko Alexander Caspar. The election of the new Supervisory Board members took place during the ordinary Annual General Meeting held on 30 November 2016. Mr Robert Stein has taken over as Chairman of the Supervisory Board.

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 fiscal year that follows immediately, as well as a top-down target definition, the turnover planning is also calculated bottom-up, in detail and with product orientation in mind. Budget planning for the following fiscal year is derived on the basis of the final planning. Company steering is based on a monthly target/performance comparison with regard to overall turnover, segment turnover and balance sheets.

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

- development of turnover
- development of EBITDA at group level
- turnover and EBITDA of the 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.

Overall and industry economic conditions

Macroeconomic conditions

Last year, the global economy grew at a rate of 3.1 %, which is slower than the rate of 3.4 % forecast by the International Monetary Fund (IMF) at the start of 2016. As a consequence, the IMF has repeatedly revised its forecasts downwards. The causes for this were the UK's decision to leave the EU and weaker than expected growth in the United States of America in the first half of 2016. From the second half of 2016 onwards, increased economic activity and the prospect of more robust demand were primarily responsible for defining the positive developments in the global economy. The recovery in the industrial nations continued. While the majority of emerging economies were able to record a significant increase in economic momentum, the gross domestic product (GDP) of larger emerging and developing countries was lower than expected. The fall in oil prices continued to have an impact in larger emerging and developing countries in Latin America and the Middle East.[1 2 3 4]

The mood in the capital market also became more favourable after the first half of 2016. This reflects a positive outlook based on expectations regarding comprehensive fiscal support measures, increasing investment in infrastructure and increasing deregulation in the United States of America. As a consequence of this, capital markets recorded significant increases both in the emerging and developing countries as well as in the various industrial nations.[5]

The Eurozone also benefited from the global economic growth with effect from the second half of 2016. Here, the moderate rates of growth stabilised at the same level. Economists from the IMF calculated growth of 1.7 % for 2016, a figure that is above expectation. However, growth in the Eurozone remains below its potential. The systematic risks in 2016 related in particular to the political uncertainty and concern regarding the stability of the European banking sector. Excessive concerns about the increase in economic barriers following the United Kingdom's decision to leave the EU failed to materialise in the hope of the negotiations to come.[6]

According to the IMF, Germany registered an increase in economic performance of 1.8 % in 2016.[7] The German economy is characterised by way of solid and steady development. In both of the previous years, GDP grew at a similar rate. Domestic activities were key to the positive development of the German economy in the previous year. Public expenditure increased more sharply than private consumption as a result of immigration by asylum seekers. Overall, consumer spending increased by 2.5 %, with 2016's figure once again being the largest pillar of German economic growth. The investments in residential construction and equipment also contributed to this. While the export of goods and services (adjusted for price) increased by 2.5 % compared to the previous year, imports during the same period increased by 3.4 %.[8] In accordance with an internationally comparable definition, the labour market situation continued to be stable in 2016 with a fall in the unemployment rate to an average of 4.0 %. As a result, Germany has the second lowest unemployment rate of all EU Member States, behind only the Czech Republic. The increase in employment sustained over a period of 10 years continued at its highest level since reunification.[9] The inflation rate increased in 2016 to 0.5 % compared to the previous year.[10] The German economy continues to grow also in the current year. According to the Federal Statistics Office (Destatis), the gross domestic product (GDP) grew in the first quarter of 2017 – adjusted for price, season and calendar – by 0.6 % compared with the fourth quarter of 2016.[11]

Thanks to increased demand by companies, economic growth accelerated quickly in the USA during the second half of 2016. The expectations regarding looser fiscal policy, a stronger US dollar and increases in the central rates by the US Federal Reserve Bank have proven to be beneficial since the US election in November 2016. Overall, the United States of America has recorded a significant increase in employment, solid growth in disposable income and robust consumer behaviour. The US economy has achieved almost full employment. According to the IMF, the GDP of the world's largest economy grew by about 1.6 %. The inflation rate grew by 1.3 %, a proportionately high amount taking into account the recovery in oil prices. In taking into account potential support to the US economy by way of the fiscal policy, the experts from the IMF expect to see an increase in economic performance for 2017 by 2.3 %.[12]

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1 http://www.imf.org/~/media/Files/Publications/WEO/2017/April/pdf/text.ashx?la=en
2 http://www.imf.org/en/Publications/WEO/Issues/2016/12/27/A-Shifting-Global-Economic-Landscape
3 http://www.imf.org/en/Publications/WEO/Issues/2016/12/31/Subdued-Demand-Symptoms-and-Remedies
4 http://www.imf.org/en/Publications/WEO/Issues/2016/12/31/Subdued-Demand-Diminished-Prospects
5 http://www.imf.org/~/media/Files/Publications/WEO/2017/April/pdf/text.ashx?la=en
6 http://www.imf.org/~/media/Files/Publications/WEO/2017/April/pdf/text.ashx?la=en
7 http://www.imf.org/~/media/Files/Publications/WEO/2017/April/pdf/text.ashx?la=en
8 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/01/PD17_010_811.html
9 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/01/PD17_001_13321.html
10 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/01/PD17_018_611.html
11 https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2017/05/PD17_155_811.html
12 http://www.imf.org/~/media/Files/Publications/WEO/2017/April/pdf/text.ashx?la=en

The situation in emerging and developing economies continued to exhibit no uniform trends in 2016, characterised by a number of challenges. These challenges are reflected in the interest rates – with interest rate increases in Mexico and Turkey, as well as decreases in Brazil, India and Russia – but they are also reflected by the EMBI (Emerging Market Bond Index) interest margins. Overall, the emerging economies benefited from the stabilised commodity prices and consolidation of the economy in China.[13]

Although the gross domestic product (GDP) figure for China was only 6.7 % in 2016 compared to 6.9 % the previous year, growth was nevertheless higher than had been expected originally. Growth in China is supported by ongoing political measures and expenditure for infrastructure and property. As a result, the People's Republic of China has continued the complex process associated with the state-regulated transformation from industrial production to the provision of services. The IMF expects growth in China of 6.6 % and 6.2 % in 2017 and 2018 respectively.[14]

According to the Leibniz Institute for Economic Research, the current global economic climate has continued to improve in 2017, particularly so in the industrial nations. The ifo indicator increased from -1.2 to +2.6 points in the first quarter of 2017. As a result, experts have assessed the current situation in a more optimistic way than previously. However, the economic climate for emerging and developing countries will remain unfavourable for 2017, too. In the meantime, expectations for the economy have improved over the course of the year. The short and long-term interest rates are expected to increase accordingly in the next six months. An increase in short-term interest rates is already expected in the USA, and the US dollar market price is also expected to increase further in the next six months, according to the Leibniz Institute.[15]

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

In 2016, more printed books were sold in Germany than the year before for the first time in three years. The annual result on the popular market – stationary bookshops, station bookshops, e-commerce and department stores – was in total 0.8 % higher than in the same period the previous year. The stationary **book trade/retail** segment registered a reduction in turnover of 1.3 %. Growth in the popular market was once again down to e-commerce.[16]

According to the Media Control market research institute, the book industry recorded an increase in turnover of 2.4 % in January 2017. However, the industry was not able to carry the momentum from the start of the year into February and recorded a decline of 6.7 % compared to the previous year. The weak result in February resulted in the first two months totalling 2.1% under the previous year's values.[17]

The establishment of **eBooks** has ensured a shift in market share in favour of electronic books – albeit at a low level.[18] As has been the case before, the share of eBooks of the overall book market revenues is relatively low at 4.6 %. According to the Statista market research company, readers also predominantly preferred printed books in 2016. However, the number of people purchasing eBooks has increased more than fivefold since 2010: 2016 saw around 3.8 million people purchasing eBooks in Germany, whilst six years previously it was only 0.7 million.[19] The first people to use eBooks have almost made a complete transition from printed to digital books. Now the switch from print to digital is slowing amongst the remaining readers - the market has reached temporary saturation.[20] Nevertheless, there are also future opportunities for growth in the eBook segment thanks to the medium's technical capabilities. The use of tracking software in eBooks, for example, allows additional information to be collected on reader behaviour.[21]

eBook sales grew by 2.6% in 2016 compared to the previous year. 2015 also saw an increase of 4.7%. The smaller increase in sales in 2016 was a result of lower prices for eBooks. However, following subdued growth in the first nine months of 2016, a significant increase of 9.5% over the same period the previous year was recorded in the fourth quarter. Sales of eBooks on the other hand grew 4.1% stronger than the past year. Here, the number of people purchasing eBooks fell by 2.2% from 3.9 to 3.8 million but the purchasing intensity in contrast rose by 0.4% eBooks to an average 7.4% copies. The Börsenverein des Deutschen Buchhandels [Capital Market Group of German Booksellers] considers the eBook to be an established medium for readers and a significant format for publishers and bookshops. The prominence of eBooks should therefore increase further.[22] According to the bitkom inter-trade organisation, the eBook market needs new impetus to gain momentum. According to bitkom, the threshold to try the new medium is still high. Editing printed books into digital formats such as eBooks – to structure content geared to the target group – is, however, in the opinion of bitcom an

[13] http://www.imf.org/en/Publications/WEO/Issues/2016/12/31/Subdued-Demand-Diminished-Prospects
[14] http://www.imf.org/en/Publications/WEO/Issues/2016/12/31/Subdued-Demand-Diminished-Prospects
[15] https://www.cesifo-group.de/de/ifoHome/facts/Survey-Results/World-Economic-Survey/World-Economic-Climate/Archive/2017/World-Economic-Climate-20170213.html
[16] https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1298938
[17] http://www.boersenblatt.net/artikel-daten_zur_umsatzentwicklung_in_der_buchbranche.1299851.html
[18] https://outlook.pwc.de/outlooks/2015-2019
[19] https://de.statista.com/themen/596/e-books/
[20] https://outlook.pwc.de/outlooks/2015-2019
[21] https://outlook.pwc.de/outlooks/2015-2019
[22] https://www.boersenblatt.net/artikel-e-book-zahlen_2016.1288559.html

invaluable asset in comparison to printed books for appealing to readers via a user-friendly, interactive app or web application.[23]

The shift in the book trade also has an effect on the turnover volumes and most important revenue structures of Bastei Lübbe. To that effect, the Company Executive Board expects the digital division to contribute more than 50% to the total Group turnover in the medium term. Bastei Lübbe is thus continuously developing the digital division and is setting the trend with the “oolipo” streaming portal, focusing on attractive multimedia reading content, and the “beam-ebooks.de” eBook shop to partake in the future of this market growth.[24]

The turnover on the total market for **computer and video games** rested at EUR 2.81 billion in 2016 at the level of the previous year. Whilst games (computer and video games) grew by 7% to EUR 2.1 billion, the market for game consoles saw a 15% decline. According to the Bundesverband Interaktive Unterhaltungssoftware [Federal Association of Interactive Entertainment Software], the German market for games also grew further in 2016 and has sustained the positive growth of previous years. Turnover from virtual goods and additional content grew especially vigorously with an increase of 17% to EUR 659 million. The so-called free-to-play games capitalise on the purchase of virtual goods and additional content. Corresponding titles can be played free of charge, yet players have the opportunity to purchase additional levels or virtual currency. The turnover from subscriptions also rose 19% to EUR 173 million. The German games market is still characterised by a high level of dynamism. While digitisation has created great challenges for the media industry, the industry for computer and video games has been able to both conquer new platforms such as smartphones and successfully establish new business models.[25]

Computer and video games as well as film adaptations of novels were at the 2016 Frankfurt Book Fair under the title “A Book is a Game is a Film”, the common focus being the cross-genre adaptation business.[26] The objective of the event was the strengthened exchange beyond the borders of a single medium. The potential in the cross-media rights and licensing business is equally as great as the need for new business models. This involves around 20% of all forthcoming film adaptations and literary films. The benefits of screen adaptations for authors and publishers include further increased recognition, additional extension of the target groups and a greater presence on buyer lists. In contrast to games, film adaptations are still the exception, despite the increasing popularity of originals. Games therefore also offer new marketing potential for the publishing industry. For example, the sales of gaming manuals run into the millions. The adaptation of successful novels into computer and video games was a key topic at the 2016 Book Fair, as it was in previous years. Bastei Lübbe will be putting “Die Säulen der Erde” on the market in 2017 as the first official game to be based on a novel by British global bestseller Ken Follett. It is being developed by Daedalic Entertainment, a Bastei Lübbe AG holding. Published in 1989, the historical novel is one of the most sold books worldwide with 25 million copies and has already been made into a film, TV series, audio book and board game. Book publishers and the games industry previously enhanced their collaboration at gamescom 2016. Within the context of the “gamescom license day”, the Frankfurt Book Fair and gamescom, Europe’s leading exhibition for computer and video games, hosted the first “Publisher’s Pitch”. In this, companies from the publishing world presented their projects and ideas in front of top representatives from the international games industry with the aim of developing new computer games.[27] [28]This confirms the strategic orientation of Bastei Lübbe AG for long-term investment in this division.

Subscriptions and **streaming services for books**, so-called flat rate models, are also increasing in importance. With a monthly package, readers have access to a wide selection of books. According to the industry organisation bitkom, in 2016 only 13% of eBook readers used a subscription or streaming service.[29] Streaming services for books should profit from curated models in the future, offering readers individually tailored eBooks.[30] The industry’s book streaming segment itself is being given a boost thanks to short-format, multimedia and attractive reading content, such as exclusive content, series and comics. Here, content is presented on tablets and smartphones and not on an eReader as with a classic eBook.[31] Using the “oolipo” streaming portal, Bastei Lübbe uses this opportunity to gain new and younger target groups for digital reading who prefer the digital screen of a smartphone to the printed copy.[32] According to a current study by streaming provider Skoobe, 43% of users use their smartphone to read books and 62% actually read more than before. More than two thirds of readers use their smartphone more regularly for reading than they had initially expected. With 89%, the overwhelming majority finds that reading on the smartphone also makes waiting and travel times meaningful.[33] “oolipo” also brings the needs of the new target group to the fore with the serial consumption of short-format, multimedia and attractive reading content, keeping relevant content and the ability to share on social media. Content is therefore subdivided, with the first part usually being free of charge. Readers can exchange purchased credits for more parts.[34]

[23] https://www.bitkom.org/Presse/Presseinformation/Nutzung-von-E-Books-bleibt-stabil.html
[24] https://www.luebbe.com/web/downloads/module/download/2478250/BL_HB_Apr_Sep_2016.pdf
[25] https://www.biu-online.de/blog/2017/04/04/starke-nachfrage-nach-computer-und-videospielen-umsatz-waechst-um-7-prozent/
[26] http://www.buchmesse.de/fbmsite/de/fbm/presse/pressemitteilungen/03135/
[27] http://www.buchmesse.de/fbmsite/de/fbm/presse/pressemitteilungen/02996/
[28] https://www.biu-online.de/blog/2016/10/18/frankfurter-buchmesse-games-und-buchbranche-im-dialog/
[29] https://www.bitkom.org/Presse/Presseinformation/Nutzung-von-E-Books-bleibt-stabil.html
[30] https://www.buchreport.de/2016/10/24/bookchoice-die-digitale-rueckkehr-des-buch-clubs/
[31] http://www.boersenblatt.net/artikel-neues_streaming-portal_der_bastei_luebbe_ag.1042751.html
[32] https://www.buchreport.de/2017/01/30/die-zielgruppen-suche/
[33] https://www.buchreport.de/2017/04/25/so-ticken-die-skoobe-leser/
[34] https://www.gruenderszene.de/allgemein/bastei-luebbe-oolipo-e-books-millennials

In addition to curated reading – particularly in the social media generation – the recommendation function also plays a part in seeing how many “Followers” a series has and how many of them “Like” it.[35]

Judged against the downward trend on the press market as a whole, the **novel booklet and puzzle** market can be characterised as being relatively stable. While the press wholesaler in the core business achieved a total turnover of EUR 2.09 billion with press products in 2016 (-4.05% on the previous year), the loss becomes ever greater in consideration of the sales development. This fell in comparison to 2015 by nearly 150 million copies or rather 7.99% to 1.706 billion units. Following disclosure by the German association Presse-Grosso, Cologne, this fall in sales is the largest the German press wholesalers have ever seen to date. The discrepancy between the trend in sales and turnover is based on price increases and shifts in turnover towards higher priced titles (Source: DNV May 2017). Just as before, the entire RCR range of products represents a good 10% of the magazine profits in retail. Comparing 2016 and 2015, the turnover from puzzles (without Sudoku) fell by 1.64% across the segment and the turnover from novel booklets (one issue) by a mere 0.86% (Source: Pressegrosso DataWarehouse, turnover in EUR sales price). The number of puzzle titles corresponds almost precisely to the slight drop in turnover with a decline of 1.68%, whereas the number of titles in the novel booklet segment increased by 5.8%.

Remaining unchanged, new market participants continue to hit the already tightly-packed shelves across the entire press segment, meaning that turnover has to be shared across an ever greater number of titles. 392 new titles were introduced in 2016 (periodicals on a weekly to quarterly basis). After subtracting discontinued items, the total number of titles in stock in 2016 rose by 74 (Source: Neutitelstatistik Partner Medienservices GmbH).

The **non-book** segment comprises gift items, merchandising and similar products sold under the Räder label. Owing to the changes in the stationary book trade and the declining space relating thereto, Räder also distanced itself further from the core business of Bastei Lübbe AG in the reporting year. In order to further increase the growth of the area internationally in the distribution channels beyond the traditional retail book market, Bastei Lübbe sold the entire business operation with effect from 1 January 2017 by way of an asset deal to a new limited company (GmbH), established together with a partner; Bastei Lübbe holds a 20% stake in the new company. The **gift market** is cyclical, and traditionally peaks with the Christmas season business in November and December. As a result, the expectations for a stable economy and consumer income boosted the shopping mood at the end of 2016. However, not only the propensity to buy registered slight profits. Significantly more than three quarters of Germans invest in the small pleasures in life at Christmas time, regardless of their income situation. According to a survey by the Gesellschaft für Konsumforschung (GfK), 2016 saw turnover of EUR 14.3 billion from the entire Christmas trade in Germany. On average, German people spent EUR 280 on presents in 2016. This means an increase of EUR 6 compared to the previous year. The gift market is therefore growing at a consistently high level.[36] Räder has been one of the few vendors in the high-quality home and dining accessories sector to demonstrate a positive performance in the past financial year. Alongside a booming Christmas trade, Räder again grew with the launch of themed packages such as Easter, autumn and New Year. The constant expansion of export activities is still a major success factor. An essential component of the success is a presence at 17 national and international exhibitions every year, a long-standing, established team of sales representatives and its own – often “outstanding” – product design.

[35] https://www.buchreport.de/2016/09/30/so-funktioniert-oolipo/
[36] http://www.gfk.com/de/insights/press-release/jeder-zweite-deutsche-ist-weihnachts-fan-den-handel-freut-es/

The earnings, assets and financial position

General statement by the Executive Board

The turnover in the Group increased over the 2016/2017 financial year from EUR 101.9 million in the 2015/2016 financial year to EUR 146.3 million. The Group turnover is therefore lower than the forecast of EUR 150-160 million, owing to, amongst other things, the missing sales by Räder at the amount of EUR 4.4 million due to the sale of this business division with effect from 1 January 2017. As a result, Bastei Lübbe AG turnover is at EUR 98 million also below the forecast of EUR 103 million. BuchPartner has exceeded the forecast of EUR 40 million with a turnover of EUR 43.2 million. Daedalic was unable to hit the forecast of EUR 13 million (turnover including capitalised personal contributions) with only EUR 9.9 million, most notably as a result of the delayed publication of the game "The Long Journey Home".

The Group EBITDA of EUR 6.7 million in the 2015/2016 financial year fell by EUR 1.3 million in the 2016/2017 financial year to EUR 5.4 million. As of 31 December 2016, Bastei Lübbe was still on target with an EBITDA of EUR 9.3 million, for which the income from the Räder sale (as at 1 January 2017) had not yet been accounted. Due to one-off expenses and a poor fourth quarter, the expectations of the Executive Board, to achieve an EBITDA in the division of EUR 13-15 million, were not met. Bastei Lübbe AG was unable to reach the EBITDA forecast of EUR 8-10 million, most notably as a result of unscheduled depreciation to the inventory of pre-paid royalties amounting to EUR 5.2 million – balanced with value recovery – and additional costs in conjunction with the amendment of the financial statement for the previous year, in the end generating an EBITDA of EUR 5.6 million. BuchPartner generated an EBITDA of EUR -0.4 million. BuchPartner was unable to reach the forecast of EUR 2 million as a result of higher than planned return rates. Furthermore, in the course of utilisation of the hidden reserves in the acquired inventories disclosed in the context of the purchase price allocation, there was a higher cost for materials at EUR 1.5 million which put an additional burden on the BuchPartner EBITDA. Owing to the delayed publication of the game "The Long Journey Home", the Daedalic EBITDA sat below the forecast EUR 4 million at EUR 2.3 million.

Bastei Lübbe assigns business transactions to the segments "book", "digital", "non-book", "novel booklets and puzzle books" and, for the first time, "retail". The "retail" division was added as a result of the acquisition and first-time incorporation of BuchPartner GmbH in April 2016. The "non-book" segment was dropped on 1 January 2017 because the Räder business division was sold. A comparison with the previous year's figures is only possible to a limited extent due to the changes in the group of consolidated companies.

Financial performance

The **sales revenue** increased over the 2016/2017 financial year from EUR 101.9 million in the 2015/2016 financial year to EUR 146.3 million. The acquisition of BuchPartner GmbH made a very significant contribution to the increase in sales. This contributed EUR 43.2 million to the Group's turnover. The sales revenue for Bastei Lübbe AG rose from EUR 94.7 million (2015/2016) to EUR 98 million. The sales revenue for Daedalic increased from EUR 4.8 millionfor the 2015/2016 financial year to EUR 6.3 million in the 2016/2017 financial year. The turnover for BookRix GmbH & Co. KG fell slightly in comparison to the previous year (EUR 2.4 million) to EUR 2 million in the 2016/2017 financial year. Lastly, the BEAM Shop GmbH contributed EUR 0.3 million to the Group's turnover over the financial year following EUR 0.1 million in the previous year. The sales trend is quite encouraging given that it covers all divisions.

Revenue developed as follows at segment level:

A turnover of EUR 45.3 million was achieved in the "**book**" segment following EUR 48.3 million in the previous year. The "**digital**" segment once again experienced strong growth with a turnover of EUR 32.8 million for the financial year following EUR 26.8 million in the previous year. The "**non-book**" segment fell by approximately 11% in absolute terms from EUR 17 million to EUR 15.1 million in the 2016/2017 financial year. It must therefore be considered that this turnover was achieved in only nine months up until the Räder sale as at 1 January 2017. The revenue in the "**novel booklets and puzzle magazines**" segments remained constant with EUR 9.9 million following EUR 9.8 million in the previous year. "**Retail**" achieved a turnover of EUR 43.2 million in its first year of inclusion.

The **changes in inventory** are above the EUR 0.6 million of the previous year at EUR 3.4 million. The reason for the increased changes in inventory is, most notably, the significantly increased inventories at Räder on 31 December 2016 (EUR +3 million) in comparison with 31 March 2016.

The **other capitalised personal contributions** were still disclosed within the sales revenue in the consolidated financial statements for the previous year. Even games developed by Daedalic are now accounted for separately in the other capitalised personal contributions due to a change in disclosure (EUR 3.5 million in the 2016/2017 financial year following EUR 2.9 million in the 2015/2016 financial year).

The **other operating income** rests at EUR 2.7 million in the current financial year following EUR 0.8 million in the previous year. In particular, this includes the income from the sale of Räder by way of EUR 1.7 million (discontinued business division).

Material costs rose from EUR 46.9 million in the 2015/2016 financial year to EUR 83.7 million. The increase can be attributed to, amongst other things, a rise in material costs at Bastei Lübbe AG from EUR 43.9 million in the previous year to EUR 52.7 million in the current year. This includes EUR 24.3 million in expenses for royalties and amortisations on author royalties (EUR 18.1 million the previous year). Of these – balanced with value recovery – are EUR 5.2 million (EUR 0.7 million in the previous year) of unscheduled depreciation. To this is added EUR 29.6 million in material costs from BuchPartner for the first time.

Personnel costs rose from EUR 24 to EUR 30.6 million. The rise in personnel costs is due to the first consolidation of BuchPartner GmbH (EUR 6.8 million).

Other operating expenditure rose to EUR 36.5 million following EUR 29 million in the previous year. This increase was notably the result of the first-time consolidation of BuchPartner GmbH by way of EUR 6.8 million.

The **EBITDA** was lower than expected at EUR 5.4 million – most notably as a result of special items – and below the previous year (EUR 6.7 million). A multitude of special effects (mostly the negative kind) influenced this result. There is therefore unscheduled depreciation in material costs – balanced with value recovery – in the amount of EUR 5.2 million (EUR 0.7 million the previous year). The necessary disclosure of the hidden reserves on the BuchPartner GmbH balance sheet in conjunction with the acquisition of the 51% investment in BuchPartner GmbH impacted the EBITDA with EUR 1.5 million. Here, the balance sheets had to be augmented for the expected profits in line with the purchase price allocation, which lead to a corresponding reduction in profits with the sale. In conjunction with the amendments to the financial statement for the previous year, additional costs in this financial year were accrued in the amount of EUR 0.8 million, for example for the postponement and realisation of the Annual General Meeting, lawyer and consulting costs as well as waiver fees. By contrast, there was a profit of EUR 1.2 million from the amortisation of Räder business fields after balancing in conjunction with costs incurred.

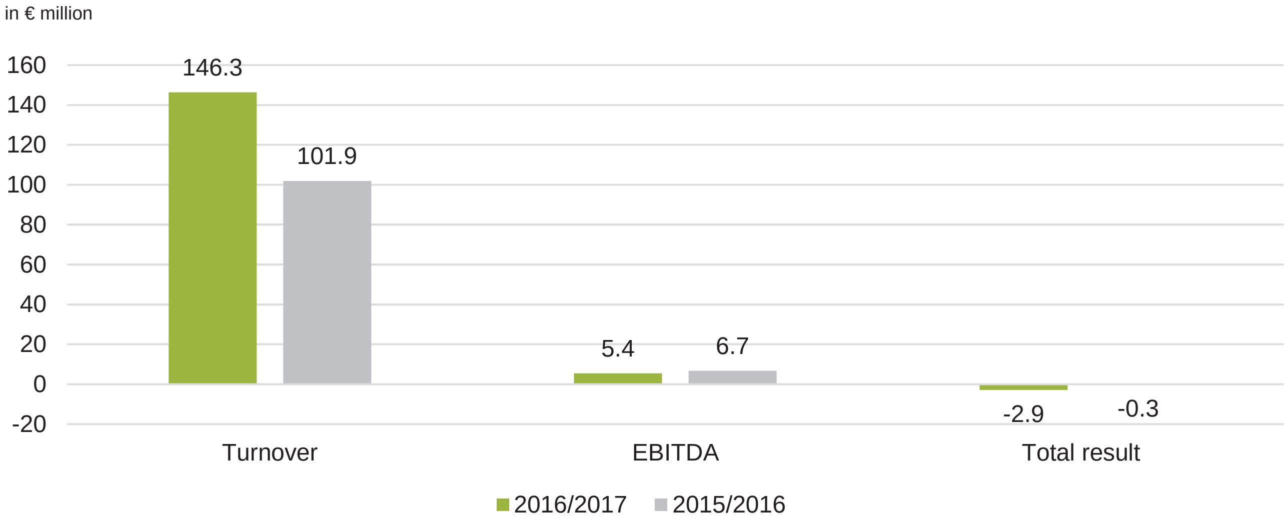
On a segment level, the situation is as follows:

The “**book**” segment generated an EBITDA of EUR -2.2 million following EUR 2.2 million in the previous year. The grounds for the EBITDA deviation of an almost similar volume lie primarily in the significantly higher unscheduled depreciation on the manuscript inventory in the 2016/2017 financial year of EUR 4.1 million as opposed to EUR 0.7 million in the previous year. The “**retail**” segment, taken into account for the first time, generated an EBITDA of EUR -0.4 million. The “**digital**” segment generated an EBITDA of EUR 2.8 million following EUR 1.4 million in the 2015/2016 financial year. The “**non-book**” segment generated an EBITDA of EUR 3.6 million following EUR 1.4 million in the 2015/2016 financial year. The higher EBITDA is predominantly the result of the earnings in conjunction with the disposal of the Räder business division. The “**novel booklets and puzzle magazines**” segment remained constant and generated an EBITDA of EUR 1.7 million (EUR 1.7 million in the previous year).

The amortisations amount to EUR 5.7 million in the reporting year above the amortisations of EUR 3.9 million in the 2015/2016 financial year. The increase of EUR 0.4 million is a result of the first-time consolidation of BuchPartner GmbH, the amortisation of the BuchPartner consolidated customer relations within the framework of the purchase price allocation to be carried out for the first time (EUR 0.8 million), and increased amortisations on the internally developed games from Daedalic.

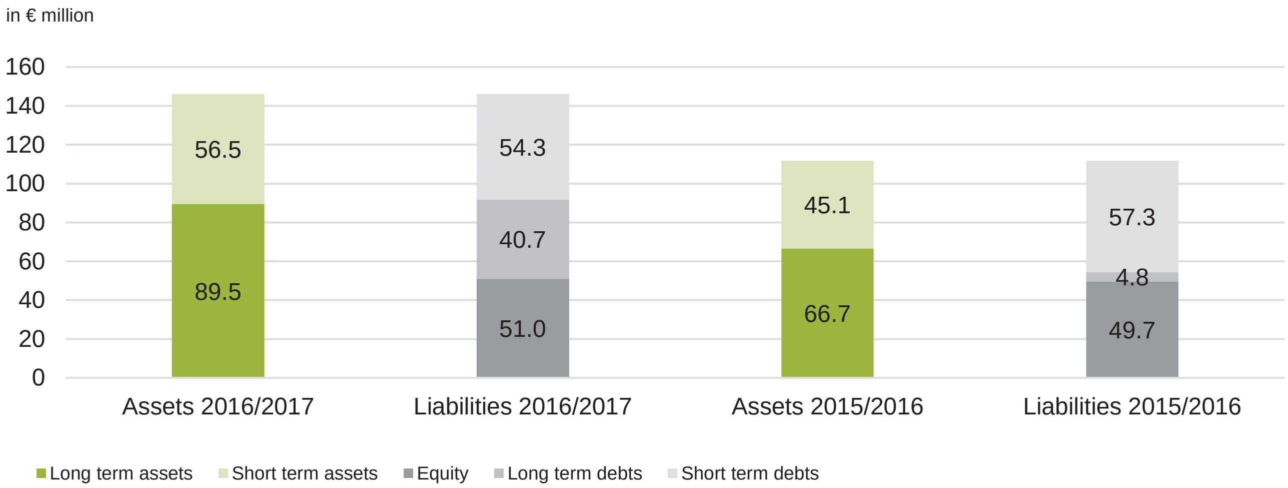
The **EBIT** amounts to EUR -0.3 million following EUR 2.9 million in the previous year. The **financial result** amounts to EUR -2.9 million following EUR -2.3 million in the previous year. This increase can be attributed, on the one hand, to the initial consolidation of BuchPartner, and on the other hand, however, to the increased financial costs for Bastei Lübbe AG in conjunction with the balance sheet amendment from the previous year.

The **earnings** before income tax total EUR -3.2 million compared to EUR 0.6 million the previous year. The **income tax** amounts to EUR +0.3 million in the reporting year following EUR -0.8 million in the previous year. The **result for the period** was EUR -2.9 million following EUR -0.3 million the previous year.



Assets position

The balance sheet total for Bastei Lübbe AG, compared to 31 March 2016, rose by EUR 34.3 million to EUR 146.1 million (EUR 111.8 million in the previous year). The increase can primarily be attributed to the initial consolidation of BuchPartner GmbH but also the rise in various balance sheet items for the remaining consolidated companies.



Long-term assets amount to EUR 89.5 million, compared to EUR 66.7 million as of 31 March 2016.

Intangible assets increased from EUR 32 million to EUR 40 million. This rise is most notably related to increases in the goodwill and company value acquired against payment (from EUR 7.9 million to EUR 11.4 million, the BuchPartner receipt here being EUR 4.9 million offset against the disposal of Räder at EUR 1.3 million), the internally generated intangible assets (most notably computer games – EUR 9.1 million compared to EUR 7 million as at 31 March 2016) and other intangible assets (from EUR 11.5 million to EUR 14.4 million). In line with the initial consolidation, the BuchPartner GmbH customer relations were consolidated in the other intangible assets (EUR 7.6 million), and will depreciate over 10 years. Expenses for the development of oolipo in the amount of EUR 3.1 million are still consolidated as advance payments.

The **inventory of pre-paid royalties** rose from EUR 26.9 million to EUR 37.4 million. This increase can most notably be attributed to the fact that, on 31 March 2017, large parts of the guarantees for the blockbusters from Dan Brown and Ken Follett were consolidated, including rights of renewal, but also from the purchase of LYX. **Tangible assets** remained relatively constant with EUR 3.5 million (previously EUR 3.2 million). **Financial assets** increased from EUR 1.5 million to EUR 4.4 million. This increase was a result of a loan of EUR 2.8 million to Räder GmbH.

Current assets amount to EUR 56.5 million, following EUR 45.1 million as at 31 March 2016. This rise of more than EUR 10 million is most notably a result of an increase in **inventory** of EUR 20.3 million as at 31 March 2016 to EUR 30.2 million as at 31 March 2017, which is predominantly due to the initial consolidation of BuchPartner GmbH. The remaining current assets have remained somewhat constant. **Assets from discontinued business operations** relate to receivables which were not transferred to the buyer within the framework of the Räder asset deal and have yet to be liquidated by Bastei Lübbe AG. The same applies to the stated **debts from discontinued business divisions** on the liabilities side of the balance sheet.

The share of **equity** attributable to the parent company's shareholders amounts to EUR 43.9 million, lower than the previous year (EUR 46.6 million). The reason lies – alongside the dividends for the 2015/2016 financial year – in the net period result of EUR -2.1 million applicable to the shareholders of the parent company

Debts amount to EUR 96 million compared to EUR 62.1 million in the previous year. **Long-term assets** amount to EUR 40.7 million, compared to EUR 4.8 million as at 31 March 2016. **Deferred tax liabilities** increased from EUR 2.3 million as at 31 March 2016 to EUR 4.3 million. Long-term **financial liabilities** amounting to EUR 0 as at 31 March 2016 now stand at EUR 34.4 million. The company found earlier funding by means of a mid-tier bond for EUR 30 million. This was reduced in October 2016. For this reduction, the company at the time took up a syndicated loan with the principal banks of EUR 53 million at the top end. To this is also added the financing of the subsidiaries. Of the long-term reported loan, around EUR 30 million affects Bastei Lübbe AG and EUR 4.2 million Daedalic.

Current debts amount to EUR 54.3 million as at 31 March 2017 following EUR 57.3 million as at 31 March 2016. Financial liabilities fell from EUR 34.8 million in the previous year to EUR 16.9 million in the current year. This is linked to the above-mentioned refinancing. **Trade payables** rose from EUR 12 million to EUR 28.4 million. This increase was primarily the result of the initial consolidation of BuchPartner GmbH. EUR 9.7 million was added here on the reporting date. **Trade payables** at Bastei Lübbe AG rose from EUR 10.6 million to EUR 19.1 million.

Income tax liabilities also saw a significant drop as a result of the reduced income (from EUR 2.5 million to EUR 0.2 million). **Provisions and other liabilities** barely changed in comparison to the previous year.

Financial situation/liquidity/financing

The net period result declined by EUR 2.6 million in comparison to the previous year. After addition of the increased amortisation of intangible and tangible assets as a result of high investments – primarily in the digital division – (EUR 5.4 million following EUR 3.9 million in the previous year) as well as the amortisation of royalties which increased primarily as a result of the unscheduled value adjustments – balanced with value recovery – by EUR 5.2 million from EUR 7.2 million in the previous year to EUR 11.5 million in the 2016/2017 financial year, the cashflow from current operations rests at EUR 11.5 million (P Y EUR -2.2 million) and has thus risen by EUR 13.7 million. In particular, the high release of funds by means of the consolidated company adjusted reduction of trade receivables accounted for EUR 9.8 million with a simultaneous increase of trade payables by around EUR 7.3 million.

As a result of the continued high investments in intangible assets (EUR 6.5 million, EUR 4.8 million of which for the Daedalic subsidiary), as well as the disbursements for investments in financial assets (EUR 3.4 million, EUR 2.8 million of which constitutes the Räder GmbH loan) and tangible assets (EUR 1.1 million), there was an outflow of funds totalling EUR 12.3 million in the reporting year from the division of investment activities (P Y: EUR 8.6 million). At the same time, disbursements for the acquisition of BuchPartner and the LYX/INK label (a total of EUR 15.8 million) were almost compensated for by deposits from the sale of the Räder business division (EUR 14.3 million).

Cash flow from financing activity shows an inflow of funds totalling EUR 2 million (P Y: Outflow of funds EUR 2.2 million). Here, the deposits from obtaining (financial) credit exceed the amount from its repayments in addition to repayment of the bonds in October 2016 by EUR 2.5 million.

During the financial year there was therefore an overall increase – in consideration of a consolidated company adjusted reduction of the cash funds due to the deconsolidation of Blue Sky – in cash funds by EUR 1.2 million (P Y: reduction by EUR 13.1 million).

Principles and objectives for finance and capital management in the Bastei Lübbe Group

Objectives

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

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

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

- Equity or loan capital share
- The relation of net financial debt to the Group EBITDA

Bastei Lübbe fundamentally strives for an equity ratio of more than 40% as well as a net financial debt ratio to the Group EBITDA of 2.5 or less.

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
- Loans of non-controlling shareholders
- Factoring
- Recourse factoring

The syndicated loan has a remaining term of five years and will become due in October 2021. The interest rate is variable and between 1.35 and 3 percentage points above EURIBOR depending on the covenants (minimum interest rate: 0%). The conditions of the underlying credit agreement have not changed significantly compared to the previous year. Owing to the combination of long credit periods for our clients and high payments of guarantee royalties to authors prior to publication customary in the industry, Bastei Lübbe has a significant need for financing. The unusually high financing costs for pre-financing the Ken Follett, Dan Brown and Jeff Kinney blockbusters are anticipated for between August and November 2017. As a result, Bastei Lübbe will apply for an additional seasonal credit line within the stated period from the consortium banks in the amount of up to EUR 10 million; this is currently still in the approval process with the banks.

In order to finance larger investment projects (to enlarge the investment or imprint portfolio, for example), the Executive Board is authorised to increase the company share capital by up to 10% with approval from the Supervisory Board by means of a decision passed at the Annual General Meeting of 30 November 2016.

In line with the group's structure, financing for Bastei Lübbe AG and other group companies is dealt with separately. In particular, BuchPartner GmbH and Daedalic Entertainment GmbH have their own credit financing. Furthermore, BuchPartner GmbH uses factoring to finance day-to-day business.

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

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

Dividend policy

Bastei Lübbe AG is still pursuing the aim 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 distributable surplus. The precondition for this is the compatibility with the financing circumstances of the group of companies and long-term and sustainable business development. The Group EBITDA amounting to EUR 5.4 million remains significantly below the expected EUR 13 to EUR 15 million. The Executive Board and Supervisory Board will therefore propose at the Annual General Meeting on 22 November 2017 that the pay-out of dividends should be temporarily suspended.

Derivative finance instruments

To limit the risk of interest on the long-term 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 9.5 million on the balance sheet date.

31 March 2017 saw a (negative) market value (fair value) for the interest derivatives amounting to EUR -141 KEUR which is reported among the long-term financial liabilities. No hedging is undertaken on the balance sheet.

Overall observation

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

Employees

At the end of the financial year, Bastei Lübbe had 595 employees, compared to 413 employees as at 31 March 2016. This increase was fundamentally the result of the initial consolidation of BuchPartner GmbH.

Employee survey

An employee survey was carried out in 2015 for the publishing sector. 93.6% of the employees took part in the survey. Participation in the last survey in 2012 was surpassed by this outcome. Improvements have been achieved in virtually all queried categories (satisfaction, identification, motivation and leadership). The results of the employee survey were published throughout the publishing company. The results for individual teams were only disclosed and discussed within the respective teams in order to be able to specify effective measures for improvement.

A new employee survey is planned for 2018 to gauge employee satisfaction once more and identify potential for improvement.

Further training

Bastei Lübbe's employees form the foundations for the group's success. Our objective is personnel development, ensuring that our employees are qualified and well-equipped for their current and future positions at Bastei Lübbe. In order to do this justice, we adapt training and further development for each individual employee and also carry out in-house training for groups of employees as needed. We therefore provide regular seminars for our employees on the topic of "Business studies for editors", "Working on a manuscript" or project management. Support is also provided for studying parallel to employment as well as job-related study. In addition, we are also working on a managerial level on cross-departmental management training programmes in order to further develop skills and self-reflection, improve co-operation and promote cross-divisional understanding. Our team leaders, amongst others, were therefore supported further with their management responsibilities over the past financial year. Thanks to this programme developed specifically for management, expertise, managerial qualities and specialist knowledge can be continually strengthened and enhanced. Our regular management workshops allow our managers to discuss current management issues under external moderation.

Active health management

Health is a central topic in our company. For this reason, we have introduced internal health management. The objective of internal health management is the sustainable maintenance of healthy thinking amongst all employees. It is important to us to be mindful of the lasting impact and to therefore ensure that all employees are able to participate, irrespective of position and workload. To fulfil this idea of holistic health management at Bastei Lübbe, we offer massages, weekly fruit baskets, health days and the promotion of regular sporting activities within the group of employees, such as football and yoga groups. There are currently lectures and practical exercises under the instruction of a fitness coach on the theme of back-related health, in which we hope to bring the awareness for this topic back into the forefront of employees' minds.

Family friendliness

The desire to strike a balance on personal and career life planning is becoming increasingly important. Already in its fourth year, we provide support to our employees within the framework of a family-friendly personnel policy by way of free advisory and mediation services in the areas of childcare and caring for family members. We also provide crèche places in the context of our company-supported childcare that should help make planning to return to work earlier and easier for us as well as for parents. In addition, we of course also offer flexible part-time or home office solutions.

Social commitment

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

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

Responsibility across the value chain

Sustainability

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

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

Procurement

Amongst other things, long-term supplier relationships are key to the economic success of Bastei Lübbe. This applies to the most frequently outsourced service areas such as delivery, printing, paper procurement, etc. Bastei Lübbe mainly works with two leading German printing houses for its printing services. Framework agreements extending over several years have been concluded with both of these companies. The same applies to deliveries.

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

Corporate Governance

The Company has once more addressed the content of the German Corporate Governance Code for the 2016/2017 financial year. With a few exceptions, Bastei Lübbe adheres to the recommendations and suggestions of the Corporate Governance Code. The Executive Board and Supervisory Board decided on 9 June 2016 (and 27 July 2017) to issue a limited declaration of conformity pursuant to Section 161 of the Companies Act (Aktiengesetz - AktG), according to which the company, with the exception of paragraphs 4.2.3, 5.1.2 and 7.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 5 May 2015 (and 7 February 2017), published in the Federal Gazette on 12 June 2015 (and 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 https://www.luebbe.com/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung).

Further information on Corporate Governance can be found in the section "Corporate Governance Report".

Risk and opportunity report

Risk management system

One of Bastei Lübbe's major objectives is expanding turnover and increasing the EBITDA. To this is added the objective of achieving a lasting, positive result for increasing the value of the Company. This gives rise to a variety of business opportunities as well as risks for Bastei Lübbe. Bastei Lübbe aims to achieve a balanced opportunity/risk ratio, regularly analysing and monitoring the opportunities and risks of business activities as well as taking appropriate action where necessary.

The Executive Board performed a full risk inventory in the 2014/2015 financial year and adopted a new general risk management system. The aim of this risk management system is to promptly identify risks for the Group so that counter-measures can be taken and controls implemented. 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 2016/2017 financial year. The risk management system was revised. 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 asset, financial and profit situation of Bastei Lübbe corresponding to the true circumstances. One core function of the accounting and financial reporting processes is the steering of Bastei Lübbe AG and its operational units. This is based on the targets set by the Executive Board. Based on the three-year plan and the monthly forecast planning, a rolling medium-term plan is compiled.

As a 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 work-flows.

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

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

Significant risks

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

Significance is determined based on the following criteria:

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

Negligible: Impact on EBITDA < € 1 million

Moderate: Impact on EBITDA EUR 1-5 million

Significant: Impact on EBITDA > € 5 million

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

Position	Type of risk	Description	Risk classification
1	Strategic risks	Promising titles absent from range	medium
2	Strategic risks	Poor financial results from holdings	medium
3	Operative risks	IT risks	medium
4	Financial risks	Loss of assets because of risks faced by holdings	medium
5	Personnel risks	Key persons risk	medium
6	Financial risks	Liquidity and interest rate risks	medium
7	Operative risks	Undesirable economic development due to the payment of excessive guarantees	medium
8	Governance	Possible governance risks (such as inadequate efficiency by the Supervisory Board or poor co-operation among members of mgmt.)	low
9	Organisational structure	Inadequate or inappropriate organisational structure	low
10	Strategic risks	Lack of adaptability to changing competitive conditions	low
11	Strategic risks	Investments which fail to achieve desired success	low
12	Strategic risks	Lack of knowledge/transparency regarding market changes in the entertainment sector, such as film, TV and music	low
13	Operative risks	Inability to deliver titles, particularly top titles	low
14	Operative risks	Losses through too tightly budgeted turnover in the case of fixed costs that cannot be reduced so quickly	low
15	Operative risks	Existence of a major IT software defect or defects due to errors with the software installed	low
16	Financial risks	Credit risks	low
17	Financial risks	Bad debts	low
18	Financial risks	Budget overruns	low
19	Financial risks	Currency risks	low
20	Personnel risks	Lack of integrity of employees	low
21	Regulatory/legal risks	breaches of copyright/infringement of rights of personality	low
22	Regulatory/legal risks	changes in general legal framework: Price maintenance, VAT	low
23	Regulatory/legal risks	Trade secrets/product piracy	low
24	Regulatory/legal risks	Breach of data protection	low
25	Regulatory/legal risks	Inaccurately-drafted permissions/contracts	low
26	Regulatory/legal risks	Capital market law risks	low
27	Regulatory/legal risks	Tax law risks	low

Promising titles absent from range

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

Bastei Lübbe plans content within a time-frame of 18 to 24 months. This applies to 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 if one or more titles are lacking in a genre for the fiscal year. Lists are compiled in a timely manner and made available to management and the Executive Board on a monthly basis. The same issue also applies in principle for Daedalic Entertainment GmbH. Here, lead time is actually more than three years, i.e. title planning here follows the same pattern as at Bastei Lübbe. 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 to the front or purchase more titles.

Poor financial results from holdings

Bastei Lübbe's economic success will continue to depend on the future results of our holdings. There is a risk associated with the shareholdings that the desired integration is not successful and the expected results are not achieved.

Shareholdings are steered by Bastei Lübbe with performance in mind. Business assessments of the holdings are compiled according to a certain pattern 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.

Twice a year (according to the relevant mid-year or annual statements), the Managing Directors for the holdings meet in Cologne to exchange information with the Executive Board of Bastei Lübbe AG. Here, all significant events are discussed and important new projects presented. Furthermore, 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.

IT risks

Bastei Lübbe has its own IT department. Significant tasks are outsourced so that the Company can remain capable of operating without internal IT structures for a certain time, at least. This means that the direct economic risk is reduced considerably. Particular mention should be made here of our central delivery point with its debtor management, which uses traditionally-accessible banking for incoming and outgoing payments, as well as the outsourced services of the payroll department.

Loss of assets because of risks faced by holdings

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

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

Key persons risk

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

Liquidity 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. As a Group, Bastei Lübbe is required to finance a large proportion of its business in advance. Authors generally receive their payments by the time the book is released. The booksellers, respectively platforms, have a relatively long payment term. The same applies to the so-called secondary markets. In this respect, Bastei Lübbe must always finance a significant amount in advance. Bastei Lübbe’s financial risk is split across several bodies. On the one 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 same applies to the subsidiary companies. They have also concluded long-term finance agreements with their principal banks. In addition, Bastei Lübbe AG finances itself by means of recourse factoring, while BuchPartner GmbH is financed by non-recourse factoring and shareholder loans. There are regular meetings with the banks. The banks provide special policies for individual cases (such as financing blockbusters in advance). A one-off special line of up to EUR 10 million is required in the autumn of 2017 to finance the Dan Brown and Ken Follett blockbusters in advance; this is currently still in the approval stage with the consortium banks. There could be liquidity bottlenecks, should the special line not be granted by the consortium banks. In the event that they were not granted, Bastei Lübbe would have to seek alternative finance options (other policies with other banks, factoring etc.).

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 maximum observed debt level on a Group level at a certain time and, on the other hand, are a minimum EBITDA for Bastei Lübbe AG. In the event of non-compliance, there is the opportunity to negotiate with the consortium of banks to avoid terminating the agreement. Should this application not be approved, Bastei Lübbe would have to seek alternative financing at short notice in order to guarantee sufficient means for payment. Bastei Lübbe complied with the agreed financial figures in the 2016/2017 financial year.

Interest rate risk

An interest swap deal for a credit amount of originally EUR 10 million (EUR 9.5 million on the due date) was concluded on 26 October 2016 with a term running up until 26 November 2021 to restrict the interest rate risk of the long-term syndicated loan. The risk from this swap is low because it was concluded at a fixed interest rate of 0.75% and financial penalties for Bastei Lübbe would only occur if and to the extent that the market interest rate fell below the agreed fixed interest rate.

There is a risk of EUR 300 KEUR p.a. in the case of an interest rate increase of 1% for unsecured liabilities towards credit institutions of up to EUR 30 million.

The Group only has fixed or low-interest financial assets and financial liabilities that are not accounted for at fair value through profit or loss. Changes to interest rates within the expected fluctuation ranges would therefore not have any material impact on the Group’s earnings.

Risks as a result of the payment of excessive guarantees

Value adjustment requirements (unscheduled amortisations) concerning the manuscript inventory may arise as a result of the high guarantee payments to authors and would be a strain on the Bastei Lübbe EBITDA.

Opportunity report

As well as reducing and avoiding risk, Bastei Lübbe's risk management programme includes the long-term securing of the Company by balancing opportunity and risk. This means that opportunities are regularly identified, analysed and evaluated as to how the Company might target and exploit them. 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 particularly 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 eBook readers such as Kindle or Tolino, which provide the customer with a convenient, digital reading experience, have been increasingly developed and have come to be used more and more. Books are also increasingly being read on smartphones or tablets. An increasing number of artists in the music and film industries are still only offering their digital content over the Internet.

Bastei Lübbe began to develop and market digital content very early on. In doing so, it assumed a pioneering role in the top field in the digital media business. This should be developed further in the future.

Alongside the considerable growth in digital business, the trend has also clearly been veering away from purchasing single items of content and towards subscription models or flat-rates for digital content via streaming technology. This is not yet quite so common in the book industry. Bastei Lübbe AG brought a new platform to the market in March 2017 with the introduction of oolipo (oolipo AG), focusing on smartphones and offering short and serial content. The product is to be developed strictly along the lines of the "mobile-first approach".

Bastei Lübbe AG created another platform with the relaunch of the BEAM platform, a sales platform, specialising in the sale of products, most notably series products. This platform's USP is the opportunity to provide digital subscriptions.

Opportunities through changed reading habits

People's reading habits are changing. Some people now want in digital form the content that they read before in analogue form. Others, especially young people, read much less, frequently not reading books at all, but preferring to spend their time on their smartphones.[37] Publishers must react to these altered reading habits and address this young group of buyers directly with an appropriate range of material, for example. oolipo AG should be mentioned here in this context, as well as that offered by the BEAM shop. Furthermore, Bastei Lübbe AG founded a new company with VEMAG AG (Community Editions GmbH), providing products for the younger generation. It deals almost exclusively in books written by Youtubers.

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

Other opportunities

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

Overall view

If the seasonal credit lines required to pre-finance the blockbusters by Dan Brown and Ken Follett are not granted by the consortium banks, this could lead to liquidity bottle-necks. In the event that they are not granted, Bastei Lübbe would have to look for alternative financing options (extended credit lines with other banks, factoring etc.). Furthermore, taking into account possible damages and the probability of occurrence of these damages and other potential risks, there are not, at present, any other discernible risks during the current financial year that could lead to a permanent and significant impairment of the assets, financial and profit situation. Organisationally, all equitable prerequisites have been put in place to enable the Company to be informed early on in the event of potential risk situations and take appropriate action.

However, the future financial results of Bastei Lübbe may deviate significantly from both the Company’s and management’s expectations as a result of these risks or other risks, as well as incorrect assumptions.

Forecast

Economic conditions

In light of increased uncertainty, the World Bank has downgraded its 2017 estimates for the development of the global economy. A 2.7% increase is now expected as the result of a significant recovery of 4.2% in the emerging and developing countries. In particular, the national economies exporting raw materials are expected to show stable growth. In the industrial nations, experts expect a moderate recovery of 1.8% for the coming year, hampered by the increased uncertainty of political development, low investment propensity and weak productivity growth.[38]

According to the International Monetary Fund (IMF), as the world's largest economy, the US economy is once again gathering momentum in 2017 thanks to the expectation of fiscal-political easing. The IMF predicts an increase in gross domestic product of 2.3% for 2017 and 2.5% for 2018. The unemployment rate in the United States of America will once again sink to 4.7% in 2017 and 4.6% in 2018.[39]

In Europe, a devaluation against the US dollar in 2017 has a bolstering effect but the economy in the European Union is hampered by the negative impacts of political uncertainty. Financial policy is expected to remain slightly expansive. Due to the upturn of economic activity outside of Europe, economic expansion is also expected to be supported by exports. Domestic consumption is expected to remain the driver for growth. Furthermore, the weak investment activity in 2017 during the recovery phase is expected to gradually pick up momentum. After two years of virtually unchanged price levels, the rate of inflation is expected to be 1.5% in 2017 and 1.4% in 2018. Potential deflation, which obfuscated the economic expectations for the Eurozone in 2015 and 2016, is not expected to play a role in the current year. According to IfW, the European economy is expected to expand at a barely unchanged rate of 1.9% in 2017 and 1.8% in 2018.[40]

The upturn in Germany is also expected to continue with momentum in 2017 as well. The Kiel Institute for the World Economy (IfW) confirmed its forecast that the German gross domestic product should increase by 1.7% in 2017 and 2% in 2018. The lower rate of growth in the current year is due solely to the lower number of business days. Overall, the upturn is gaining breadth. Private consumption is expected to expand more slowly since purchasing power is being noticeably reduced by approximately 2% due to the oil price-induced increase in inflation. Public consumption is also expected to expand less than previously since additional expenditure will be accrued in the area of immigration of refugees. Investment spending is then expected to pick up pace again in 2017. It is also expected that exports, along with the recovery of the global economy, will continue to increasingly bolster the upturn. Overall, macroeconomic capacity utilisation is expected to increase significantly and exceed capacity in 2018. The German economy is therefore headed towards a boom. Strong employment momentum is accompanying the upturn. In 2017, the rate of unemployment is expected to sink to 5.7% and to 5.5% in 2018. The number of unemployed is expected to fall below 2.5 million in 2018.[41]

According to the Kiel Institute for the World Economy (IfW), the situation in the emerging and developing countries has stabilised and is expected to develop strong economic momentum in 2017. Signs of an economic recovery are on the rise but structural problems persist. In China, however, the fiscal policy impulses have led to an increase in macroeconomic debt, which means that financial stability is increasingly in danger. The IfW predicts an expansion in 2017 in the macroeconomic production of the People's Republic of over 6%.[42]

Future industry situation

After the number of printed books sold in Germany in 2016 rose again for the first time in three years, the economic situation of the industry is looking good according to the Börsenverein des Deutschen Buchhandels [Capital Market Group of German Booksellers]. Online business is an important growth driver that is also intensively exploited and developed by the retail book market. Bookshops are now also selling books online as well as distributing eBooks. Publishing houses and bookshops are therefore working intensively on digital forms of publication and sales models. In contrast, the book trade is also expecting a decline in stationary frequency once again in 2017.[43] In the current year, bookshops will be supported by the nationwide initiative for the entire book industry, "Vorsicht Buch!" ("Watch out! Book!), which includes a revised bookshop search engine. Customers will be able to find their way to their stationary bookshop or online shop, easier and faster than ever before. Data concerning over 4,300 bookshops has been updated and expanded with practical features. A link leads directly to the online shop from the individual shop's profile. With the click of a button, the bookshop's profile is connected to the Google Maps route planner – thus making it easier to find the fastest route to the book, whether by foot, car or public transport.[44] The fact that the book industry is using a communication campaign to advertise career entry

[38] https://openknowledge.worldbank.org/bitstream/handle/10986/25823/9781464810169.pdf
[39] http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/USA/Wirtschaft_node.html
[40] https://www.ifw-kiel.de/pub/kieler-konjunkturberichte/2017/kkb_27_2017-q1_welt_de.pdf
[41] https://www.ifw-kiel.de/pub/kieler-konjunkturberichte/2017/kkb_29_2017-q1_deutschland_de.pdf
[42] https://www.ifw-kiel.de/pub/kieler-konjunkturberichte/2017/kkb_27_2017-q1_welt_de.pdf
[43] https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1298938
[44] https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1290300

into book selling in 2017, too, underlines the promising prospects of the sector. “Vorsicht Buch!” also draws attention to the appeal of professions in the book industry. The various training areas in publishing houses and the book trade are among the most versatile commercial professions. For junior employees, extra-occupational study is now a popular route into a wide range of development potentialities and career paths. According to “Vorsicht Buch!”, publishing and the book industry have every reason to confidently compete for young talent.[45]

According to the Media Control market research institute, the book industry recorded an increase in turnover of 2.4% in January 2017. However, the industry was not able to carry the momentum from the start of the year into February and recorded a decline of 6.7% compared to the previous year. The weak result in February resulted in the first two months totalling 2.1% under the previous year’s values.[46] According to Media Control, the fact that the German book market lagged behind the comparable period in the first quarter of 2017 was due, in particular, to the reduced demand for novels and thrillers. Particularly in the target group of the 30 to 49-year-old, predominantly female readership, an above-average decline of 8% was observed in comparison to the previous year.[47]

The establishment of **eBooks** has ensured a shift in market share in favour of electronic books – albeit at a low level. In order to be well-positioned in the market for the coming years, the sale of eBooks therefore also remains an important future issue for stationary bookshops. Bastei Lübbe is developing its own series in German and English, and is also selling previously unpublished series in a digital format. Turnover from eBooks increased by 2.6% in 2016, admittedly less than the previous year but the lower increase was a result of the lower prices of eBooks, whilst the sales figures of eBooks increased more strongly by 4.1%. The Börsenverein des Deutschen Buchhandels considers the eBook to be an established medium and an important format for publishers and bookshops. The prominence of eBooks is expected to increase further in the future.[48] According to bitkom, the threshold to try the new medium is still high. The eBook market needs new impulses in order to build new momentum. Editing printed books into digital formats such as eBooks – to structure content geared to the target group – is, however, in the opinion of the experts at bitkom an invaluable asset in comparison to printed books for appealing to readers via a user-friendly, interactive app or web application.[49] According to the statista market research institute, a total turnover from eBooks of EUR 377 million was earned in Germany in 2017. The size of the market is expected to increase to EUR 390 million by 2021. This equates to an average rate of growth of 0.8% per year.[50]

The games industry is looking forward to the coming years with optimism. The experts at PwC expect the market for **computer and video games** to remain a dynamic growth market, forecasting average annual growth rates of 3.8%. The most significant development in the German video game industry came from the market for social/casual games. The market for social/casual games includes turnover from games for smart phones and tablets. In addition to the turnover from game sales, income from micro-transactions – purchase of virtual goods – is also included. In addition to the continued growth in the social/casual games sector, revenues in the classic games for PCs and consoles sector are also expected to stabilise once again in the medium-term. The trend towards micro-transactions remains unbroken among the classic gaming platforms and is also the primary driver of expected future growth. Although classic physical sales will indeed remain a key distribution channel, the proportion in relation to digital sales will however continue to decline both for PCs as well as for consoles. The continuously improving technical performance and increasing distribution of smart phones and tablets will act as a driver of sales. The increasing quality and complexity of games will also contribute to this, whereby an increased willingness to pay on the part of players has been achieved alongside an expansion of the general user base. Where games in this segment were, until very recently, primarily designed for ease of access and entertainment, now you can find numerous games from well-known genres for PCs and consoles on mobile devices too.

As various industries have successfully demonstrated, more and more video game providers are now starting to make their products available via the Cloud. Although the German market has developed little until now when compared internationally, various participants have now begun offering improved products and have concluded new cooperative relationships. As a result, cloud gaming now has better opportunities to develop its potential within the video games market, establish itself there and generate a increasing level of sales.[51]

According to the Bundesverband Interaktive Unterhaltungssoftware [Federal Association of Interactive Entertainment Software], game apps remain a growth driver in the German market for **computer and video games** and are also among the most popular applications for smart phones and tablets. Within one year, the proportion of users playing daily on their smart phones increased by 600,000 to 8.1 million people. In this part of the world, 3.9 million a day people use tablets to play. Thus the games industry continues to show growth potential. Positive impulses such as revised models of current console generations as well as the release of completely new devices, provide 2017 with a strong outlook for development.[52]

Subscriptions and **streaming services for books**, so-called flat rate models, are also increasing in importance. With a monthly package, readers have access to a wide selection of books. According to the industry organisation bitkom, in 2016

[45] https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1298571
[46] http://www.boersenblatt.net/artikel-daten_zur_umsatzentwicklung_in_der_buchbranche.1299851.html
[47] http://www.media-control.de/im-segment-krimi-und-romane-bilden-die-frauen-die.html?page=1
[48] https://www.boersenblatt.net/artikel-e-book-zahlen_2016.1288559.html
[49] https://www.bitkom.org/Presse/Presseinformation/Nutzung-von-E-Books-bleibt-stabil.html
[50] https://de.statista.com/outlook/213/137/ebook/deutschland
[51] https://outlook.pwc.de/outlooks/2016-2020/videospiele/
[52] https://www.biu-online.de/blog/2017/04/12/markt-fuer-spiele-apps-waechst-2016-um-30-prozent/

only 13% of eBook readers used a subscription or streaming service.[53] Streaming services for books should profit from curated models in the future, offering readers individually tailored eBooks.[54] The industry's book streaming segment is also being given a boost thanks to short-format, multimedia and attractive reading content, as well as exclusive content, series and comics. In this sector, content is presented on tablets and smartphones and not on an eReader as with a classic eBook.[55] Using the oolipo streaming portal, Bastei Lübbe is using this opportunity to gain new and younger target groups for digital reading who prefer the digital screen of a smartphone to the printed copy.[56] While currently in Germany only 20 per cent of media sales are transacted online, eco, the Association of the Internet Industry, expects a sharp upward trend. According to them, downloading and on-demand services are seeing high rates of growth, averaging 15% annually while traditional media is losing more and more market share.[57] In 2016, for example, sales of books increased, with a plus of 0.8%, for the first time in three years.[58]

The **novel booklets** segment has posted a fall in sales development in the past year compared to the previous year. The "men's novels" sub-group, in which Bastei Lübbe remains the market leader in Germany, stagnated with only a 0.2% drop in sales whereas the "doctor novels" (UG 21) increased in sales by 3.6%. This is, however, due to a 9.1% increase in title output by the competition. During the last year, the competition concentrated on publishing anthologies and reusable content. New products are rarely published. Bastei Lübbe is also increasingly serving this market and has announced corresponding new publications.

Unlike the puzzle magazine market, a Media Control study has shown that the classic novel booklet segment only has one large market player besides Bastei Lübbe. As part of the product range optimisation by press wholesalers, however, the presence of novel booklets in retailers has ramped down even more since 2014 in order to deal with the excess stocks on the shelves. Sales displays are becoming important again. In this context, Bastei Lübbe initiated a "shelf metre" together with a large market participant and implemented a "shelf test" in a selected Grosso area. The success of both measures appear optimistic. Greater importance is attached to regular readers and the bond between reader and publication in the case of novel booklets. This is achieved and indeed promoted by the sequel-like and serial nature of the products. A positive image and strong customer loyalty are hence also crucial in this segment in light of the market characteristics.

The **puzzle market** saw a slight dip in sales in 2016 compared to the previous year. While prize puzzles continued to see further declines, sales grew by 8.4% in the "Rätsel mit Mutterobjekt allgemein" ["General Puzzles With Parent Object"] sub-group operated by Bastei Lübbe. The importance of well-known brands is increasingly outbalanced as a result of the intense competition and interchangeability of many puzzle books. As a result, some of the most successful launches in recent years include: "Bild der Frau Rätsel" and "Neue Post Rätsel" from the house of Bastei Lübbe. The puzzle market is characterised by a heterogeneous target group with a particularly loyal and passionate readership. In addition to the increasingly attractive nature of online puzzles, solving crosswords in a magazine using a pen remains popular. Thanks to new formats such as sudoku, the puzzle fan community in Germany is becoming both larger and younger. Guessing games are used both as a technique to increase creativity in companies as well as to preserve mental efficiency in the elderly. According to the experts, there is hardly any need at present to get rid of the crossword, particularly given that younger target audiences are once again being attracted to the charm of the crossword and use it as an alternative to online activities. When purchasing puzzle magazines, customers predominantly go for double purchases and buy two or more magazines at the same time.[59] Overall, the number of puzzle fans in Germany therefore has the potential to develop positively in the coming years.

In a time of fiction books and digital media, novel booklets, with their millions of copies and a loyal readership, are an attractive niche in the book market. Moreover, publishing houses are continuing to develop the lucrative niche and are revitalising the novel booklet as an eBook in several respects. This development is supported by the need for a happy ending in uncertain times. Via digital media, it is also possible, at low marginal costs, to reorder published editions previously only printed as novel booklets and to offer titles that are only published electronically; in the genres of steampunk, gender romance and erotica, for example. in this, additional exploitation possibilities are open to publishing houses. Bastei Lübbe's oolipo streaming portal enables a renaissance of the novel booklet, too, through short-format, multi-media and attractive reading content on smart phones. Audiobooks are also suitable for giving classics a new guise.[60]

The **non-book** segment comprises gift items, merchandising and similar products sold under the Räder label. The **gift market** is also showing a positive trend at a constant high level for 2017. The stable economy and consumer income expectations put consumers in a buying mood at the end of 2016.[61] Higher spending on housing is not deterring Germans from also increasing spending on living in 2017. Consumer spending follows directly after food and daily requirements as well as spending on mobility.[62]

[53] https://www.bitkom.org/Presse/Presseinformation/Nutzung-von-E-Books-bleibt-stabil.html
[54] https://www.buchreport.de/2016/10/24/bookchoice-die-digitale-rueckkehr-des-buch-clubs/
[55] http://www.boersenblatt.net/artikel-neues_streaming-portal_der_bastei_luebbe_ag.1042751.html
[56] https://www.buchreport.de/2017/01/30/die-zielgruppen-suche/
[57] https://www.eco.de/2017/pressemeldungen/streaming-dienste-fuer-videos-und-musik-legen-2017-kraeftig-zu.html
[58] https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1298571
[59] http://www.pgmitte.de/files/PDF/EH/VDZ%20RCR-EH.pdf
[60] http://www.sueddeutsche.de/wirtschaft/groschenromane-ein-bisschen-glueck-fuer-euro-1.3425761#redirectedFromLandingpage
[61] http://www.gfk.com/de/insights/press-release/jeder-zweite-deutsche-ist-weihnachts-fan-den-handel-freut-es/
[62] http://www.einzelhandel.de/index.php/konsummonitor/item/download/10039_66818a9534b6e5e2b321440c8c3be257

Outlook

The 2017/2018 financial year will be characterised by potential bestsellers. The blockbusters “Origin” by Dan Brown, “Das Fundament der Ewigkeit” by Ken Follett and “Gregs Tagebuch 12” by Jeff Kinney will ensure growth in turnover and profit for both Bastei Lübbe AG and BuchPartner GmbH. BuchPartner GmbH will also be able to generate growth through the significant increase in the amount of managed spaces from around 4,000 to 5,200 (especially in food retailing). In addition to the previously published bestsellers “Shadow Tactics” and “The Long Journey Home”, the bestsellers “State of Mind” and “Pillars of the Earth” are among the highlights for Daedalic Entertainment GmbH.

Group sales of around EUR 160 million are expected. It should be taken into account that, in comparison to the previous year, approximately EUR 15 million of turnover will be missing in the 2017/2018 financial year due to the sale of the Räder division. The largest contributions come from Bastei Lübbe AG with approximately EUR 105 million, BuchPartner GmbH with approximately EUR 46 million and Daedalic Entertainment GmbH with approximately EUR 10 million.

Turnover from the “book” and “digital” segments will rise significantly due to the blockbusters. The sames applies to the “retail” segment due to the expansion in space described above. The “novel booklets and puzzle magazines” segment will likely maintain the turnover of the previous year. The “non-book” segment is omitted due to the sale of the Räder division.

The EBITDA for the 2017/2018 financial year will significantly exceed the EBITDA for the 2016/2017 financial year and will likely fall somewhere between EUR 14 and 17 million. All fully-consolidated subsidiaries are included in the EBITDA with the exception of oolipo AG and BEAM Shop GmbH, which will also generate negative period results in the 2017/2018 financial year. The EBITDA of the “book” segment will increase significantly, due in particular to the three blockbusters mentioned above. The same applies for the “digital” segment, due partly to the three blockbusters from Bastei Lübbe (eBook and audiobook) but also due to the corresponding bestsellers at Daedalic. The EBITDA of the “retail” segment will also develop very positively in light of the expansion of managed spaces. The EBITDA of the “novel booklets and puzzle magazines” segments will remain the same in comparison to the previous year.

In addition to the numerous blockbusters from Bastei Lübbe AG and Daedalic Entertainment GmbH, the year is also on the right path in terms of progression. Cooperation with BuchPartner GmbH is expected to deepen further. This cooperation should enable the distribution of joint exclusive products, which are popular among food retailing customers, through BuchPartner. BuchPartner’s distribution network is to be further expanded. Daedalic will continue to develop technologically and, among other things, offer products in the field of virtual reality. oolipo is publishing software that will enable third-party publishers and/or self-publishers to upload short, multi-media content onto the platform. Thus the amount of content is expected to increase dramatically in the fourth quarter. Furthermore, the Android app will be published in the third quarter. In addition to the blockbusters, Bastei Lübbe AG will further promote the development of its own content. The “Cherringham” series shows that this should be implemented both as an eBook and as an audiobook in the DACH region and in the UK.

If the seasonal credit lines required to pre-finance the blockbusters by Dan Brown and Ken Follett are not granted by the consortium banks, this could lead to liquidity bottle-necks. In the event that they are not granted, Bastei Lübbe would have to look for alternative financing options (extended credit lines with other banks, factoring etc.). Furthermore, the Bastei Lübbe Group still possesses a stable financial and liquidity structure, and is in a position to fulfil its payment obligations at all times. The Executive Board anticipates positive overall developments for the current and upcoming years.

Remuneration report

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

Executive Board remuneration

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

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

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

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

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

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

Fringe benefits essentially include the use of company cars. The members of the Executive Board did not receive any pension commitments in the 2014/2015 fiscal year, but receive a pension of EUR 20,000 each year with effect from 1 April 2015.

The management bonus for the 2014/2015 financial year remains in place in accordance with the stipulations in the employment contract from 11 April 2016 despite the auditing amendment. The management bonus for the 2015/2016 financial year has changed as a result of the auditing corrections. In the future, the over-payments resulting from the change to the EBITDA indicators will be offset against the outstanding management bonus amounts for the 2014/2015, 2015/2016 and 2016/2017 financial years. Specifically, this means that over-payments for the 2015/2016 financial year will initially be offset against outstanding management bonus amounts for the 2014/2015 financial year and then against those for the 2015/2016 financial year and finally against those for the 2016/2017 year in the order of their due date. There is no interest on the company's redemption claims because of the over-payment of management bonuses. Management bonus claims are disbursed in accordance with the executive employment contract provided that they are not forfeited by offsetting in accordance with this agreement.

The entire remuneration of the Executive Board for the 2016/2017 fiscal year, as well as allocations in non-variable and variable compensation, is shown in the tables below (recommended by the Corporate Governance Code).

Remuneration of the Executive Board – benefits granted

	Thomas Schierack Chairman since 9 July 2013				Klaus Kluge Board Marketing & Sales since 9 July 2013			
in KEUR	2016/17	2016/17 min.	2016/17 max.	2015/16*	2016/17	2016/17 min.	2016/17 max.	2015/16*
Non-variable compensation	430	430	430	400	310	310	310	280
Fringe benefits	24	24	24	12	23	23	23	9
Sum of non-variable comp.	**454**	**454**	**454**	**412**	**333**	**333**	**333**	**289**
One-year variable comp.								
Bonus	57	0	unlimited	71	38	0	unlimited	47
Multi-year variable comp.								
Bonus 2016/17 - 2018/19	24	0	unlimited	-	16	0	unlimited	-
Bonus 2015/16 - 2017/18	-	0	unlimited	15	-	0	unlimited	10
Other variable compensation	-	-	-	295	-	-	-	-
Compensation	-	-	-	-	-	-	-	-
Sum of variable comp.	**81**	**0**	unlimited	**381**	**54**	**0**	unlimited	**57**
Pension benefits	20	20	20	20	20	20	20	20
Total remuneration	**555**	**474**	unlimited	**813**	**407**	**353**	unlimited	**366**

	Felix Rudloff Board Programme 9 July 2013 - 31 December 2015				Jörg Plathner Board Digital 1 September 2014 - 18 August 2015			
in KEUR	2016/17	2016/17 min.	2016/17 max.	2015/16	2016/17	2016/17 min.	2016/17 max.	2015/16*
Non-variable compensation	-	-	-	130	-	-	-	95
Fringe benefits	-	-	-	7	-	-	-	4
Sum of non-variable comp.	**0**	**0**	**0**	**137**	**0**	**0**	**0**	**99**
One-year variable comp.								
Management bonus	-	-	unlimited	-	-	-	unlimited	15
Multi-year variable comp.								
Bonus 2015/16 - 2017/18	-	-	unlimited	-	-	-	unlimited	3
Bonus 2014/15-2016/17	-	-	unlimited	-	-	-	unlimited	-
Other variable compensation	-	-	-	-	-	-	-	-
Compensation	-	-	-	320	-	-	-	550
Sum of variable comp.	**0**	**0**	unlimited	**320**	**0**	**0**	unlimited	**568**
Pension benefits	-	-	-	20	-	-	-	20
Total remuneration	**0**	**0**	unlimited	**477**	**0**	**0**	unlimited	**687**

* the previous year's figures have been adjusted due to the change in the corresponding provision

Remuneration of the Executive Board – allocations

	Thomas Schierack Chairman since 9 July 2013		**Klaus Kluge** Board Marketing & Sales since 9 July 2013	
in KEUR	2016/17	2015/16	2016/17	2015/16
Non-variable compensation	430	400	310	280
Fringe benefits	24	12	23	9
Sum of non-variable comp.	**454**	**412**	**333**	**289**
One-year variable comp.				
Bonus FY 2014/15	-	155	-	93
Bonus FY 2015/16	41	115	29	75
Multi-year variable comp.				
Bonus FY 2013/14	27	28	16	17
Bonus FY 2014/15	33	-	20	-
Other variable compensation	-	295	-	-
Compensation	-	-	-	-
Sum of variable comp.	**101**	**593**	**65**	**185**
Pension benefits	20	20	20	20
Total remuneration	**575**	**1,025**	**418**	**494**

	Felix Rudloff Board Programme 9 July 2013 - 31 December 2015		**Jörg Plathner** Board Digital 1 September 2014 - 18 August 2015	
in KEUR	2016/17	2015/16	2016/17	2015/16
Non-variable compensation	-	130	-	95
Fringe benefits	-	7	-	4
Sum of non-variable comp.	**0**	**137**	**0**	**99**
One-year variable comp.				
Bonus FY 2014/15	-	93	-	54
Bonus FY 2015/16	-	-	30	-
Multi-year variable comp.				
Bonus FY 2013/14	-	17	-	-
Bonus FY 2014/15	-	-	12	-
Other variable compensation	-	-	-	-
Compensation	-	320	-	550
Sum of variable comp.	**0**	**430**	**42**	**604**
Pension benefits	-	20	-	20
Total remuneration	**0**	**587**	**42**	**723**

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

Supervisory Board remuneration

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

Members of the Supervisory Board who were in office up to 30/11/2016 received the following remuneration:

in KEUR	Non-variable
Dr. Friedrich Wehrle, Chair of the Supervisory Board	40
Prof. Dr. Michael Nelles, Vice Chair	30
Prof. Dr Gordian Hasselblatt	20
Total remuneration FY 2016/2017	**90**

The Supervisory Board newly elected at the Annual General Meeting on 30/11/2016 received the following remuneration during the period between 01/12/2016 - 31/03/2017:

in KEUR	Non-variable
Robert Stein, Chairman of the Supervisory Board	27
Dr Mirko Caspar, Deputy Chairman	20
Prof. Dr Friedrich L. Ekey	13
Total remuneration FY 2016/2017	**60**

Other disclosures under section 314(4) of the German Commercial Code (HGB)

Composition of subscribed capital

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

According to the available voting right notifications, only Birgit Lübbe, Cologne, held more than 10% of the voting rights on the balance sheet date. See also the information on notifications published in accordance with Section 20(6) AktG and Section 26(1) WpHG (Section 160(1) No. 8 in the Notes).

Appointment and removal of members of the Executive Board

The Supervisory Board is responsible for determining the number of members of the Executive Board, their appointment and removal and the conclusion, amendment and termination of employment contracts with Executive Board members. The Supervisory Board may appoint an Executive Board member as Chair or spokesperson for the Executive Board, and may appoint a further member as Vice Chair or spokesperson. The Supervisory Board may furthermore assign one or all members of the Executive Board sole power of representation. The Supervisory Board may allow one or all Executive Board members to conclude legal transactions with themselves as legal representatives of a third party (exemption from the restriction contained in Section 181, 2 alternative, of the German Civil Code [BGB]).

Amending the Articles of Association

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

Powers of the Executive Board to issue or buyback shares

The following resolution was adopted at the Annual General Meeting held on 10 September 2013:

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

   The authorisation hereby granted will automatically expire without the need for an explicit rescission upon the entry into force of a new authorisation with regard to the purchase of own shares pursuant to Section 71(1) No. 8 AktG. Notwithstanding the above, the authorisation hereby granted will expire at the latest at midnight on 1 September 2018.

2. The Executive Board is permitted, with the permission of the Supervisory Board, to use its own shares for any permissible purpose, with the exception of trading in own shares, particularly to effect a sale of acquired own shares in full via the stock market or in another manner, in full or in part, via the stock market or by offering them to all shareholders when acquired own shares are sold at a price which does not fall below or exceed the stock market price of Company shares of the same unit class by more than 5% at the time of sale. This authorisation is limited to a maximum total of 10% of the share capital of the Company. The applicable stock market price within the meaning of the aforementioned regulation is the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally-comparable successor system) by more than 5% during the respective last ten trading days preceding the sale of the share.

3. The Executive Board is furthermore permitted, with the consent of the Supervisory Board, to incorporate its own shares in full or in part without further resolutions of the Annual General Meeting.

4. The Executive Board is also permitted, with the consent of the Supervisory Board, to use its own shares as (partial) compensation in the context of company mergers or to acquire companies, participations in companies or parts of a company. The value (price) at which shares of the Company may be used according to the authorisation referred to in these paragraphs may not go more than 5% under the stock market price of shares of the Company of the same unit class at the time of sale. The applicable stock market price within the meaning of the aforementioned regulation is the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally-comparable successor system) during the respective ten stock market days preceding the use of the share.

5. The subscription right of the shareholders is excluded from the implementation of the measures beyond the stock exchange listed above under 2. and 4.. The authorisation described in 2. and 4. above may be used wholly or in part.

Powers of the Executive Board to increase the company's share capital through the issue of new, no-par bearer shares

The following resolution was adopted at the Annual General Meeting held on 30 November 2016:

1. For a period of two years from the date of entry of section 7 of the Articles of Association into the commercial register, the Managing Board is authorised to carry out a one-off increase in the share capital of the company with the approval of the Supervisory Board against cash contributions by up to EUR 1,330,000.00 through the issue of new, no-par bearer shares (Authorised Capital 2016).

2. The Managing Board is authorised to decide on barring statutory shareholder subscription rights, subject to the approval of the Supervisory Board. An exclusion of subscription rights is only permitted, however, if the proportion of share capital represented by the new shares does not in total exceed 10% of the share capital, and neither at the time that this authorization becomes effective through entry of the Authorized Capital 2016 in the commercial register nor at the time of exercising this authorization does the issue price of the new shares significantly fall below the stock purchase price of the existing listed shares at the time the Managing Board defines the final issue

amount, which should occur as close in time as possible to the placement of the shares, pursuant to Sections 203 (1) and (2), 186 (3) sentence 4 AktG. Insofar as no other authorizations to issue or sell shares of the company or to issue rights allowing or requiring the subscription of shares of the company are exercised for the duration of the Authorized Capital 2016, and the subscription right pursuant to or in accordance with Section 186 (3) sentence 4 AktG is excluded, this can be offset against the aforementioned 10% limit.

3. Furthermore, the Managing Board is authorised to define all other content of the share rights and the conditions for the issue of shares, with the approval of the Supervisory Board, when carrying out the capital increase from the Authorised Capital 2016.

4. The Supervisory Board is authorised to adapt the wording of the Articles of Association in line with the use of the Authorised Capital 2016 or at the end of the authorisation period.

The following Section 7 is added to the Articles of Association:

"§ 7 Authorized Capital

1. For a period of two years from the date of entry of § 7 of the Articles of Association into the commercial register, the Managing Board is authorized to carry out a one-off increase in the share capital of the company with the approval of the Supervisory Board against cash contributions by up to EUR 1,330,000.00 through the issue of new, no-par bearer shares (Authorized Capital 2016).

2. The Managing Board is authorized to decide on barring statutory shareholder subscription rights, subject to the approval of the Supervisory Board. An exclusion of subscription rights is only permitted, however, if the proportion of share capital represented by the new shares does not in total exceed 10% of the share capital, and neither at the time that this authorization becomes effective through entry of the Authorized Capital 2016 in the commercial register nor at the time of exercising this authorization does the issue price of the new shares significantly fall below the stock purchase price of the existing listed shares at the time the Managing Board defines the final issue amount, which should occur as close in time as possible to the placement of the shares, pursuant to Sections 203 (1) and (2), 186 (3) sentence 4 AktG. Insofar as no other authorizations to issue or sell shares of the company or to issue rights allowing or requiring the subscription of shares of the company are exercised for the duration of the Authorized Capital 2016, and the subscription right pursuant to or in accordance with Section 186 (3) sentence 4 AktG is excluded, this can be offset against the aforementioned 10% limit.

3. Furthermore, the Managing Board is authorized to define all other content of the share rights and the conditions for the issue of shares, with the approval of the Supervisory Board, when carrying out the capital increase from the Authorized Capital 2016.

4. The Supervisory Board is authorized to adapt the wording of the Articles of Association in line with the use of the Authorized Capital 2016 or at the end of the authorization period."

Material agreements which are subject to a change of control

In the context of the issued bonds, there existed agreements which were subject to a change of control as a result of a takeover bid. Guidelines concerning this are no longer applicable following the repayment of the bond on 26 October.

Voting right notifications in accordance with Section 21(1) WpHG

Ms Birgit Lübbe, Germany, informed us on 17/10/2014 in accordance with Section 21(1) of the Securities Trading Act (WpHG) that her share in the voting rights of Bastei Lübbe, Cologne, Germany, had dropped below the threshold of 50% of the voting shares on 13/10/2014 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) 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, Germany, 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).

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

The declaration on management is published on the Bastei Lübbe website and available at the following link:
https://www.luebbe.com/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung

Cologne, 27 July 2017

Bastei Lübbe AG

The Executive Board

Thomas Schierack Chairman	Klaus Kluge Board Programme, Sales and Marketing	Ulrich Zimmermann Chief Financial Officer

Corporate Governance

Supervisory Board report

Robert Stein, Chair of the Supervisory Board

Dear Shareholders,

The recent 2016/2017 financial year presented Bastei Lübbe with some special challenges. These included the financial evaluation of shares in oolipo AG and in Daedalic Entertainment GmbH. The sale of shares, which ultimately was not implemented, led to a retroactive change in the group of consolidated companies and, as a consequence, also to a change in the consolidated financial statements for the 2015/2016 financial year. It was therefore only possible for Bastei Lübbe to publish the 2015/2016 consolidated financial statements in the third quarter of the 2016/2017 financial year. Due to the new appointment of the entire Supervisory Board at the Annual General Meeting on 30 November 2016, this report was prepared with the collaboration of Dr Friedrich Wehrle, the former Chairman of the Supervisory Board, who is responsible for the content of the report until the date of the General Meeting.

Operationally, the Executive Board and Supervisory Board adhered to the chosen strategy of expanding the publishing house into a digital media house without disregarding the improvement and expansion of the traditional book business while doing so. In addition, it was possible to extend the added value chain in publishing by involving the wholesale book company, BuchPartner GmbH. In this way, Bastei Lübbe linked the publishing business with the stationary book trade. The Supervisory Board participated in the strategic implementation of the project, within the scope of its advisory function, through constructive meetings with the Executive Board.

In the report below, the Supervisory Board provides an overview of its activities in the previous financial year and of the results of the audit that was carried out on the 2016/2017 annual financial statements. In the reporting year, the Supervisory Board diligently performed all control and consulting duties incumbent upon it by law, the Articles of Association and the rules of procedure. Further, the Supervisory Board closely followed the work of the Executive Board, regularly advised the Executive Board in the management of the Company and supervised the Company’s management by receiving reports from and holding joint meetings with the Executive Board. Moreover, the Supervisory Board satisfied itself as to the legality, regularity, effectiveness and efficiency of Company management. In the reporting year, we made use of the opportunity to appreciate the company’s books and publications (Section 111(2) AktG). With the support of the auditors, we subjected the company’s planning system to a separate audit. The result showed that planning by Bastei Lübbe was sufficient but additional improvements are planned. We were always involved in a timely and appropriate fashion in any decisions that were fundamental for the Company or in which the Supervisory Board had to be included by law or under the Articles of Association.

A variety of issues were discussed in detail in the 2016/2017 financial year. Written and oral reports from the Executive Board to the Supervisory Board formed the basis for this involvement. The Executive Board kept us informed on a regular basis and in a timely fashion of the performance of the business, the earnings and financial position and employment situation, as well as the Company’s future plans and further strategic development. Any deviations from the plans were explained to the Supervisory Board. The risk situation and risk management were carefully taken into account in this process.

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

The Executive Board also informed the Supervisory Board promptly, and in writing, even in between the routine meetings about business transactions that were of major importance for the Company.

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

In compliance with Section 110(1) sentence 1 of the Companies Act, the supervisory body held a total of six ordinary meetings and five extraordinary meetings in the 2016/2017 fiscal year. The Supervisory Board also convened for a constituent meeting on 2 December 2016. The ordinary meetings took place on 25 April 2016, 14 June 2016, 5 October 2016, 8 November 2016, 15 November 2016 and 14 February 2017, each time in Cologne. The five extraordinary Supervisory Board meetings took place on 9 June 2016, 8 September 2016, 19 December 2016, 26 January 2017 and 16 March 2017 in Cologne. On 23 August 2016, a combined Supervisory Board and Executive Board telephone conference was also held. On 17 October 2016, a meeting was implemented by written circulation procedure. All members of the Supervisory Board attended both the ordinary and extraordinary meetings as well as the telephone conference. Where necessary, the Supervisory Board adopted resolutions in writing.

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

- Current development of the business in 2016/2017,
- Retroactive change in the group of consolidated companies and the balance sheets,
- presentation of Company liquidity,
- investment planning,
- Planning and budget for 2017/2018,
- Scheduling for 2017/2018 and planning of the ordinary Annual General Meeting,
- future development and strategy of the Company and its segments,
- personnel planning and organisational structure,
- Group structure,
- internationalisation,
- acquisitions,
- the development of the oolipo streaming platform,
- the development of the Daedalic Entertainment participation as well as
- activities on the capital market.

We also discussed the following topics at the individual meetings of the 2016/2017 fiscal year:

Ordinary meeting held on 25 April 2016

Planning for the 2016/2017 to 2018/2019 financial years was presented at the meeting held on 25 April 2016. The focus of the meeting was on the preparation of a report by the Executive Board on the acquisition of BuchPartner GmbH and fiction label LYX from the EGMONT Publishing International publishing house. The current state of development of Daedalic Entertainment was also discussed in detail, and financing for the implementation of the game publisher's growth plans was discussed.

Extraordinary meeting held on 9 July 2016

In the extraordinary meeting of the Supervisory Board on 9 June 2016, the Executive Board presented the preliminary figures for the 2015/2016 financial year. In addition, the Supervisory Board and Executive Board decided at the General Meeting to propose a payout of a dividend amounting to 10 cents per share. The statement of compliance was also decided upon in the meeting and the compliance regulations were discussed.

Ordinary meeting held on 14 June 2016

At the meeting held on 14 June 2016, the Executive Board reported to the Supervisory Board on the 2015/2016 annual financial statements. The Supervisory Board discussed this report in detail. The auditor took part in the meeting for this point of order. In addition, the whole Executive Board was present for this, and provided supplementary and explanatory information. 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 2016, as well as the consolidated financial statements and Group management report as of 31 March 2016. In the meeting held on 14 June 2016, following an extensive audit, the Supervisory Board approved the company's annual financial statements for the financial year ending 31 March 2016, both in accordance with HGB and IFRS standards. Further, the Supervisory Board discussed the agenda for the 2016 General Meeting, including proposed resolutions from management.

Extraordinary meeting held on 23 August 2016 (telephone conference)

In the extraordinary meeting of the Supervisory Board that was held as a telephone conference on 23 August 2016, the Executive Board and Supervisory board discussed, in detail, the change to the balance sheets of 31 March 2015/2016 proposed by KPMG. The Supervisory Board and Executive Board decided unanimously that the Executive Board should re-compile the balance sheets. With that said, it was also decided that the General Meeting that had been scheduled for 15 September 2016 should be cancelled. It was planned to convene the General Meeting on 30 November 2016.

Ordinary meeting held on 8 September 2016

In the meeting on 8 September 2016, the Executive Board reported, in detail, on the amended balance sheets in accordance with IFRS and on the P&L as at 31 March 2016. The changes from the previous year were also discussed in detail. The schedule and further course of action were adjusted. In addition, the next Supervisory Board meeting was set for 5 October 2016 to assess the annual financial statements in accordance with HGB and the consolidated financial statements in accordance with IFRS.

Ordinary meeting held on 5 October 2016

In the meeting on 5 October 2016, the Executive Board explained the annual financial statements of Bastei Lübbe AG to the Supervisory Board in accordance with HGB and the consolidated financial statements in accordance with IFRS, as amended on 4 October 2016, for the financial year ending 31 March 2016. The Supervisory Board discussed this report in detail. The auditor took part in the meeting for this point of order. In addition, the whole Executive Board was present for this, and provided supplementary and explanatory information. 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 2016, as well as the consolidated financial statements and Group management report as of 31 March 2016.

Further, the Supervisory Board addressed the sale of the subsidiary Räder in the meeting on 5 October 2016. In addition, the proposed resolution by management with regards to the re-election of the Supervisory Board was passed.

Resolution by written circulation procedure of 17 October 2016

The company's annual financial statements as of 31 March 2016 were approved by the Supervisory Board by written circulation procedure on 17 October 2016 following thorough auditing and the unfettered opinion of KPMG. In addition, the resolution was unanimously passed on the proposal made at the General Meeting to use profits to payout a dividend of 10 cents for every dividend-entitled share.

Ordinary meeting held on 8 November 2016

The meeting held on 8 November 2016 focused on the reporting by the Executive Board on the half-year financial statements as at 30 September 2016. The Executive Board also explained the current state of the Blue Sky purchase price payment and informed the Supervisory Board that, on midnight of 30 November 2016, the unpaid shares in oolipo and Daedalic will automatically return to Bastei Lübbe AG. In addition, the negotiations concerning the potential sale of the subsidiary Räder were discussed in detail.

Ordinary meeting held on 15 November 2016

In the meeting on 15 November 2016, the Executive Board reported, in detail, on the cornerstones of the potential sale of the subsidiary Räder. At the meeting, the Supervisory Board agreed to the presented terms of the sale.

Constituent meeting of the Supervisory Board held on 2 December 2016

The members of the Supervisory Board elected in the Bastei Lübbe General Meeting, Prof. Robert Stein, Dr Friedrich L. Ekey and Dr Mirko Caspar, constituted the Supervisory Board and elected Mr Robert Stein as its Chairman.

Extraordinary meeting held on 19 December 2016

The extraordinary meeting on 19 December 2016 focused on the detailed presentation of Bastei Lübbe AG and on the important interests of Bastei Lübbe AG to the newly elected Supervisory Board by the Executive Board. Furthermore, the Supervisory Board approved the confirmation letter for the annual financial statements of Bastei Lübbe AG as of 31 March 2017 by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft. Ebner Stolz was also commissioned to conduct a special audit regarding certain business transactions, in particular in connection with oolipo, Blue Sky and Daedalic. In its meeting on 19 December 2016, the Supervisory Board elected Dr Mirko Caspar as Deputy Chairman with a majority of votes.

Extraordinary meeting held on 26 January 2017

In the extraordinary meeting on 26 January 2017, the Executive Board informed the Supervisory Board of the business transactions with oolipo and Blue Sky from previous financial years. In addition, the Executive Board gave the Supervisory Board an overview of the current status of the strategy and launch preparations of oolipo AG.

Ordinary meeting held on 14 February 2017

The Supervisory Board held its sixth ordinary meeting of the 2016/2017 financial year on 14 February 2017. In the meeting, the Executive Board presented, in detail, the economic situation of the Bastei Lübbe Group. In addition, the Executive Board provided a comprehensive overview of the strategy. The Supervisory Board also informed the Executive Board of the intention to expand the Executive Board by an additional member and to search for candidates with the help of an external consultant. Further, the Executive Board was asked to legally examine whether there were any claims for damages against third parties from the previous year’s balance sheet change.

Extraordinary meeting held on 14 March 2017

During a Supervisory Board meeting without any participation by the Executive Board, it was decided that a monthly report should be introduced for the Supervisory Board and that Ebner Stolz should be commissioned to check the plausibility of the company planning.

In addition, the Supervisory Board personally visited the company’s important participations in the first quarter of 2017 and discussed the business situation and strategic alignment with the respective management teams and the Bastei Lübbe AG Executive Board. With regard to the participations in the digital sector in particular, there was an intensive exchange between the Supervisory Board and the Executive Board.

In March 2017, Bastei Lübbe AG was sued by Conpair AG, represented by its Executive Board and the former Bastei Lübbe AG Supervisory Board member, Prof. Michael Nelles, for the payment of a performance-related fee amounting to EUR 366,520.00 in connection with advisory services in the sale of Räder. The company considers the claims unwarranted and has taken appropriate legal action.

Efficiency review

As recommended by the Corporate Governance Code, the former Supervisory Board also carried out an efficiency review during the 2016/2017 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 2016/2017 fiscal year. With a few exceptions, Bastei Lübbe AG adheres to the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board adopted a resolution on 27 July 2017 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, 5.1.2 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 annual financial statements and the group management report 2016/2017

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, has audited the annual financial statements prepared by the Executive Board in accordance with IFRS regulations, including the status report as well as the Company's management report for the 2016/2017 financial year, and has given its unqualified audit opinion thereof. 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 27 July 2017, at which the Executive Board discussed the annual financial statement and status report including the group management report and the suggestion for the distribution of net profit, and the auditor from 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 status report, the management report and the group management report as well as of the proposal from the Executive Board with regard to the appropriation of net profit, the Supervisory Board had no reason to raise any objections to the annual financial statements, the status report, the management report and the group management report. The Supervisory Board was in agreement with the Executive Board in its estimation of the company's situation, and approved the annual financial statement and consolidated financial statement for the 2016/2017 fiscal year, which is thereby adopted. The Executive Board's proposal for the appropriation of profit was also reviewed with a view to the Company's present and expected future financial situation. Following discussions, the Supervisory Board approved the proposal of the Executive Board on the appropriation of net profit.

New members of the Supervisory Board

In the 2016/2017 fiscal year, the Supervisory Board was made up entirely of new members. Robert Stein has been a member of the Supervisory Board of Bastei Lübbe AG since 30 November 2016. At the Annual General Meeting 2015/2016, the Managing Director of Arcana Capital GmbH was elected to join the Supervisory Board, and in the constituent meeting on 2 December 2016, he was appointed as Chair. Mr Stein took over from Dr Friedrich Wehrle, who stepped down at the Annual General Meeting 2015/2016. In addition, the following two former members of the Supervisory Board stepped down from their respective positions at the Annual General Meeting 2015/2016 were: Dr Michael Nelles and Prof. Dr Gordian Hasselblatt. Dr Mirko Alexander Caspar (Deputy Chairman since 19 December 2016) was also appointed as a member of the Supervisory Board at the Annual General Meeting. He is the Managing Director of Mister Spex, and takes over his position from Dr Michael Nelles. Prof. Dr Friedrich L. Ekey was appointed to the Supervisory Board in place of Prof. Dr Gordian Hasselblatt. Ekey is a solicitor and Professor of Economic Law at the University of Applied Sciences in Cologne (Rheinischen Fachhochschule). The new Supervisory Board was elected for the period remaining until the end of the Annual General Meeting which decides that the Supervisory Board ceases activities at the end of the financial year ending on 31 March 2018. Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe AG is made up of three members.

The Supervisory Board thanks the Executive Board, 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. 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 2017

For the Supervisory Board

Robert Stein / Chair of the Supervisory Board

Corporate governance report

Corporate Governance – Guidelines for Business

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

The German Federal Government originally adopted the German Corporate Governance Code on 26 February 2002. The Code is generally updated on an annual basis. It was most recently updated on 7 February 2017, and was published on this same date. The Code sets out the essential legal regulations and rules for managing and supervising listed companies in Germany, and features nationally and internationally recognised standards for proper and responsible corporate management.

Transparent corporate governance helps to foster the trust of national and international investors, financial markets, clients and other business partners, employees and the public in Bastei Lübbe AG. We publish further information on our corporate governance practices on the Internet at https://www.luebbe.com/de/investor-relations/corporate-governance/directors-dealings. Our declarations of compliance with the Code, Articles of Association as well as a summary of directors' dealings can also be downloaded from this address.

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 € 5,000. The Europe-wide publication requirement and all other reportable share transactions are detailed on our website in the Investor Relations/Directors' Dealings section.

Where any bodies, managers or their close associates/relatives have conducted share transactions during the reporting period, these transactions complied with the normal market standards. There are no known conflicts of interest. The following directors' dealings transactions were disclosed in the reporting year:

1 Information on individuals with management responsibilities, and on any closely related parties

a) Name

Title:	
First name:	Thomas
Surname(s):	Schierack

2. Reason for declaration

a) Position / status

Position:	Executive Board

b) First declaration

3. Information on the issuer, on the participant in the market for emissions certificates, on the auction platform, the auctioning body or the supervisory body

a) Name

Bastei Lübbe AG

b) LEI

529900F1RRY8J20M2I79

4. Information on the transaction / transactions

a) Description of the financial instrument, the type of instrument, identifier

Type:	Debt security
ISIN:	DE000A1K0169

b) Type of transaction

Purchase

c) Prices and volumes

Prices	Volumes
96.5 EUR	43,425.00 EUR

d) Aggregated information

Prices	Volumes
96.5000 EUR	43425.0000 EUR

e) Date of the transaction

18/07/2016 UTC

f) Location of the transaction

Surname:	Frankfurt
MIC:	XFRA

1 Information on individuals with management responsibilities, and on any closely related parties

a) Name

Title:	
First name:	Thomas
Surname(s):	Schierack

2. Reason for declaration

a) Position / status

Position:	Executive Board

b) First declaration

3. Information on the issuer, on the participant in the market for emissions certificates, on the auction platform, the auctioning body or the supervisory body

a) Name

Bastei Lübbe AG

b) LEI

529900F1RRY8J20M2I79

4. Information on the transaction / transactions

a) Description of the financial instrument, the type of instrument, identifier

Type:	Share
ISIN:	DE000A1X3YY0

b) Type of transaction

Purchase

c) Prices and volumes

Prices	Volumes
6.289 EUR	12578.00 EUR

d) Aggregated information

Prices	Volumes
6.289 EUR	12578.00 EUR

e) Date of the transaction

19/07/2016 UTC

f) Location of the transaction

Surname:	Börse Düsseldorf, Quotrix
MIC:	XQTX

1 Information on individuals with management responsibilities, and on any closely related parties

a) Name

Title:	
First name:	Klaus
Surname(s):	Kluge

2. Reason for declaration

a) Position / status

Position:	Executive Board

b) First declaration

3. Information on the issuer, on the participant in the market for emissions certificates, on the auction platform, the auctioning body or the supervisory body

a) Name

Bastei Lübbe AG

b) LEI

529900F1RRY8J20M2I79

4. Information on the transaction / transactions

a) Description of the financial instrument, the type of instrument, identifier

Type:	Share
ISIN:	DE000A1X3YY0

b) Type of transaction

Purchase

c) Prices and volumes

Prices	Volumes
6.141 EUR	3635.47 EUR
6.142 EUR	8647.94 EUR

d) Aggregated information

Prices	Volumes
6.1415 EUR	12283.41 EUR

e) Date of the transaction

20/07/2016 UTC

f) Location of the transaction

Surname:	XETRA Frankfurt
MIC:	XETA

1 Information on individuals with management responsibilities, and on any closely related parties

a) Name

Title:	Dr
First name:	Friedrich
Surname(s):	Wehrle

2. Reason for declaration

a) Position / status

Position:	Supervisory Board

b) First declaration

3. Information on the issuer, on the participant in the market for emissions certificates, on the auction platform, the auctioning body or the supervisory body

a) Name

Bastei Lübbe AG

b) LEI

529900F1RRY8J20M2I79

4. Information on the transaction / transactions

a) Description of the financial instrument, the type of instrument, identifier

Type:	Debt security
ISIN:	DE000A1K0169

b) Type of transaction

Purchase

c) Prices and volumes

Prices	Volumes
95.95 EUR	28772.50 EUR

d) Aggregated information

Prices	Volumes
95.9500 EUR	28772.5000 EUR

e) Date of the transaction

19/07/2016 UTC

f) Location of the transaction

Surname:	Stuttgart
MIC:	XSTU

1 Information on individuals with management responsibilities, and on any closely related parties

a) Name

Title:	
First name:	Anja
Surname(s):	Bornemann

2. Reason for declaration

a) Position / status

Individual has a close relationship with:	
Title:	
First name:	Thomas
Surname(s):	Schierack
Position:	Vorstand

b) First declaration

3. Information on the issuer, on the participant in the market for emissions certificates, on the auction platform, the auctioning body or the supervisory body

a) Name

Bastei Lübbe AG

b) LEI

529900F1RRY8J20M2I79

4. Information on the transaction / transactions

a) Description of the financial instrument, the type of instrument, identifier

Type:	Debt security
ISIN:	DE000A1K0169

b) Type of transaction

Kauf

c) Prices and volumes

Prices	Volumes
95.00 EUR	27550.00 EUR

d) Aggregated information

Prices	Volumes
95.0000 EUR	27550.0000 EUR

e) Date of the transaction

19/07/2016 UTC

f) Location of the transaction

Name:	Börse Düsseldorf
MIC:	XDUS

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

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

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

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

Statement of conformity

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

Bastei Lübbe AG has complied with the recommendations of the government commission German corporate governance codex in the version of 7 February 2017, published in the Bundesanzeiger on 7 February 2017, since the last compliance statement with the exception of the below recommendations, and shall comply with these recommendations in the future with the exception of the those listed below.

Maximum Limit for Board Remuneration (Point 4.2.3 Para. 2 Sentence 6 and Para. 4)

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

Publication of the Consolidated Financial Statement and Management Report (Point 7.1.2)

Contrary to the recommendation in Point 7.1.2, and due to delays in the completion of the consolidated audit, the consolidated financial statement and management report for the 2016/2017 fiscal year was not made accessible within 90 days of the end of the financial year.

Working methods of the Executive and Supervisory Boards

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

For Bastei Lübbe AG, the basic principle for responsible corporate governance is to guarantee that the Executive Board and Supervisory Boards cooperate efficiently by way of responsible and transparent corporate communication. A large number of issues were therefore discussed in detail by the Supervisory Board and Executive Board in the 2016/2017 fiscal year. The Supervisory Board regularly and carefully monitored the work of the Executive Board and continually supported it in an advisory capacity.

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

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

Allocation of responsibilities and working methods of the Executive Board

The Executive Board of Bastei Lübbe AG manages the Company with the aim of creating long-term growth under its own responsibility and in the interest of the Company, thus taking into account the interests of shareholders, of its employees and of other groups that are affiliated with the Company. The Executive Board therefore operates without instructions from third parties and in accordance with the law, the Articles of Association and the rules of procedure for the Executive Board issued by the Supervisory Board, as well as taking into consideration resolutions adopted in Annual General Meetings. When hiring new managerial staff, the Executive Board of Bastei Lübbe AG also takes diversity into account and aims in particular to give appropriate consideration to women.

Notwithstanding the principle of joint responsibility, according to which all members of the Executive Board are jointly responsible for the management of the Company, every member of the Executive Board heads the department allocated to him/her under his/her own responsibility and has sole executive powers in the area of responsibility assigned to him/her. All members are therefore entitled to present envisaged issues to the entire Executive Board in order that they be resolved 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. Since 1 January 2016, the Executive Board has consisted of Thomas Schierack (responsible for finance, law, investor relations, HR, IT, paperback novels and puzzle magazines, production, digital), and Klaus Kluge (responsible for sales, marketing, copyright licencing and content, and the non-book segment). Thomas Schierack and Klaus Kluge were appointed to the Executive Board on 9 July 2013 for a term of five years, thus until 8 July 2018.

Working methods of the Supervisory Board

The Supervisory Board is charged with advising and monitoring the Executive Board 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.

In the 2016/2017 fiscal year, the Supervisory Board was made up entirely of new members. Robert Stein has been a member of the Supervisory Board of Bastei Lübbe AG since 30 November 2016. At the Annual General Meeting 2015/2016, the Managing Director of Arcana Capital GmbH was elected to join the Supervisory Board, and in the constituent meeting on 2 December 2016, he was appointed as Chair. Mr Stein took over from Dr Friedrich Wehrle, who stepped down at the Annual General Meeting 2015/2016. In addition, the following two former members of the Supervisory Board stepped down from their respective positions at the Annual General Meeting 2015/2016 were: Dr Michael Nelles and Prof. Dr Gordian Hasselblatt. Dr Mirko Alexander Caspar (Deputy Chairman since 19 December 2016) was also appointed as a member of the Supervisory Board at the Annual General Meeting. He is the Managing Director of Mister Spex, and takes over his position from Dr Michael Nelles. Prof. Dr Friedrich L. Ekey was appointed to the Supervisory Board in place of Prof. Dr Gordian Hasselblatt. Ekey is a solicitor and Professor of Economic Law at the University of Applied Sciences in Cologne (Rheinischen Fachhochschule). The new Supervisory Board was elected for the period remaining until the end of the Annual General Meeting which decides that the Supervisory Board ceases activities at the end of the financial year ending on 31 March 2018. Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe AG is made up of three members. No committees were formed in the 2016/2017 fiscal year.

The Chair of the Supervisory Board coordinates the work of the Supervisory Board, conducts its meetings and upholds the interests and representation of the Board vis-à-vis third parties. He is in constant and regular contact with the Executive Board, particularly with the Chair, including outside meetings, and discusses major events and pending decisions affecting the Company. No members of the Bastei Lübbe 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 previous financial year between members of the Executive Board and the Supervisory Board of Bastei Lübbe AG that would have needed to be disclosed to the Supervisory Board without delay. No Executive Board members were members of a Supervisory Board of non-affiliated trading companies.

Transparency

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

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

All directors' dealings pursuant to Section 15a WpHG are published on the Company website at https://www.luebbe.com/de/investor-relations/corporate-governance/directors-dealings.

Financial accounting and auditing

The annual financial statements of Bastei Lübbe AG as well as the interim reports conform to International Financial Reporting Standards (IFRS) pursuant to the provisions of the International Accounting Standards Board. During the Annual General Meeting on 30 November 2017, Ebner Stolz GmbH & Co. KG, an auditing company and tax consultancy based in Cologne, was selected to carry out the audit for the 2016/2017 fiscal year.

Cologne, July 2017

For the Supervisory Board

Robert Stein

Chair

For the Executive Board

Thomas Schierack

Chair

Consolidated financial statements dated 31 March 2017

Consolidated profit and loss account and statement of net profit for Bastei Lübbe AG, Cologne, for the period from 1 April 2016 to 31 March 2017

	Note	Cont. office divisions KEUR	Discont. office division KEUR	2016/2017 Total KEUR	Cont. office divisions KEUR	Discont. office division KEUR	2015/2016 Total KEUR
Sales revenue	22.	131,220	15,069	146,289	84,952	16,985	101,937
Change in inventories of finished goods and work in progress	23.	707	2,729	3,436	864	-313	551
Other activated personal contributions	24.	3,528	0	3,528	2,927	0	2,927
Other operating income	25.	717	1,977	2,694	718	126	844
Cost of materials							
a) Expenses for raw materials, supplies, and purchased goods	26.	-25,534	-84	-25,618	-374	-82	-456
b) Expenses for purchased services	26.	-24,916	-7,648	-32,564	-20,177	-6,466	-26,643
c) Expenses for fees and depreciation on author royalties	26.	-25,396	-156	-25,552	-19,677	-151	-19,828
		-75,846	-7,888	-83,734	-40,228	-6,699	-46,927
Personnel costs							
a) Wages and salaries	27.	-23,399	-2,550	-25,949	-17,999	-2,657	-20,656
b) Social security contributions and exp. for pensions and support schemes	27.	-4,274	-417	-4,691	-2,901	-452	-3,353
		-27,673	-2,967	-30,640	-20,900	-3,109	-24,009
Other operating expenses	28.	-31,147	-5,347	-36,494	-24,748	-4,262	-29,010
Result from at-equity accounted investments	29.	0	0	0	31	0	31
Other earnings from investments	29.	349	0	349	396	0	396
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**1,855**	**3,573**	**5,428**	**4,012**	**2,728**	**6,740**
Amortisation on intangible assets and property, plant and equipment	30.	-5,102	-333	-5,435	-3,312	-556	-3,868
Depreciation of financial investments	30.	-312	0	-312	0	0	0
Earnings before interest and taxes (EBIT)		**-3,559**	**3,240**	**-319**	**700**	**2,172**	**2,872**
Financial result	31.	-2,282	-608	-2,890	-1,505	-810	-2,315
Earnings before taxes (EBT)		**-5,841**	**2,632**	**-3,209**	**-805**	**1,362**	**557**
Taxes on income and earnings	32.	593	-276	317	-396	-442	-838
Net profit or loss for the period		**-5,248**	**2,356**	**-2,892**	**-1,201**	**920**	**-281**
Other profit/loss		0	0	0	0	0	0
Total earnings		**-5,248**	**2,356**	**-2,892**	**-1,201**	**920**	**-281**
Of which apportioned to:							
shareholders of Bastei Lübbe AG	16.	-4,465	2,356	-2,109	-1,393	920	-473
Equity capital shares of non-controlling shareholders	33.	-783	0	-783	192	0	192
		-5,248	**2,356**	**-2,892**	**-1,201**	**920**	**-281**
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	16.	-0.34	0.18	-0.16	-0.11	0.07	-0.04

Consolidated balance sheet of Bastei Lübbe AG, Cologne, dated 31 March 2017

	Note	31/03/2017 KEUR	31/03/2016 KEUR
Long-term assets			
Intangible assets	6.	39,934	32,035
Inventory of pre-paid royalties	7.	37,376	26,904
Tangible assets	8.	3,547	3,207
Financial investments	9.	4,380	1,454
Trade receivables	12.	1,135	1,069
Deferred tax claims	10.	3,139	2,002
		89,511	**66,671**
Current assets			
Inventories	11.	30,178	20,341
Trade receivables	12.	19,564	18,269
Financial assets	9.	3,738	4,575
Income tax receivables	10.	410	0
Other receivables and assets	13.	977	1,330
Cash and cash equivalents	14.	1,203	593
Assets from discontinued business operations	5.	470	0
		56,540	**45,108**
Total assets		**146,051**	**111,779**
Equity			
Share of equity attributable to the parent company's partners			
Subscribed capital	15.	13,200	13,200
Capital reserves	15.	26,804	26,082
Net profit	15.	3,847	7,276
		43,851	**46,558**
Equity capital shares of non-controlling shareholders	15.	7,143	3,122
Total equity		**50,994**	**49,680**
Long-term liabilities			
Provisions	17./18.	151	131
Deferred tax liabilities	10.	4,271	2,286
Financial liabilities	19.	34,437	0
Other liabilities	21.	1,854	2,353
		40,713	**4,770**
Current liabilities			
Financial liabilities	19.	16,867	34,755
Trade payables	20.	28,370	11,968
Income tax liabilities	10.	175	2,513
Provisions	18.	7,005	6,628
Other liabilities	21.	1,416	1,465
Debts arising from discontinued business operations	5.	511	0
		54,344	**57,329**
Total debts		**95,057**	**62,099**
Total liabilities		**146,051**	**111,779**

Consolidated Cash Flow Statement of Bastei Lübbe AG, Cologne, for the period from 1 April 2016 to 31 March 2017*

		2016/2017 KEUR	2015/2016 KEUR
Net profit or loss for the period		-2,892	-281
+/-	Depreciation/appreciation of intangible assets and fixed assets	5,435	3,868
+/-	Depreciation/appreciation on financial investments	312	0
+/-	Depreciation/appreciation on author royalties	11,534	7,174
+/-	Other non-cash expenses/income	1,878	237
+/-	Increase/decrease in provisions	-453	470
-/+	Profit/loss from the disposal of intangible assets and fixed assets	3	-1
-/+	Profit/loss from the disposal of other business entities	-1,653	0
-/+	Profit/loss from disposal of at-equity-accounted investments	0	1,375
-/+	Increase/decrease in income tax receivables and liabilities, incl. deferred tax claims and liabilities	-3,673	-2,436
-/+	Increase/decrease in stocks, trade receivables and other assets not associated with investment or financing activities	-9,394	-10,928
+/-	Increase/decrease in trade liabilities from deliveries and services, as well as other liabilities not associated with investment or financing activities	10,408	-1,687
Cash flow from current business activities		**11,505**	**-2,209**
+	Payments received from the disposal of intangible assets	3	0
-	Outflow of funds for investments in intangible assets	-6,515	-8,264
+	Income from the disposal of property, plant and equipment	99	38
-	Outflow of funds for investments in property, plant and equipment	-1,052	-801
+	Income from the disposal of financial investments	70	420
-	Outflow of funds for investments in financial assets	-3,444	-25
-	Outflow of funds for the acquisition of consolidated companies, less: currency acquired in the context of acquisition	-10,195	0
+	Incoming payments from the sale of other business entities	14,322	0
-	Payments for the acquisition of other business entities	-5,613	0
Cash flow from investment activities		**-12,325**	**-8,632**
+	Incoming payments from the sale of non-controlling shares	821	500
-	Disbursements to shareholders (dividends)	-1,320	-3,960
+	Proceeds from the issuance of bonds and obtaining (financial) credit	38,683	1,550
-	Outflow of funds for the repayment of bonds and (financial) loans	-36,204	-313
Cash flow from financing activities		**1,980**	**-2,223**
	Net change in cash and cash equivalents	1,160	-13,064
-	Consolidation-related decline in cash and cash equivalents	-550	0
+	Cash and cash equivalents at start of period	593	13,657
=	**Cash and cash equivalents at end of period**	**1,203**	**593**

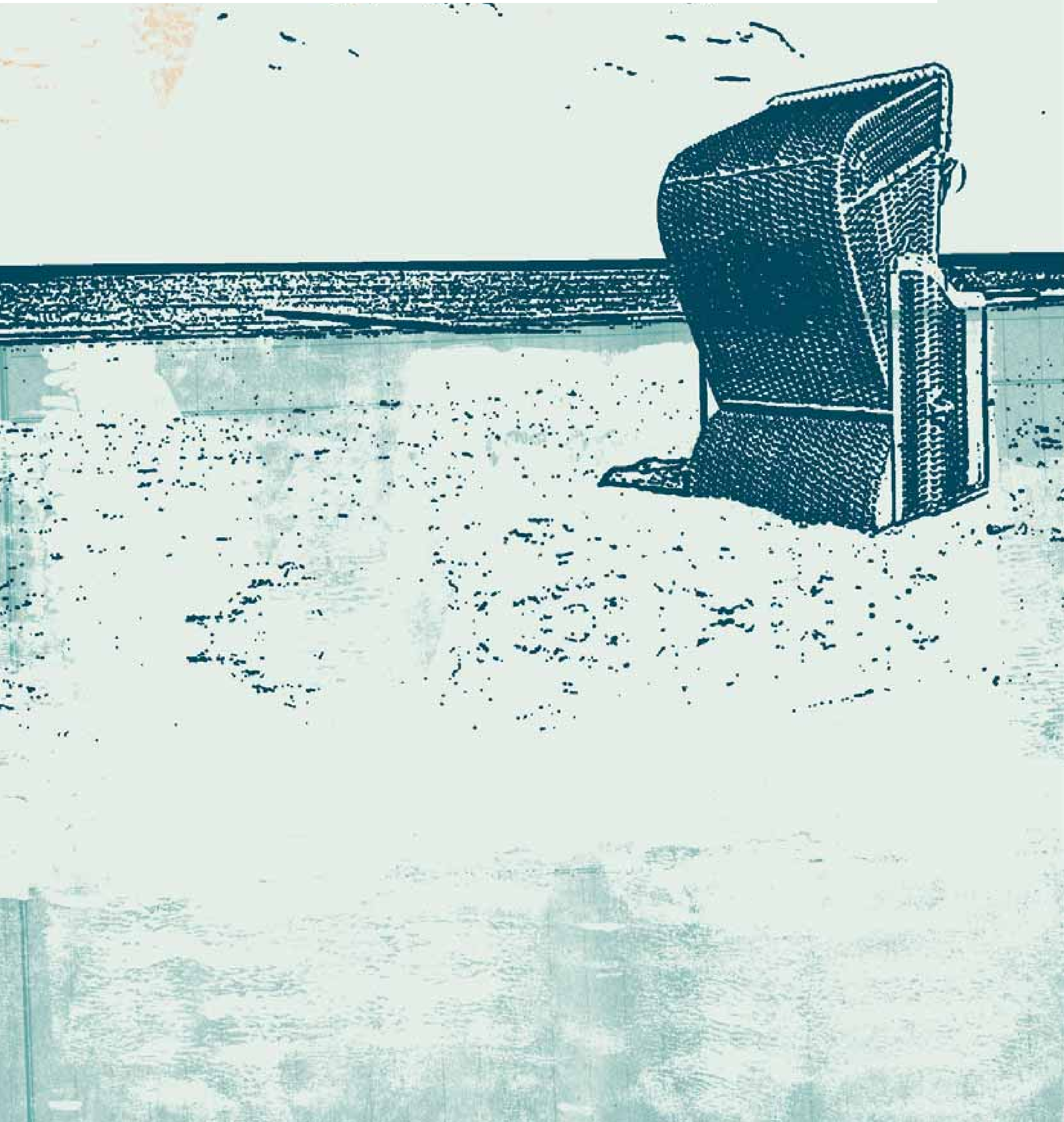
* see explanatory notes on the consolidated financial statements, Note 34

Consolidated Statement of Change in Equity of Bastei Lübbe AG, Cologne, for the period from 1 April 2016 to 31 March 2017 *

	Parent company					Shares of non-contr. share-holders	Group Equity
(all sums in KEUR)	Sgd. capital	Capital reserves	Net profit	Cum. other earnings	Equity	Equity	Equity
As on 01/04/2015	13,200	25,871	11,746	-37	50,780	2,641	53,421
Dividends paid			-3,960		-3,960	0	-3,960
Sale of non-controlling shares without change of control		211			211	289	500
Transfer of shares held	0	1			1	0	1
Other changes		-1	-37	37	-1		-1
Net profit for the period = Net profit	---	---	-473	0	-473	192	-281
As at 31/03/2016	**13,200**	**26,082**	**7,276**	**0**	**46,558**	**3,122**	**49,680**
As on 01/04/2016	13,200	26,082	7,276	0	46,558	3,122	49,680
Dividends paid			-1,320		-1,320	0	-1,320
Changes in the group of consolidated companies		351			351	4,354	4,705
Sale of non-controlling shares without change of control		371			371	450	821
Net profit for the period = Net profit	---	---	-2,109	0	-2,109	-783	-2,892
As on 31/03/2017	**13,200**	**26,804**	**3,847**	**0**	**43,851**	**7,143**	**50,994**

* see explanatory notes on the consolidated financial statements, Note 15

Consolidated notes dated 31 March 2017



Contents

1. General information

Bastei Lübbe AG (hereinafter also “Parent company”) has its registered offices at Schanzenstrasse 6-20, 51063 Cologne, Germany. Bastei Lübbe AG, Cologne, Germany, is a listed parent company, and thus required to compile a consolidated financial statement pursuant to Section 315a (1) HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS). This statement is published in the Federal Gazette (Bundesanzeiger) and in the business register (Cologne Local Court, HRB 79249).

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. Bastei Lübbe also deals in copyright licencing and the sale of books, audiobooks and computer games through the companies BuchPartner GmbH and Daedalic Entertainment GmbH. The Räder label, under which Bastei Lübbe AG previously developed, produced and sold gift and decorative items, was sold as part of an asset deal on 1 January 2017. The label was sold to a private limited company co-founded by a partner of the company. Bastei Lübbe AG has a 20% share. The main areas of activity of the Bastei Lübbe group (hereinafter also “Bastei Lübbe” or the “Company”), are described in the notes to the Segment Reporting (Point 35).

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 a consolidated financial statement 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 statement for the financial year from 1 April 2016 to 31 March 2017 was prepared by the Executive Board on 27 July 2017, approved for publication, and will be submitted to the Supervisory Board for approval on 27 June 2017.

Please refer to Point 46 for information on procedures which will occur following the reporting date, and could have a significant influence on the assessment of the company’s assets, finance and financial performance, and cash flows existing on or before 27 July 2017.

2. Accounting principles

(a) Underlying accounting regulations and first-time adoption

The consolidated financial statement dated 31 March 2017 was 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), the Standing Interpretations Committee (SIC), and the International Accounting Standards Board (IASB), based in London. They also contain the information required according to the German Commercial Code (HGB).

IFRS financial statements were prepared for the financial year from 2012/2013 in connection with the initial public offering. In order to be able to determine IFRS-based comparable figures for previous years for the statement of income, the IFRS opening consolidated balance sheet was prepared to 1 April 2011 (time of changeover to IFRS according to IFRS 1, initial adoption of International Financial Reporting Standards).

After acquiring majority shareholdings in two companies at the beginning of the 2014/2015 financial year, the Company is obliged to prepare consolidated financial statements in line with IFRS, and therefore also to prepare corresponding quarterly reporting. The above-mentioned IFRS transition date (1 April 2011) also applies to the IFRS-compliant consolidated financial statements and quarterly reporting.

(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

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

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

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

Uncertain assumptions and estimations particularly affect future cash flows with interest deducted in the context of impairment tests; the process of determining the useful life of assets; unscheduled impairments, particularly in connection to pre-paid author royalties; anticipated rates of return on goods sold to determine the returns on corresponding goods, as well as the discount rates used to determine the value of liabilities existing in connection with semi-retirement schemes. We refer you to the corresponding explanations for information determined on the basis of estimations.

A significant discretionary decision is made regarding the depreciation methods implemented for the inventory of outgoing author royalties.

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, respectively, within one year are considered to be short term. All others are classified as long term. No changes were made in accounting and valuation policies during preparation of the consolidated financial statement for 2016/2017 compared to the IFRS-based consolidated financial statement for the 2015/2016 financial year (Exception: see Point 24). The same applies to the principles and methods of the assumptions and estimates required in the context of consolidated financial statements.

(a) Consolidation principles and cut-off date

Capital consolidation of all fully consolidated companies is performed according to the purchase methods used on the date on which control was established (date of acquisition). This also holds true for companies valued at equity. Assets and liabilities of the consolidated companies were valued at their fair values insofar as the corresponding purchase price allocations have already been completed.

Equity shares held by 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.

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

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

Interim profits from internal trade receivables, as well as from the sale of property, plant and equipment between consolidated companies, incl. associated companies and joint ventures, will be eliminated insofar as the impact on group assets, finances and income is not of secondary importance.

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

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

(b) Intangible assets

Acquired intangible assets (with the exception of the prepaid royalties referred to under (c)) are valued at acquisition cost less the scheduled linear depreciation carried out on their respective useful lives, provided that their useful lives are considered to be limited. Internally-generated intangible assets are capitalized at cost and amortised on a straight-line basis over their useful lives. Scheduled depreciation is based on the following useful lives and depreciation rates:

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

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

Unscheduled impairment losses are recorded where this is deemed appropriate in the course of the impairment tests that are performed. For goodwill and intangible assets with indeterminable useful lives, these tests are performed at least on an annual basis; for intangible assets subject to scheduled amortisation, at any time when reasons for impairment exist. When the reasons for impairment cease to apply, corresponding write-ups are effected, with the exception of goodwill; they may not exceed the updated carrying values.

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions made before 1 April 2011 is updated according to the previous law. This means that there remain scheduled and unscheduled impairments which occurred in earlier periods.

(c) Inventory of pre-paid royalties

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

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 depreciation method based on turnover can therefore be used for enabled exploitation rights. The values of the inventory of prepaid royalties and fees paid are furthermore reviewed for impairment at least once annually (generally on the balance sheet date). An estimate of future sales and the corresponding sales revenue thus 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 prepaid royalties are recorded in a separate item under material expenses, as these expenses are directly connected to the losses in turnover incurred thereby, and thus are to be considered gross proceeds in order to ensure proper economic allocation.

(d) Tangible assets

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost less accumulated and scheduled depreciation and impairment losses due to use during the financial year. 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 (buildings and structures) are depreciated on a straight-line basis over the expected useful life. This also applies to movable property, plant and equipment. Residual value remaining after the customary term of useful life is taken into account when determining depreciation amounts.

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

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

	Useful life Year	Depreciation rate %
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 410)	< 1 year	100.00

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

(e) Impairment tests

The 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 the CGU that would be expected to benefit from the synergies of the business combinations and acquisitions. These CGUs represent the lowest level at which these assets are monitored for the purposes of corporate steering. These generally correspond to individual business fields or publishing houses.

(ii) Implementing the impairment tests

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

Values are reviewed by calculating the value in use of cash generating units on the basis of estimated future cash flow derived from earnings targets. The planning period is generally three years. If a CGU is not in a steady state, the detailed planning period extends to five years.

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 base rate in accordance with IDW Standard S1 for company valuation (1.25 % on the reporting date), as well as a market risk premium of 6.75 % (upper value within the range recommended by IDW). The following weighted capital costs were determined on 31 March 2017:

	Weighted capital costs in % 2016/2017	
CGU	before tax	after tax
BEAM Shop GmbH	13.0	8.8
BookRix GmbH & Co. KG	9.3	6.3
BuchPartner GmbH	9.7	6.7
Daedalic Entertainment GmbH	11.4	7.7
oolipo AG	13.8	9.6
PMV (Puzzles)	8.1	5.5

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 0.0 %.

The following table shows significant assumptions concerning Daedalic Entertainment GmbH and BuchPartner GmbH in accordance with IAS 36.134:

	Daedalic Entertainment GmbH	BuchPartner GmbH
Basis of achievable amount	Value in use	Value in use
Significant assumptions cash flow forecast	In order to achieve growth, a new strategy should be pursued, which focuses more heavily on the games industry.	Growth may also be achieved via the acquisition of new spaces to be used for commercial purposes.
Cash flow planning procedures	The forecast growth in cash flow is based on the new business strategy which focuses more heavily on the games industry.	The forecast growth in cash flow is based on the planned acquisition of new spaces to be used for commercial purposes.
Detailed planning period	4 years	3 years
Value in use (KEUR)	24,962	21,065
Book value (KEUR)	22,891	20,806
Discrepancy value in use / book value (KEUR)	2,071	259
Lower deviation from planned free cash flow after tax, which would mean that the value in use is equal to the book value	8.3 %	1.2 %

In addition, sensitivity analyses have been carried out for the value in use of Daedalic Entertainment GmbH and BuchPartner GmbH. Scenarios, as detailed below, were chosen on the basis of the new growth rate and the weighted average cost of capital (WACC):

Scenario analysis: Daedalic Entertainment GmbH						
Scenarios		1	2	3	4	5
Change WACC		-0.5 %	0.0 %	0.5 %	1.0 %	1.5 %
Change in growth rate		0.0 %	0.5 %	1.0 %		
Starting scenario						
WACC		2				
Growth rate		1				
Book value (KEUR)		22,891				
Value in use in the context of sensitivity analysis						
(in KEUR)		1	2	3	4	5
	1	27,030	24,962	23,150	21,552	20,131
	2	28,871	26,534	24,506	22,730	21,162
	3	31,010	28,342	26,050	24,061	22,319
Difference between value in use / book value						
(in KEUR)		1	2	3	4	5
	1	4,139	2,071	259	-1,339	-2,759
	2	5,981	3,643	1,615	-161	-1,729
	3	8,119	5,451	3,159	1,170	-572

Scenario analysis: BuchPartner GmbH						
Scenarios		1	2	3	4	5
Change WACC		-0.5 %	0.0 %	0.5 %	1.0 %	1.5 %
Change in growth rate		0.0 %	0.5 %	1.0 %		
Starting scenario						
WACC		2				
Growth rate		1				
Book value (KEUR)		20,806				
Value in use in the context of sensitivity analysis						
(in KEUR)		1	2	3	4	5
	1	22,828	21,065	19,547	18,225	17,064
	2	24,559	22,518	20,782	19,285	17,983
	3	26,620	24,225	22,215	20,503	19,029
Difference between value in use / book value						
(in KEUR)		1	2	3	4	5
	1	2,022	259	-1,259	-2,581	-3,742
	2	3,753	1,712	-24	-1,521	-2,823
	3	5,814	3,419	1,409	-303	-1,777

If the WACC were to change in line with the growth rate, it would not be necessary to carry out devaluations for other transactions, goodwill, and intangible assets which have not yet been written-off.

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.

(f) Leasing arrangements

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

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

(g) Financial instruments

(i) Financial assets

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

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

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

(ii) Impairment of financial assets

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

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

(iii) Derecognition of financial assets

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

- Contractual rights to receive cash flows from a financial asset have expired.
- Although the Company retains the rights to receive cash flows from financial assets, it assumes a contractual obligation for the immediate payment of the cash flows to a third party under an agreement that fulfils the conditions of IAS 39.19 (pass-through arrangement), or the Company has transferred its contractual rights to receive cash flows from a financial asset, this involving either (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) 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 are to be recognised at the date on which they were collected. Thus cheques are to be recorded at the time of coming into possession and incoming payments as they are credited to the bank account.

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

(v) Financial instruments held for trading

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

(vi) Loans and receivables

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

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

(vii) Available-for-sale financial instruments

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

(viii) Financial liabilities

The Company stipulates the classification of its financial assets when they are initially recognised. On the reporting date, almost all liabilities remaining were classified in the category “liabilities, measured at amortised cost”. With the exception of 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 (IRS 13.91).

(h) Financial investments

Investments in affiliated and associated companies or joint ventures, categorised as financial assets are reported at amortisation cost or the lower fair value, as according to IAS 36.

(i) Inventories

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

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

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

(j) Payments to employees under semi-retirement agreements

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

The share of interest on the transfers to provisions is shown as interest expense under financial income.

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

(k) Other provisions

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

(l) Revenue and expenses recognition

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

Sales revenues principally encompass the sale of novel booklets and puzzle magazines, books, audiobooks, gifts and eBooks to retailers. Sales corrections are performed as a precaution for products where experience leads one to anticipate returns.

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

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

Operating expenses are charged to the statement of comprehensive income at the point at which the service is used or the delivery received, or as per the date of their being caused.

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

(m) Income taxes

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

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

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

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

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

This consolidated financial statement was subject for the first time to accounting standards and interpretations amended, supplemented or newly published by the IASB, which were adopted by the EU and thus were binding for Bastei Lübbe AG in the 2016/2017 financial year.

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

The following table contains a detailed listing of the standards and interpretations to be used as of 31 March 2017:

Standard	Title	Date of entry into force*
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the Consolidation Exception / Investmentgesellschaften: Anwendung der Ausnahme von der Konsolidierungspflicht	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Ventures / Bilanzierung des Erwerbs von Anteilen an gemeinschaftlichen Tätigkeiten	1 January 2016
Amendments to IAS 1	Disclosure Initiative / Angabeninitiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation / Klarstellung der zulässigen Abschreibungsmethoden	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants/Agriculture: Bearer plants	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements / Equity Methode in separaten Abschlüssen	1 January 2016
Improvements to IFRS 2012-2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34 / Änderungen zu IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016

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

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

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

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

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

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

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

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

Amendments to IAS 1 – Disclosure Initiative

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

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

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

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

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

Amendments to IAS 27 – Equity method in separate financial statements

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

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

Improvements to IFRS 2012-2014

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

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

(o) New regulations not yet applied in the financial year

The IASB has newly adopted or revised a number of accounting standards and interpretations that will be binding on Bastei Lübbe AG from 1 April 2017 at the earliest, provided that these have been approved by the European Commission and are relevant to Bastei Lübbe AG. These have not yet been voluntarily applied, and as a matter of principle are not applied to the current consolidated financial statements.

Standard	Title	Date of entry into force*
EU endorsement effected (as of 18 May 2017)		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers / Umsatzerlöse aus Verträgen mit Kunden	1 January 2018
EU endorsement pending (as of 18 May 2017)		
IFRS 16	Leases / Leasingverhältnisse	1 January 2019
IFRS 17	Insurance Contracts / Versicherungsverträge	01.01.2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture / Veräußerung oder Einlage von Vermögenswerten in assoziierte Unternehmen oder Gemeinschaftsunternehmen	postponed indefinitely
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses / Ansatz von Vermögenswerten aus latenten Steuern für nicht realisierte Verluste	1 January 2017
Amendments to IAS 7	Disclosure Initiative / Initiative zu Angaben (zu Kapitalflussrechnungen)	1 January 2017
Clarifications to IFRS 15	Revenue from Contracts with Customers / Klarstellungen zu IFRS 15 Umsatzerlöse aus Verträgen mit Kunden	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions / Klassifizierung und Bewertung von Geschäftsvorfällen mit anteilsbasierter Vergütung	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts / Anwendung IFRS 9 und IFRS 4 Versicherungsverträge	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual improvements process (2014-2016 cycle): Amendments to IFRS 1, IFRS 12, and IAS 28	01.01.2018/ 01.01.2017
IFRIC Interpretation 22	Consideration Foreign Currency Transactions and Advance / Transaktionen in fremder Währung und im Voraus gezahlte Gegenleistungen	1 January 2018
Amendments to IAS 40	Transfers of Investment Property / Klassifizierung noch nicht fertiggestellter Immobilien	1 January 2018

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

The most important changes, as well as their expected effects on the consolidated financial statements of Bastei Lübbe AG, are explained in greater detail below. Unless otherwise stated, it is envisaged that the standards will not be applied prematurely, and that the effects are still being investigated.

EU endorsement effected by 18 May 2017

IFRS 9 – Financial Instruments

IFRS 9, which was published in July 2014, replaces the existing guidelines in IAS 39 Financial Instruments: Approach and valuation IFRS 9 contains revised guidelines for the classification and valuation of financial instruments, including a new model of the anticipated credit losses for the calculation of the impairment of financial assets, as well as the new general accounting rules for hedge accounting. It also incorporates the guidelines for the recording and write-off of financial instruments pursuant to IAS 39.

Initial investigations have shown that neither the classification and valuation of financial assets, nor the accounting of financial liabilities in the Bastei Lübbe consolidated financial statement is likely to change significantly. On the basis of the new model for the calculation of the depreciation of financial assets, expected losses may be recorded in advance – particularly in the case of long-term financial assets, if necessary. Due to the relatively small number of hedging instruments, no significant changes will be made to the consolidated balance sheet, despite the generally increasing number of hedging relationships, created by IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

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

The previously conducted analyses regarding the possible effects of IFRS 15 on the consolidated balance sheet showed that – in addition to the significantly extended disclosure requirements in the consolidated notes – in the future, advertising subsidies, etc., must not be included in the distribution costs (other operating costs), and must instead be deducted from the sales turnover. The analyses are currently incomplete, and therefore it is not possible to provide reliable data relating to the qualitative or – in particular – the quantitative effects of the new regulation. However, it can be assumed that IFRS 15 will not have a significant impact on future consolidated financial statements.

EU endorsement pending

IFRS 16 – Leases

The core idea of the new standard is for the lessee to generally record all leases and associated contractual rights and obligations in the balance sheet. The differentiation between financing and operating lease contracts required under IAS 17 until now no longer applies for the lessee. For all leases, the lessee must record in his balance sheet a lease liability for the obligation to make future leasing payments. At the same time, the lessee capitalises a right of use to the underlying asset, which in principle corresponds to the cash value of the future leasing payments plus directly attributable costs. Only leases with a total term of up to one year, or with “low-value” assets (reinstatement value max. USD 5,000) may deviate from these principles.

For the lessor, the regulations of the new standard are by contrast similar to the current regulations of IAS 17. Leases will continue to be classified either as financing or operating leases. Classification according to IFRS 16 was based on the criteria of IAS 17.

IFRS 16 also contains a series of other regulations on disclosure and notes and on sale and leaseback transactions.

If IFRS 16 is incorporated into European law – which is to be assumed – the new leasing standard will mean that there will be significant impact in particular on rented office buildings, hired vehicles, and hired office equipment. The existing rights of use must be capitalised in the future and amortised over the expected useful life. The corresponding leasing liabilities must be passivated and amortised during the lease term. The interest portion taken into account when determining the current value will lead to interest expenses over this term. Overall, this results in a balance sheet extension and a crediting of the EBITDA, since the leasing rates which were previously considered as other operating expenses (cf. Note 39b) are no longer incurred in this form. Bastei Lübbe intends to simplify short-term leasing contracts and low-value leased items. Quantitative disclosures are not yet possible in the present state of the study of future effects. This also applies to the scope of the qualitative effects on the consolidated financial statements of Bastei Lübbe AG.

IFRS 17 – Insurance Contracts

IFRS 17 insurance contracts introduce a globally uniform basis for the financial reporting of insurance policies for the first time. The new standard provides for a profit realisation during the period in which a company provides insurance (and not when the insurance premium is received). In addition, companies must provide information on expected future insurance contract gains.

Compared to its predecessor, IFRS 4, IFRS 17 is intended to provide greater transparency, better comparability and better decision usefulness of information relating to insurance policies. With IFRS 17, the actuarial provisions are measured uniformly at their current values, and the valuation of amortised acquisition costs is inadmissible.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

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

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

By amending IAS 12, the IASB clarifies that devaluations to a lower market value of debt instruments, which are measured at fair value resulting from a change in the market interest rate, lead to deductible temporary differences.

The IASB affirms that there is a temporary difference in these cases. The IASB refers expressly to the case that the loss will not be realised and that in future will reverse if held to final maturity, as the debt instrument will be repaid at nominal value. This is irrespective of whether the holder expects to hold the debt instrument to final maturity, and thus to achieve the nominal value in full.

The IASB also confirms that, in principle, for all deductible temporary differences it must be jointly assessed whether in future sufficient taxable income will be generated in order to use and assess these. Only insofar as tax laws differentiate between various types of taxable profits, a separate assessment must take place. Furthermore, IAS 12 is to be supplemented with rules and examples that explain how the future taxable income is to be determined for accounting deferred tax assets.

Amendments to IAS 7 – Disclosure Initiative

The amendments aim to clarify IAS 7 (cash flow statements) and to improve the information that provide the final recipients relating to the financial activities of a company and thereby enabling the recipients of financial statements to assess the changes to financial debts.

According to the amendments, a company must disclose the changes to such financial liabilities, for which the payments in and out are shown in the cash flow statement under cash flow from financing activities. Related financial assets are also to be included in the disclosure (e.g. assets from hedging transactions).

Clarifications to IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from contracts with customers (see above) applies to reporting periods beginning on or after 1 January 2017. In order to be able to quickly identify and clarify problems that arise when switching to IFRS 15, IASB and FASB have set up a joint consulting group on the changeover in relation to revenue recognition. The discussions of the consulting group resulted in possible differences in the understanding of users in relation to some of the matters in IFRS 15. These matters were passed to IASB and FASB for further consultancy and both boards have decided to propose several improvements in order to clarify the guidelines in their revenue recognition standards.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Because there was room for interpretation due to the lack of specific requirements in IFRS 2, the IASB published corresponding ascertainments on 20 June 2016. The changes relate to three specific areas, namely the specification of relevant exercise conditions for share-based payments with cash compensation, the classification of share-based payments with net settlements, and the clarification of the balance sheet for the regrouping of remuneration with cash compensation for balancing by means of equity instruments.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments are intended to harmonise the various initial application dates of IFRS 9 and the “new” IFRS 4 – especially for companies carrying out extensive insurance activities.

Annual Improvements to IFRS Standards 2014-2016 Cycle

As part of the annual improvement process, the following amendments were made to the listed standards:

- IFRS 1 (first application of the International Financial Reporting Standards): Removal of the temporary exemptions in Paragraphs E3-E7, since they have now fulfilled their intended purpose.
- IFRS 12 (Disclosure of Equity Investments in Other Entities): Clarification that the disclosure requirements (with the exception of IFRS 12.B10-B16) stated in the standard also apply to shares falling within the scope of IFRS 5.
- IAS 28 (Investments in Associates and Joint Ventures): Clarification that the voting right for the valuation of an investment in an associated or joint venture held by a venture capital company or another eligible company may be exercised differently per investment.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies with regard to IAS 21 (Effects of Exchange Rate Changes) that the cut-off date on which the exchange rate for payments made or received in foreign currencies is to be decided is determined by the date on which the asset value resulting from the advance payment or related liability is reported for the first time.

Amendments to IAS 40: Transfers of Investment Property

The amendments made to IAS 40 also clarify when the classification as a “financial investment property” begins or ends for real estate properties that are not yet complete. The previously formulated list in IAS 40.57 is no longer deemed to be exhaustive, meaning that properties under construction or development are also covered by the regulation.

4. Consolidated companies and shareholdings

Below is an overview of the key subsidiaries of the Group and the changes to the group of consolidated companies conducted during the financial year 2016/2017:

Fully-consolidated companies

		Ownership interest	
	Headquarters	31.03.2017	31 March 2016
BEAM Shop GmbH	Cologne	100.000 %	100.000 %
BookRix GmbH & Co. KG	Munich	54.040 %	54.040 %
BuchPartner GmbH	Darmstadt	51.000 %	---
Daedalic Entertainment GmbH	Hamburg	51.000 %	51.000 %
oolipo AG (formerly BEAM AG)	Cologne	88.776 %	97.224 %
Blue Sky Tech Ventures Ltd.	London	---	0.000 %

BuchPartner GmbH

By way of a notarised purchase contract dated 21 March 2016, Bastei Lübbe AG acquired a 51 % participation in BuchPartner GmbH (“BuchPartner”), with its headquarters in Darmstadt. As a result, the latter has been incorporated as a fully consolidated company in the consolidated financial statements with effect from the 2016/2017 financial year. This was done in the newly created “Retail” segment. The purchase contract became effective on 11 April 2016. The sellers were the former partners, who remain shareholders with a combined 49% stake in the company. The majority stake in BuchPartner GmbH is based on the concept of sustainable and significant improvement in the competitive position in the field of distribution. BuchPartner is the market leader in distribution via the food retail sector and supplies more than 4,000 supermarkets as of the balance sheet date, (currently around 5,200) and with over 2,500 customers in the activity sector. BuchPartner’s circle of customers include almost all of the top trade groups, including the Edeka group (Edeka and Marktkauf), the REWE group (REWE and Penny), Kaufland, Familia, HIT, Saturn, Media Markt, Metro and Real. The specialised markets are without doubt a big area for growth for the sector, in which Bastei Lübbe will participate in future thanks to the involvement with BuchPartner. The purchase price amounted to KEUR 10,200 and was paid in full with funds. Other acquisition-related costs incurred were recognised in profit and loss.

According to purchase price allocation (PPA), the fair values and liabilities of BuchPartner as of the date of initial consolidation (1 April 2016) are calculated as follows:

(KEUR)	Carrying amounts upon acquisition	Adjustment as part of PPA	Fair values
Intangible assets	75	7,540	7,615
Tangible assets	1,079		1,079
Inventories	11,418	1,515	12,933
Trade receivables	11,147		11,147
Cash and cash equivalents	5		5
Other assets	372		372
Deferred tax liabilities	0	-2,526	-2,526
Trade liabilities	-8,533	-490	-9,023
Other current liabilities	-10,749	-496	-11,245
Net assets	4,814	5,543	10,357
minority stockholder shares included therein (49%)			5,075
acquired interests included therein (51%)			5,282
Acquisition costs			10,200
Goodwill			**4,918**

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

The intangible assets measured at a higher fair value relate to customer relationships valued at the cash equivalent of the expected future profits, which are amortised on a straight-line basis over a period of 10 years, according to the average expected useful life.

The fair value valuation covers undisclosed reserves in the amount of the expected profit margins both in the order backlog, and in other inventories. It is assumed that the undisclosed reserves in the inventories have been realised in the course of the consolidated financial year.

The different factors that resulted in the accounting of the indicated goodwill in the retail segment are described in the first paragraph of this section.

BuchPartner has contributed to group turnover in the current financial year with KEUR 43,155 and to group profit with KEUR -1,297 (each with regards to 100% of shares).

The purchase price was financed via principal banks who also granted the syndicated loan totalling EUR 33 million. On 15 April 2016, an amendment agreement regarding the syndicated loan agreement was concluded for this purpose which includes an increase in the existing volume of EUR 10 million to EUR 43 million.

Blue Sky Tech Ventures Ltd.

The Group has not, at any time, held any ownership shares in the structured company Blue Sky Tech Ventures Ltd. Blue Sky is a London-based company, whose business deals with holding and further developing participations, in particular in companies active in the digital sector. Blue Sky also structures the participations held and supports the financing of such.

Based on the conditions of the contractual agreements and the balance-sheet structure of Blue Sky that existed until the end of November 2016, the Group had the possibility of managing key activities of this company and influencing its key revenues.

As at 31 March 2015, Bastei Lübbe AG had sold 55 % shares in oolipo AG (formerly acting as BEAM AG; hereinafter also referred to as “oolipo”) to Blue Sky Tech Ventures Ltd., London. The agreed purchase price (KEUR 3,850) has also been deferred several times, most recently until 30 November 2016.

In addition, Bastei Lübbe AG sold 3% of its shares in Daedalic Entertainment GmbH (“Daedalic”) to Blue Sky with a purchase contract of 17 September 2015. The agreed purchase price (KEUR 750) has most recently been deferred until 30 November 2016.

Because Blue Sky had not (at that point) resold the substantial portion of its oolipo shares, and had only paid a small proportion of the deferred purchase price for the oolipo shares, a termination agreement was concluded on 28 November 2016, and included, inter alia, the reversion of oolipo shares which had not previously been acquired by a third party or paid for by Blue Sky itself, as well as the 3% share in Daedelic from Blue Sky to Bastei Lübbe AG.

The termination agreement also ends Bastei Lübbe's ability to exert any influence on the business activities of Blue Sky, so that Blue Sky is excluded from the group of consolidated companies, and has become de-consolidated. As a result, assets (means of payment) in the amount of KEUR 550 and debts (income tax liabilities) in the amount of KEUR 180 were deducted from the consolidated financial statements.

oolipo AG

In July 2016, originally 5.278% of shares in oolipo AG were sold on to external third parties by Blue Sky (for a sales price of KEUR 950). In December 2016, 1.848% of these shares were transferred back to Bastei Lübbe AG for other reasons, so that effectively only 3.430% had been transferred (cf. Note 30).

In the context of the termination agreement, it was also determined amongst other things that Blue Sky had acquired shares in oolipo in the amount of 5.018% for a total price of KEUR 351, which will be removed from the Group's shareholding with the de-consolidation of Blue Sky.

This means that, on the balance sheet date, the Group's participation in oolipo was 88.776%.

Non-controlling shares

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

		Ownership shares of non-controlling shareholders	
	Headquarters	31.03.2017	31 March 2016
BookRix GmbH & Co. KG	Munich	45.960 %	45.960 %
BuchPartner GmbH	Darmstadt	49.000 %	---
Daedalic Entertainment GmbH	Hamburg	49.000 %	49.000 %
oolipo AG (formerly BEAM AG)	Cologne	11.224 %	2.776 %
Blue Sky Tech Ventures Ltd.	London	---	100.000 %

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

(KEUR)	BuchPartner 31.03.17	BuchPartner 31.03.16	Daedalic 31.03.17	Daedalic 31.03.16	oolipo 31.03.17	oolipo 31.03.16	Blue Sky 31.03.17	Blue Sky 31.03.16	BookRix 31.03.17	BookRix 31.03.16
Long-term assets	13,644	---	21,284	18,231	3,160	2,439	---	4,405	317	317
Current assets	17,963	---	1,692	1,159	23	96	---	125	732	985
Long-term liabilities	2,128	---	10,837	6,654	0	0	---	0	0	0
Current liabilities	15,504	---	1,179	1,661	5,221	3,555	---	4,374	836	1,075
Net assets	13,975	---	10,960	11,075	-2,038	-1,020	---	156	213	227
Net assets to be assigned to the non-controlling shares	4,438	---	2,968	3,024	-229	-29	---	156	-36	-29
Sales revenue	43,155	---	9,855	7,765	0	313	0	0	2,027	2,376
Period = total earnings	-1,297	---	-114	627	-1,018	-1,389	-16	-149	-14	102
Total profit to be assigned to non-controlling shares	-636	---	-56	307	-69	-13	-16	-149	-6	47

In the 2016/2017 financial year, Daedalic and BuchPartner achieved respective cash flows of KEUR 1,122 and KEUR 5,187 from operating activities. The cash flows from investment and financing activities amounted to KEUR -4,880 and KEUR 4,209 (Daedalic), and KEUR -996 and KEUR -4,021 (BuchPartner).

Apart from BuchPartner ("retail" segment), all non-controlling shares shall be allocated to the "digital" segment. In the expired business year, BuchPartner distributed KEUR 1,000 to its existing shareholders. This reduction in equity was compensated in the capital reserves by a unilateral contribution by the existing shareholders. Otherwise, there were no dividend pay-outs on the part of the named subsidiaries in either of the two previous financial years.

Other business entities

LYX/INK

On 1 June 2016, Bastei Lübbe AG acquired the fiction label LYX from the publisher EGMONT Publishing International as part of an asset deal. Bastei Lübbe has added another successful brand to its offering in the form of the specialist for romantic entertainment. LYX is one of the absolute top imprints on the German book market in this sector. By investing in BuchPartner, Bastei Lübbe will also be involved in the classic book business once again. Together with LYX, Bastei Lübbe has acquired an additional fiction label from the same seller in the form of INK and, in doing so, will take over the editing of both labels. Bastei Lübbe is planning to incorporate all books by LYX and INK into its publishing programme and to continue the successful collaboration with all authors and licensors.

The total purchase price amounted to KEUR 5,613 and was paid in full with funds. Other acquisition-related costs incurred were recognised in profit and loss. As part of this asset deal, the following assets were assumed (liabilities were not assumed):

(KEUR)	Carrying amounts upon acquisition	Adjustment as part of PPA	Fair values
Inventory of pre-paid royalties	4,494	-2,152	2,342
Inventories	3,771	-500	3,271
Net assets	8,265	-2.652	5,613
Acquisition costs			5,613
Difference			**0**

This purchase price is also financed via the principal banks. In its communication dated 30 May 2016, the banking syndicate approved the acquisition of the label and provided an additional loan of EUR 6 million available for this purpose.

LYX contributed to group turnover in the current financial year with KEUR 7,436. In terms of segment profit accounting for Bastei Lübbe AG, LYX exhibits EBIT of KEUR 2,221. Interest and income taxes are not allocated to individual segments as part of these calculations, such that no contribution to consolidated period result can be stated for LYX. The results of the PPA are already accounted for in the present consolidated financial statement.

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 performance – 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. BHS Service GmbH exclusively provides services to BuchPartner GmbH. In the consolidation of the company, the Group would only reduce its service charges and increase staff costs by the same amount. The ownership interest in these companies – with the exception of shareholdings in BHS Service GmbH, CE Community Editions GmbH and Räder GmbH acquired in the financial year – remain unchanged in comparison with the previous year. They are estimated at amortised cost in accordance with IAS 39, since no active market exists and the fair values cannot be determined at a reasonable cost.

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

	Headquarters	Ownership interest
Siebter Himmel Bastei Lübbe GmbH	Cologne	100 %
Bastei Media GmbH	Erfurt	100 %
Bastei Lübbe International Ltd.	Hongkong / China	100 %
Bastei Ventures GmbH	Cologne	100 %
Moravská Bastei MoBa s.r.o.	Brno / Czech Republic	90 %
BHS Service GmbH	Darmstadt	51 %
BookRix Verwaltungs-GmbH *	Munich	100 %
Daedalic Entertainment Studio West GmbH **	Düsseldorf	75 %

* subsidiary of BookRix GmbH & Co. KG

** subsidiary of Daedalic Entertainment GmbH

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

	Headquarters	Ownership interest
Bastei LLC	Santa Monica / USA	50 %
CE Community Editions GmbH	Cologne	30 %
HPR Bild & Ton GmbH	Cologne	25 %
Räder GmbH	Essen	20 %

All other interests in affiliates (less than 20 percent stake) as listed under financial assets are derived at both balance sheet dates from the participation in “Das Kind” Filmproduktion GmbH & Co., Berlin, Germany, as well as holdings (each less than 5%) in several “GROSSO” press distribution companies, mostly in eastern Germany.

5. Discontinued operation

On 24 November 2016, Bastei Lübbe AG concluded a contract for the sale of the business division Räder. The establishment of Räder GmbH, with a head office in Bochum, was agreed upon. Bastei Lübbe holds 20% of the shares, with another shareholder taking the remaining 80%. Räder GmbH subsequently acquired all of the brand rights and assets of the business division Räder from Bastei Lübbe AG on 1 January 2017 for a total purchase price of KEUR 14,322, and paid the purchase price in full in cash.

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 (“Präsenta”, 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. All information from the “non-book” segment for the financial year 2016/2017 relates to the nine-month period from 1 April to 31 December 2016. The Räder business division had not previously been classified as for sale, or as a discontinued operation.

Income from the discontinued operation:

(KEUR)	2016/2017	2015/2016
Profits (incl. changes in inventory and other operating income)	18,122	16,798
Expenditure (incl. amortisations and financial results)	-16,702	-15.405
Income from current operations	**1,420**	**1,393**
Income tax expense	-149	-442
Income from current operations, after tax	**1,271**	**951**
Income from the sale of the discontinued operation:	1,653	-1.375
Expenditure relating to the sale of the discontinued operation	-441	0
Tax on the net profit from the sale of the discontinued operation	-127	0
Assets from the discontinued operation, after tax	**2,356**	**-424**
Earnings per share (basic)	0.18	-0.03

The profit from the discontinued operation is fully attributable to the shareholders of the parent company in both years. Further information on the results can be found in the segment report (Note 35, “non-book” column). The unscheduled depreciation or value recovery mentioned therein relate to the following items in the statement of comprehensive income:

(KEUR)	Depreciation 2016/2017	Value recovery 2016/2017	Depreciation 2015/2016	Value recovery 2015/2016
Other operating income		12		8
Cost of materials				
a) Expenses for raw materials, supplies Operating materials and purchased goods	-7	2	-499	22
Other operating expenses	-73		-18	
	-80	**14**	**-517**	**30**

In the financial year, the discontinued segment generated cash flow of KEUR -328 from current business activities (P Y: KEUR 353) and a cash flow of KEUR 14,211 from investment activities (P Y: KEUR -353). No cash flows resulted from the financing activity.

The effects of the sale on the individual balance sheet items are as follows:

(KEUR)	01.01.2017
Intangible assets	-6,833
Tangible assets	-567
Deferred tax claims	505
Inventories	-5,774
Net assets (and liabilities)	**-12,669**

The following assets and liabilities from the discontinued operation are still included in the corresponding sections of the consolidated balance sheet on the reporting date:

(KEUR)	31.03.2017
Trade receivables	300
Financial assets	170
Assets from discontinued operations	**470**
Trade payables	26
Financial liabilities	485
Debts from discontinued operations	**511**

Trade receivables usually have payment terms of 90 days or longer. Trade receivables and payables, as well as financial assets and liabilities, are valued at amortised cost. Due to their short terms, the book values correspond to the fair values. Significant payment defaults are not expected in this area.

The financial assets and financial liabilities relate to Räder GmbH and receivables or liabilities which are part of the final settlement of the takeover of the Räder business division.

6. Intangible assets

(KEUR)	Goodwill and company value	Internally generated intangible fin. assets	other intangible assets	Advance payments	Total
Acquisition/ Production costs					
as of 1 April 2015	7,858	6,010	17,415	1,645	32,928
Additions	0	2,927	613	4,724	8,264
Reclassifications	0	0	650	-650	0
Disposals	0	0	-30	-2	-32
as of 31 March 2016	**7,858**	**8,937**	**18,648**	**5,717**	**41,160**
Accumulated amortisations and depreciation					
as of 1 April 2015	0	811	5,463	0	6,274
Amortisations	0	1,127	1,726	0	2,853
Disposals	0	0	-2	0	-2
as of 31 March 2016	**0**	**1,938**	**7,187**	**0**	**9,125**
Carrying amounts					
as of 1 April 2015	7,858	5,199	11,952	1,645	26,654
as of 31 March 2016	**7,858**	**6,999**	**11,461**	**5,717**	**32,035**
Acquisition/ Production costs					
As of 1.4.2016	7,858	8,937	18,648	5,717	41,160
Additions from initial consolidations	4,918	0	7,615	0	12,533
Additions	0	3,528	890	2,097	6,515
Reclassifications	0	0	2,872	-2,872	0
Disposals	-1,297	0	-6,912	0	-8,209
As of 31.3.2017	**11,479**	**12,465**	**23,113**	**4,942**	**51,999**
Accumulated amortisations and depreciation					
As of 1.4.2016	0	1,938	7,187	0	9,125
Amortisations	0	1,407	2,903	2	4,312
Disposals	0	0	-1,372	0	-1,372
As of 31.3.2017	**0**	**3,345**	**8,718**	**2**	**12,065**
Carrying amounts					
As of 1.4.2016	7,858	6,999	11,461	5,717	32,035
As of 31.3.2017	**11,479**	**9,120**	**14,395**	**4,940**	**39,934**

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

(KEUR)	31.03.2017	31.03.2016
Books segment		
Eichborn	35	35
	35	35
Retail segment		
BuchPartner	4,918	---
	4,918	0
Digital segment		
Daedalic	4,903	4,903
BEAM	550	550
BookRix	291	291
	5,744	5,744
Non-book segment		
Räder	---	1,297
	0	1,297
Novel booklets and puzzle magazines		
PMV	782	782
	782	782
	11,479	**7,858**

Other intangible assets in the previous year included the “Räder” brand, identified within the purchase price allocation with KEUR 4,864 (non-book segment), for which no useful life could be determined due to it having been used for decades and given that the brand could not be expected to depreciate in the future, and which therefore had not been undergoing scheduled depreciation but – as with goodwill – was subjected to an impairment test at least once annually. This asset was also transferred with the sale of the Räder business division on 1 January 2017.

In addition, title and brand rights, depreciated over useful lives of 8 to 15 years, will be shown at the balance sheet date in the total amount of KEUR 1,536 (P Y: KEUR 2,497), internally-developed computer games, which are depreciated on a straight-line basis over useful lives of five years, will be shown in the total amount of KEUR 9,121 (P Y: KEUR 6,999) as well as customer relations identified in the initial consolidation of BuchPartner GmbH on 1 April 2016 (KEUR 6,786), which are amortised on a straight-line basis over a period of ten years. The main individual items for title and trademark rights have a useful life of 11 to 12 years. Moreover, the prepayments made include expenditure for development of the streaming platform oolipo in the amount of KEUR 3,119 (P Y: KEUR 2.422), on which no regular amortisations have yet been conducted, since the product was only launched at the end of March 2017. Regular amortisations will be implemented on a linear basis over an expected period of five years, from 1 April 2017. The other amounts mainly relate to software and licences, which are depreciated over three to five years. The book value on the balance sheet date is KEUR 6,073 (P Y: KEUR 8,964).

No additional extraordinary depreciation of goodwill or other intangible assets was necessary in the two financial years.

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

7. Inventory of pre-paid royalties

(KEUR)	Prepaid royalties	Advance payments	Total
Acquisition/production costs			
as of 1 April 2015	28,537	3,163	31,700
Additions	3,920	6,003	9,923
Disposals	-3,316	-10	-3,326
Reclassifications	3,849	-3,849	0
as of 31 March 2016	**32,990**	**5,307**	**38,297**
Accumulated amortisations and write-downs			
as of 1 April 2015	7,457	78	7,535
Amortisations	6,440	0	6,440
Write-downs, additions	729	5	734
Disposals	-3,316	0	-3,316
as of 31 March 2016	**11,310**	**83**	**11,393**
Carrying amounts			
as of 1 April 2015	21,080	3,085	24,165
as of 31 March 2016	**21,680**	**5,224**	**26,904**
Acquisition/production costs			
As of 1.4.2016	32,990	5,307	38,297
Additions	16,658	5,530	22,188
Disposals	-1,085	-182	-1,267
Reclassifications	5,100	-5,100	0
As of 31.3.2017	**53,663**	**5,555**	**59,218**
Accumulated amortisations and write-downs			
As of 1.4.2016	11,310	83	11,393
Amortisations	6,336	0	6,336
Write-downs, additions	5,463	70	5,533
Value recovery	-335	0	-335
Disposals	-1,085	0	-1,085
As of 31.3.2017	**21,689**	**153**	**21,842**
Carrying amounts			
As of 1.4.2016	21,680	5,224	26,904
As of 31.3.2017	**31,974**	**5,402**	**37,376**

All expenses incurred in connection with prepaid royalties and down payments made – incl. depreciations, amortisations and value recoveries – are recognised as material expenses under “Expenses for fees and depreciations to prepaid royalties”. Two manuscripts for a published book and an as-yet unpublished book (P Y: published book) by a renowned author with a book value of approximately KEUR 7,400 (P Y: KEUR 1,500) are included in the inventory of prepaid royalties. Their respective expected amortisation period is between two and four years (P Y: one and two years).

Unscheduled depreciations amounting to KEUR 5,533 (P Y: KEUR 734) were to be carried out in the expired financial year if it could be assumed that the future billable commissions of the relevant manuscript would not cover the capitalised amounts. In the expired financial year, value recoveries amounting to KEUR 335 (P Y: KEUR 0) were carried out on prepaid author royalties, to the extent that future billable commissions of the relevant manuscript would not cover the capitalised amounts. Significant parts of the depreciation and value recoveries are based on changes to the estimates of future expected revenues.

8. Tangible assets

(KEUR)	Real estate and buildings	Techn. Equipment and machinery	Business and operating equipment	equipment under construction	Total
Acquisition/Production costs					
as of 1 April 2015	1,431	61	6,915	5	8,412
Additions	185	3	534	78	800
Reclassifications	53	0	30	-83	0
Disposals	0	0	-266	0	-266
as of 31 March 2016	**1,669**	**64**	**7,213**	**0**	**8,946**
Accumulated amortisations and write-downs					
as of 1 April 2015	430	36	4,518	0	4,984
Amortisations	188	6	821	0	1,015
Disposals	0	0	-260	0	-260
as of 31 March 2016	**618**	**42**	**5,079**	**0**	**5,739**
Carrying amounts					
as of 1 April 2015	1,001	25	2,397	5	3,428
as of 31 March 2016	**1,051**	**22**	**2,134**	**0**	**3,207**
Acquisition/Production costs					
As of 1.4.2016	1,669	64	7,213	0	8,946
Additions from initial consolidations	152	0	924	2	1,078
Additions	82	2	962	7	1,053
Reclassifications	0	0	0	0	0
Disposals	-311	-28	-3,386	0	-3,725
As of 31.3.2017	**1,592**	**38**	**5,713**	**9**	**7,352**
Accumulated amortisations and write-downs					
As of 1.4.2016	618	42	5,079	0	5,739
Amortisations	220	5	898	0	1,123
Disposals	-213	-20	-2,824	0	-3,057
As of 31.3.2017	**625**	**27**	**3,153**	**0**	**3,805**
Carrying amounts					
As of 1.4.2016	1,051	22	2,134	0	3,207
As of 31.3.2017	**967**	**11**	**2,560**	**9**	**3,547**

Property, plant and equipment include assets amounting to KEUR 421 (P Y: KEUR 590) under hire, rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria, and are therefore to be entered in the balance sheet of their economic owner. These assets are operating and office equipment (office equipment). Reference is made to Note 20 regarding the corresponding liabilities.

As in the previous year, the leased and capitalised assets in property, plant and equipment experienced no accruals in the reporting year; depreciation amounted to KEUR 73 (P Y: KEUR 168).

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

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

9. Financial assets

(KEUR)	31.03.2017	31.03.2016
Long-term (financial assets)		
Investments in affiliated companies	635	635
Investments in associated companies and joint ventures	494	332
Other equity investments	106	108
Loans to associated companies	2,835	0
Other loans	310	380
	4,380	**1,455**
Short-term		
Receivables from associated companies and joint ventures	328	252
Receivables from other equity investments	42	0
Receivables from factoring	1,446	2,431
Receivables from affiliated companies	828	715
Creditors with debit balances	353	24
Eichborn AG receivables (insolvency)	102	252
Supplier rebates	103	94
Other	536	807
	3,738	**4,575**

Loans to other shareholdings relate to Räder GmbH with a fixed term until 31 December 2024, and an interest rate of 6% p.a. The first payments of interest and principal will be made on 31 December 2018.

Receivables from Bastei Lübbe AG in the amount of KEUR 8,750 (P Y: KEUR 8,448) were transferred to Vereinigte Verlagsauslieferung arvato media GmbH (VVA) in Gütersloh, within the framework of the factoring agreements. Given that this involves recourse factoring (the default risk is not passed to the factor), unpaid receivables for which Bastei Lübbe is no longer responsible are again shown under “Trade receivables”. Financial assets include those receivables that have been paid by the customer but not yet transferred to Bastei Lübbe by the factor (KEUR 946). Payments by the factor from the acquisition of receivables still existent on the balance sheet date are reported as financial liabilities (KEUR 6,056, cf. Note 19).

In addition, BuchPartner GmbH (retail segment) has concluded a “true” factoring contract, through which KEUR 10,000 of trade receivables are transferred to the factor by the balance sheet date. On acquisition, the factor retained the amount of KEUR 500 (book value = fair value) as a so-called dilution reserve, which is also included in the above receivables from factoring, and is reported under the short-term financial assets. To repurchase the transferred receivables, BuchPartner would have to pay KEUR 9,500. The maximum risk from this ongoing commitment in the form of pre-risk protection is KEUR 200. A bank account was pledged as collateral (balance on 31 March 2017: KEUR 161).

In the receivables from associated companies and joint ventures, interest-bearing loans payable by HPR Bild & Ton GmbH, Cologne, totalling KEUR 250 (P Y: KEUR 250) are included, in particular.

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

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

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

10. Income tax assets and liabilities

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

(KEUR)	31.03.2017	31.03.2016
Deferred tax claims	3,139	2,002
Income tax receivables	410	0
Deferred tax liabilities	-4,271	-2,286
Income tax liabilities	-175	-2,513
Balance	**-897**	**-2,797**

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 31.03.2017	liabilities deferred taxes 31.03.2017	assets deferred taxes 31.03.2016	liabilities deferred taxes 31.03.2016
Other intangible assets	2,974	5,507	1,944	2,901
Tangible assets		136		192
Financial investments	16	37	74	32
Authors' licences		0		242
Inventories	118			
Trade receivables		74	670	144
Other receivables and assets				79
Semi-retirement obligations	1		1	
Financial liabilities	46	64	35	50
Tax losses carried forward	1,531		632	
	4,686	5,818	3,356	3,640
Balancing	-1,547	-1,547	-1,354	-1,354
	3,139	**4,271**	**2,002**	**2,286**

As in the previous year, deferred tax assets on tax losses carried forward relate to Daedalic Entertainment GmbH and BEAM Shop GmbH. Deferred tax assets on losses carried forward in the amount of total KEUR 1,962 (P Y: KEUR 1.132) shall not be formed by oolipo AG and BookRix GmbH & Co. KG, since the realisation of such is not considered sufficiently certain according to the likelihood required by IAS 12. No tax losses are carried forward for the parent company or BuchPartner GmbH. However, for the deferred tax assets accrued in the months January to March 2017 by BuchPartner GmbH, an active tax deferral in the amount of KEUR 213 was activated, and is expected to be offset in the coming months of the same calendar-based financial year, 2017.

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

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

(KEUR)		31.03.2017		31.03.2016	
Deferred tax claims 1 Apr		2,002		1,486	
Deferred tax liabilities 1 Apr		-2,286	-284	-2,523	-1,037
Deferred tax claims 31 Mar		3,139		2,002	
Deferred tax liabilities 31 Mar		-4,271	-1,132	-2,286	-284
=	Change in balance		-848		753
+/-	Additions/disposals from changes to the group of consolidated companies		2,019		0
=	**Deferred tax income as per profit and loss statement**		**1,171**		**753**

Furthermore, we refer to the information regarding income tax expenses under Note 32 in this respect.

11. Inventories

(KEUR)	31.03.2017	31.03.2016
Raw materials and supplies	638	338
Unfinished products	583	779
Finished goods	19,863	18,647
Merchandise	9,074	14
Prepayments on inventories	20	563
	30,178	**20,341**

Of the inventories recognised at the balance sheet date, KEUR 12,711 (P Y: KEUR 4,776) were carried at their net realisable value.

Unscheduled depreciations on the balance sheet date amounted to KEUR 5,307 (P Y: KEUR 3,084), and the value recovery within the same period amounted to KEUR 478 (P Y: KEUR 673). The value recoveries recorded are mainly based on improved sales expectations compared to those on the previous year's balance sheet date.

12. Trade receivables

(KEUR)	31.03.2017	31.03.2016
Receivables from		
third parties	20,980	19,520
less long-term discounting	-57	-65
less value adjustments	-224	-117
	20,699	**19,338**

Long-term receivables from a client amounting to KEUR 1,192 (P Y: KEUR 1,134) are discounted at a cash value of KEUR 1,135 (P Y: KEUR 1,069) as no interest rate was stipulated. All other trade receivables shown are due within a year and are shown as current receivables.

Value adjustments were made on receivables amounting to KEUR 281 (P Y: KEUR 155). Depreciations of trade receivables were as follows:

(KEUR)	2016/2017	2015/2016
As of 1 April	117	112
Changes in the group of cons. companies	133	0
Availment	-8	-2
Reversal	-82	-9
Addition	64	16
	224	**117**

As of 31 March 2017, trade receivables in the amount of KEUR 16,349 (P Y: KEUR 16,734) were neither overdue nor depreciated. There are no indications on the reporting date in this regard that the clients will not fulfil their payment obligations.

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

(KEUR)	31.03.2017	31.03.2016
up to 30 days	2,322	1,990
31 to 90 days	665	389
91 to 180 days	626	138
181 days to one year	91	36
more than one year	591	13
	4,295	**2,566**

As a result, trade receivables – as in the previous year – do not serve as collateral for own liabilities on the reporting date.

13. Other receivables and assets

(KEUR)	31.03.2017	31.03.2016
Other accruals and deferrals	743	910
Value-added tax refund claims	230	380
Other	4	40
	977	**1,330**

All amounts are realisable within a year.

14. Cash and cash equivalents

(KEUR)	31.03.2017	31.03.2016
Bank balances		
Sight deposits and fixed deposits	1,178	577
Cash assets	25	16
	1,203	**593**

These assets are not subject to any restrictions on ownership or disposal, with the exception of a bank account owned by BuchPartner GmbH which is pledged as collateral as part of a “true” factoring agreement (balance on balance sheet date: KEUR 161).

15. Equity

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

Following the stock market flotation, the parent company purchased its own shares in October 2014 via the authorisation granted by the annual general meeting as of 10 September 2013. After 100 of the previously held 100,000 own stocks were transferred free of charge to an author in July 2015, in order to strengthen the ties between this author and Bastei Lübbe, the number of own shares amounts to 99,900 as at the balance sheet cut-off date. The acquired shares can be used for all legally-permissible purposes. Hence 13,200,100 issued and fully paid, no-par-value shares in Bastei Lübbe AG were in circulation at the balance sheet date. The development of the number of shares in circulation in the current financial year is as follows:

(shares)	2016/2017	2015/2016
As of 1 April	13,200,100	13,200,000
Acquisition of own shares	0	0
Issue of shares (free of charge)	0	100
As of 31 March	**13,200,100**	**13,200,100**

In the course of the partial sale of oolipo – without amendment to its status as a fully-consolidated company – the sales of affected shares shall be presented as simple equity transactions pursuant to IFRS 10. In doing so, the differences between the respective proportionate equity and the respective counter-performance received shall be offset against consolidated reserves due to the shareholders of the parent company. Only the capital reserves in the consolidated annual financial statement of Bastei Lübbe AG are available for this purpose. The development of the capital reserve, incl. the offsetting of the differences stated, can be removed from the consolidated change in equity statement.

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

The Executive Board and the Supervisory Board will propose at the Annual General Meeting on 22 November 2017 that the pay-out of dividends should be temporarily suspended. The Bastei Lübbe AG 2016/2017 annual financial statements under commercial law show a net profit of EUR 1,091,912.12 to be carried forward to the next accounting period.

In accordance with the resolution passed by the Annual General Meeting on 30 November 2016, a dividend of EUR 0.10 per participating share (excluding ordinary shares) was distributed to the shareholders from the net earnings of Bastei Lübbe AG for the 2015/2016 financial year (KEUR 1,320 in total). The treasury shares held by the company as at the time the resolution was taken are not entitled to participate in dividends pursuant to section 71b of the Companies Act (AktG). Furthermore, a resolution was also passed to carry forward the remaining net earnings of Bastei Lübbe AG of KEUR 1,191.

In accordance with the resolution passed by the Annual General Meeting on 30 November 2016, for a period of two years from the date of entry of Section 7 of the Articles of Association into the commercial register, the Managing Board was authorised to carry out a one-off increase in the share capital of the company with the approval of the Supervisory Board against cash contributions by up to EUR 1,330,000.00 through the issue of new, no-par bearer shares (Authorised Capital 2016).

The equity shares of non-controlling shareholders concern equity contributions relating to the minority shareholders of Daedalic, oolipo, Blue Sky and BookRix, and have developed as follows in the past consolidated financial year:

(KEUR)	BuchPartner	Daedalic	oolipo	Blue Sky	BookRix	Total
as of 1 April 2016	0	3,024	-29	156	-29	3,122
Intake from changes in the group of consolidated companies	5,075					5,075
Intake from sales of shares			-131	581		450
pro rata profit/loss for the year	-636	-56	-69	-16	-6	-783
minus dividend payments						0
Outflow from changes in the group of consolidated companies				-721		-721
as of 31 March 2017	**4,439**	**2,968**	**-229**	**0**	**-35**	**7,143**

16. Earnings per share

In calculating earnings per share (EUR -0.16/share, P Y EUR -0.04 per share), the following period result was attributed to the shareholders of the parent company and the average number of shares in circulation (13,200,100 shares, P Y: 13,200,096 shares) as a weighted average while offsetting the treasury shares held by the Company.

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

17. Semi-retirement obligations

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

Net liabilities developed as follows:

(KEUR)	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Present value of partial-retirement obligation	66	184	393	674	843
Fair value of plan assets	-24	-155	-274	-418	-519
	42	**29**	**119**	**256**	**324**

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

(KEUR)	2016/2017	2015/2016
As of 1 April	184	393
Current service cost	0	0
Interest expense	0	0
Payments	-117	-191
Actuarial profits ("-") / losses	-1	-18
As of 31 March	**66**	**184**

The anticipated payments due in the following financial year amount to KEUR 66 (P Y: KEUR 117) The semi-retirement model expires in the following financial year and therefore ends.

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

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

The fair value of plan assets has developed as follows:

(KEUR)	2016/2017	2015/2016
As of 1 April	155	274
Deposits	0	0
Disbursements	-136	-128
Balanced earnings	5	9
As of 31 March	**24**	**155**

The plan assets are comprised of reinsurance policies held with a life insurance company. In-payments are made in the active phase of partial retirement. These payments are then effected in the passive phase of partial retirement. Assets are generally invested in the general cover funds of the life insurance company. The restrictions of the German Federal Financial Supervisory Authority apply here. Fair-value accounts are traditional insurance policies without fund investments. The income from the reinsurance policies is calculated from the fixed guaranteed interest (0.90%, P Y: 1.25%) and the variable profit share from the insurance company, to be set annually, which results from risk and cost gains and the profit from the insurance policies underlying the capital investment. The cost amounts claimed by the life insurance company are thus offset.

18. Other provisions

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

(KEUR)	As of 1 April 2016	Change consol. group	Availment	Reversal	Addition	As of 31 March 2017
long-term						
archiving costs	102	4			2	108
	102	4			2	108
short-term						
remittances	5,560	846	6,406		6,305	6,305
Litigation	510				155	665
Specific risks receivables from factoring	351		351		35	35
Other	207		196	11		0
	6,628	846	6,953	11	6,495	7,005
	6,730	**850**	**6,953**	**11**	**6,497**	**7,113**

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

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

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

19. Financial liabilities

(KEUR)	as of 31 March 2017 of which with a remaining term of Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years	as of 31 March 2016 of which with a remaining term of Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years
liabilities (to/from)								
Bonds	0	0	0	0	30,000	30,000	0	0
Balanced processing charges	0	0	0	0	-153	-153	0	0
Accrued interest on bond	0	0	0	0	874	874	0	0
banks	38,765	4,315	34,450	0	1,553	1,553	0	0
Balanced processing charges	-198	-44	-154	0	0	0	0	0
non-controlling shareholders	4,000	4,000	0	0	0	0	0	0
Finance leases	0	0	0	0	107	107	0	0
VVA pre-financing	6,056	6,056	0	0	0	0	0	0
Employees	2,233	2,233	0	0	2,167	2,167	0	0
Debtors with credit balance	209	209	0	0	177	177	0	0
Derivatives (interest swap)	141	0	141	0	0	0	0	0
Other	98	98	0	0	30	30	0	0
	51,304	**16,867**	**34,437**	**0**	**34,755**	**34,755**	**0**	**0**

On 26 October 2011, the parent company issued a bond with a total nominal value of EUR 30 million. The bond comprised 30,000 bearer bonds, each with a nominal value of EUR 1,000.00. The bearer bonds bore nominal annual interest of 6.75% retroactively as from 26 October 2011 until 25 October 2016. The bond was traded in the open market on the Düsseldorf Stock Exchange and the Frankfurt Stock Exchange and was paid back on 26 October 2016 at its nominal rate as planned, plus the interest due at this date.

On 5 October 2015, the parent company had already concluded a syndicated loan agreement with a renowned banking syndicate with a total value of EUR 33 million, and at the same time ensured itself an option of a further EUR 10 million for possible company acquisitions and other strategic investments. The syndicated loan has a maturity of six years. The company used the loan, amongst other things, for paying back the named bond. An amended agreement was concluded regarding this syndicated agreement on 15 April 2016 and a further amendment of the contract was agreed on 30 May 2016 by a banking syndicate. We refer to Note 4 in this regard (BuchPartner and LYX).

The handling fees paid in 2011 amounting to KEUR 1,340 were offset as acquisition costs for the issued bond and distributed over the term of the bond (until 26 October 2016) through profit or loss. The handling fees paid in 2015 for the syndicated loan originally amounting to KEUR 264 (as at 31 March 2017 still KEUR 198) were dealt with accordingly.

The interest accrued for the bond referred to the interest that was payable on the bond for the period from the last payment date (26 October) until the balance sheet date.

The liabilities with regard to non-controlling shareholders consist of a loan of the minority shareholders of BuchPartner GmbH. The loan bears a fixed interest rate of 3.0% and is reported under the short-term financial liabilities, since it has an unlimited term, but can be terminated at any time with notice of seven months to the end of the quarter. A repayment of the loan is not expected before the end of 2019.

Liabilities under finance leases were reflected as liabilities, provided the leased assets have been accounted for under property, plant and equipment as economic property of the group (finance leasing). They were reported at their cash values. The last contracts qualified as finance leases expired during the business year. There were therefore no longer any liabilities on the balance sheet date.

We refer to Note 9 regarding the liabilities from the VVA pre-financing.

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

20. Trade payables

Trade payables (KEUR 28,370; P Y: TEUR 11,968) essentially comprise royalties owed to authors and agencies, liabilities towards printing companies, liabilities to other publishing companies and liabilities under advisory services and lease agreements. The significant increase in liabilities is primarily ascribed to the enlargement in the scope of consolidation.

21. Other liabilities

(KEUR)	31.03.2017	31.03.2016
liabilities (to/from)		
Accruals and deferrals	2,083	1,852
Advances received	395	1,305
Other taxes	507	350
Other	285	311
	3,270	**3,818**

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

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

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

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

(KEUR)	31.03.2017	31.03.2016
liabilities (to/from)		
Accruals and deferrals	1,359	993
Advances received	395	1,260
Other	100	100
	1,854	**2,353**

Notes to the statement of comprehensive income

The profit and loss statement is organised by types of expense (total cost procedure). The figures for the financial year are only partially comparable with those from the previous financial year as the group of consolidated companies has seen not insignificant changes, due in particular to the initial consolidation of BuchPartner GmbH at the start of the 2016/2017 consolidated financial year. The following explanations and breakdowns are related to the entries of the statement of comprehensive income, including the discontinued Räder business segment.

22. Sales revenue

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

(KEUR)	2016/2017	2015/2016
Gross revenues books	52,387	54,391
Remittances books	-7,866	-7,148
Net revenues books	44,521	47,243
Revenues licensing/other revenues	2,992	3,100
Revenue deductions	-2,175	-2,010
Books segment	**45,338**	**48,333**
Revenues retail	67,211	---
Remittances retail	-20,701	---
Net revenues retail	46,510	0
Revenues licensing/other revenues	1,676	---
Revenue deductions	-5,031	---
Retail segment	**43,155**	**0**
Digital revenues	33,209	26,958
Digital remittances	-698	-807
Digital net revenues	32,511	26,151
Revenues licensing/other revenues	464	761
Revenue deductions	-163	-111
Digital segment	**32,812**	**26,801**
Revenues non-book	15,363	17,339
Revenues licensing/other revenues	488	450
Revenue deductions	-782	-804
Non-book segment	**15,069**	**16,985**
Gross revenues novels and puzzle books	32,327	30,332
Remittances novels and puzzle books	-22,568	-20.647
Net revenues novels and puzzle books	9,759	9,685
Revenues licensing/other revenues	156	133
Revenue deductions	0	0
Novels and puzzle books segment	**9,915**	**9,818**
Total net revenues	**146,289**	**101,937**

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

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

	Inventory		Changes in inventory	
(KEUR)	31.03.2017	31.03.2016	2016/2017	2015/2016
Unfinished products	583	779	-196	83
Finished goods	19,863	18,647	1,216	468
			1,020	**551**
plus changes in the group of consolidated companies			2,416	0
			3,436	**551**

The changes in the group of consolidated companies include those from the LYX/INK inflow and the Räder outflow.

24. Other activated personal contributions

The other activated personal contributions (KEUR 3,528; P Y: KEUR 2,927) concerns internally generated intangible assets (essentially games) of Daedalic Entertainment GmbH. The income was documented separately from the sales revenues, in contrast to the previous year, for reasons of clarity.

25. Other operating income

(KEUR)	2016/2017	2015/2016
Income from the Räder sale	1,653	0
Benefits in kind	250	250
Insurance compensation, indemnification	24	13
Income from copyright infringements	59	49
Currency conversion gains	242	275
Rental income	15	14
Staff sales and meal allowances	57	54
Income from the liquidation of specific bad debt allowances	85	9
Income from written-off receivables	66	6
Income from writing off liabilities	17	6
Other	226	168
	2,694	**844**

26. Cost of materials

(KEUR)	2016/2017	2015/2016
Expenses for fees and depreciation of royalties	25,551	19,828
Print, layout, repro, audio books	18,472	17,672
Procurement of “Räder” product range	7,652	6,481
Image copyright and graphic work	1,219	882
Proofreading, editing	520	242
Merchandise	24,194	456
Inbound freight costs	1,773	0
Raw materials and supplies	1,393	0
License fees (royalties)	1,274	716
Third-party game development services	881	399
Other services purchased	805	251
	83,734	**46,927**

We refer to Note 7 regarding depreciations on author royalties.

27. Personnel costs

(KEUR)	2016/2017	2015/2016
Wages and salaries	25,475	19,378
Employer shares for statutory pension insurance	2,012	1,491
Other social security contributions	2,572	1,772
Expenditure on employment termination benefits	223	916
Other	358	452
	30,640	**24,009**

28. Other operating expenses

(KEUR)	2016/2017		2015/2016	
Operating expenses				
Rents and other premises costs	3,094		2,211	
Lease expenses	330		86	
Maintenance costs	278		277	
Other operating expenses	145	3,847	73	2,647
Administrative expenses				
Legal, consulting and audit costs	4,090		2,986	
Vehicle costs	1,063		628	
External data processing costs	1,233		862	
Telephone, postage, Internet	605		549	
other personnel expenses	592		398	
Office supplies, magazines	132		219	
Entertainment expenses	146		146	
Insurance	147		110	
Subscriptions, fees	263		272	
Other administrative expenses	1,690	9,961	1,193	7,363
Sales costs				
Advertising and travel expenses	9,908		9,101	
Outgoing freight, transport and storage costs	6,155		5,800	
Personnel leasing, outside services	3,563		20	
Sales commissions	1,992		1,737	
eBook distribution costs	378		157	
Other selling expenses	312	22,308	296	17,111
Non-operating expenses				
Losses from deconsolidation of at-equity-accounted investments	0		1,375	
Value adjustments on receivables	78		327	
Exchange rate losses	228		131	
Losses from disposals of assets	3		5	
Donations	14		16	
Other non-operating expenses	55	378	35	1,889
		36,494		**29,010**

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

29. Result of participations

The result of participations is derived from the following companies:

(KEUR)	2016/2017	2015/2016
Result from at-equity accounted investments		
PRÄSENTA PROMOTION INTERNATIONAL GmbH	---	31
	---	31
Other earnings from investments		
MoBa GmbH, Brno, Czech Republic	264	265
Miscellaneous press distributorships	85	131
	349	396
	349	**427**

30. Amortisations

(KEUR)	2016/2017	2015/2016
Scheduled depreciation		
Intangible assets	4,312	2,853
Tangible assets	1,123	1,015
	5,435	**3,868**
Extraordinary impairment		
Intangible assets	0	0
Fixed assets	0	0
Financial investments	312	0
	312	**0**
	5,747	**3,868**

In the financial year, an extraordinary impairment was undertaken on the investment to Blue Sky Digital Venture Fund, Luxembourg, amounting to KEUR 221, initially acquired during the financial year, taking the reimbursed shares of oolipo AG into account, because the fund company was dissolved. Instead, Bastei Lübbe received, proportionally, the shares acquired and held in oolipo AG (924 shares = 1.848% were allocated to Bastei Lübbe). Additionally, the investment in Bastei LLC, Santa Monica/USA was extraordinarily depreciated to KEUR 91 because its business should be discontinued and no significant return flows are expected.

Otherwise, no extraordinary depreciations on intangible assets, property, plant and equipment and finance investments were necessary in the current or previous financial year – be it in the context of impairment tests or for other reasons.

31. Financial result

(KEUR)	2016/2017		2015/2016	
Finance income				
Income from instant-access/fixed-term deposit accounts	0		5	
Income from accumulation of long-term trade receivables	32		48	
Interest income from affiliated companies	0		-49	
Interest income from associated companies	68		80	
Interest income from covered funds for partial retirement provisions	5		9	
Other	7	112	10	103
Financial expenses				
Interest expense from bonds	-1,151		-2,025	
Processing charges for bonds	-153		-268	
Interest expense on syndicated loan	-783		-49	
Syndicated loan processing costs	-44		-22	
Interest expense of other long-term bank loans	-110		0	
Interest expenses loans of non-controlling shareholders	-124		0	
Interest expense from factoring	-151		0	
Expenses from interest derivatives	-174		0	
Process costs interest expenses	-142		0	
Interest portion of lease instalments under finance leases	0		-22	
Expenses from the discounting of long-term trade receivables	-24		-20	
Expenses from current accounts	-107		-8	
Other	39	-3,002	-4	-2,418
Financial result		**-2,890**		**-2,315**

32. Income tax expense

(KEUR)	2016/2017	2015/2016
Taxes paid or due		
for the current year	982	1,021
for previous years	-128	570
	854	1,591
Deferred taxes		
on temporary differences	-271	-121
on changes in losses carried forward	-900	-632
	-1,171	-753
	-317	**838**

We refer to Note 10 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)	2016/2017	2015/2016
Earnings before income taxes	-3,209	557
Expected income tax expense (32.45%)	-1,041	181
Tax rate differences	-66	-24
Differences in long-term assets	0	-281
Non-deductible operating expenses / tax-free income / special area	304	482
Trade tax corrections	126	130
at equity accounted investments	0	-168
Non-recognition of deferred taxes on losses carried forward	335	322
First recognition of deferred taxes on losses carried forward from previous years	0	-363
Adjustment of the deferred taxes due to changes in the previous year	192	0
Taxes from previous years	-128	570
Other	39	-11
Actual income tax expenditure	**-317**	**838**

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

The shares in profit allotted to the non-controlling shares of BuchPartner, Daedalic, oolipo, Blue Sky and BookRix in the amount of KEUR -783 concern the sum of the respective portions of losses. In the previous year, the sum of the shares in the profit and loss (KEUR -192) concerned the pro-rata oolipo and Blue Sky losses (in the amount of KEUR 162) as well as the Daedalic and BookRix shares in net profit for the period (in the amount of KEUR 354); see also Note 15. For more financial information regarding the non-controlling shares, we refer you to Note 4.

Other disclosures

34. Notes on the cash flow statement

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

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

The total amount (balance) of income tax payments made in the previous financial year is KEUR 3.356 (P Y: KEUR 3,273) and the interest payments made KEUR 2,423 (P Y: KEUR 1,989). The income taxes and interest payments are assigned to the operating cash flow.

The result for the period (KEUR -2.892, P Y: KEUR -281) has decreased by KEUR 2,611 year-on-year. After adding back the increased amortisations on immaterial assets and property, plant and equipment (KEUR 5,435, P Y: KEUR 3,868) due to the higher investment, particularly in the digital area, and the amortisations on royalties, which have specifically grown due to the extraordinary value adjustments of KEUR 5,198 from KEUR 7,174 in the previous year to KEUR 11,534 in the financial year 2016/2017, balanced with value recovery, the cash flow from the current business activity is KEUR 11,505 (P Y: KEUR -2,209), which represents an increase of KEUR 13,714. In particular, the high release of funds from the reduction adjusted for consolidated companies of the trade loans by KEUR 9,852, at the same time as the increase of the corresponding trade liability to KEUR 7,269 contributed to this.

The continued high investments in immaterial assets (KEUR 6,515, of which KEUR 4,849 at the subsidiary Daedalic) and the outgoing payments for financial investments (KEUR 3.444, of which Räder GmbH loan at KEUR 2,835) and investments in plant, property and equipment (KEUR 1,052) resulted in a cash outflow in the amount of KEUR 12,325 (P Y: KEUR 8,632). At the same time, disbursements for the acquisition of BuchPartner and the LYX/INK label (a total of KEUR 15,808) were almost compensated for by deposits from the sale of the Räder business division (KEUR 14,322).

Cash flow from financing activity shows an inflow of funds totalling KEUR 1,980 (P Y: KEUR 2,223 cash flow) Here, the deposits from obtaining (financial) credit exceed the amount from its repayments by KEUR 2,479 in addition to repayment of the bonds in October 2016.

During the financial year, there was therefore an overall increase – taking a consolidated company adjusted reduction of the cash funds by means of deconsolidations by Blue Sky into account – in cash funds of KEUR 1,160 (P Y: reduction to KEUR 13,064).

35. 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 EBITDA. 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.

With the acquisition of the majority participation in BuchPartner GmbH at the start of the financial year, a further independent “retail” segment was added to the group’s internal reporting system and thus also to the segment reporting pursuant to IAS 34; only BuchPartner GmbH is allocated to this segment. Compared to 31 March 2016, the segment structure remained unchanged in other respects.

- Books
- Retail
- Digital
- Non-book
- Novel booklets and puzzle magazines

Books

The “books” segment contains all print results from books. The products are distributed under various labels, including hardbacks, paperbacks and pocket books.

Retail

In the “retail” segment, the 51% participation in BuchPartner GmbH in Darmstadt will be consolidated. BuchPartner GmbH is Germany’s leading wholesaler for the supply of books to grocery retail companies, in particular. BuchPartner’s customer base includes almost all the major grocery retail groups. BuchPartner supplied more than 4,000 individual shops as at the balance sheet date, with the current figure now totalling approximately 5,200 individual shops. While the book and digital segments are concerned with manufacturing products, the retail segment includes sales of finished goods.

Digital

The “digital” segment includes Bastei Lübbe’s digital eBook and audio products as well as the subsidiaries Daedalic Entertainment GmbH (games developer and publisher), oolipo AG (streaming platform), BookRix GmbH & Co. KG (self-publishing platform) and BEAM Shop GmbH (eBook shop).

Non-book

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 segments performed as follows over the past financial year:

	Books		Retail		Digital		Non-book		Novel booklets and puzzle magazines		Total	
(KEUR)	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016
Segment sales revenue	48,689	48,333	43,155	---	33,012	27,227	15,069	16,985	9,915	9,818	149,840	102,363
Internal sales	3,351	0	0	---	200	426	0	0	0	0	3,551	426
External sales	**45,338**	**48,333**	**43,155**	**---**	**32,812**	**26,801**	**15,069**	**16,985**	**9,915**	**9,818**	**146,289**	**101,937**
EBITDA	**-2,201**	**2,181**	**-414**	**---**	**2,762**	**1,428**	**3,573**	**1,392**	**1,708**	**1,739**	**5,428**	**6,740**
included are:												
- extraordinary write-downs	-8,045	-2,610	-709	---	-2,079	-709	-80	-517	0	0	-10,913	-3,836
- Value recovery	542	554	-70	---	269	98	14	30	0	0	755	682
- Earnings from investments	0	0	0	---	0	0	0	31	349	396	349	427
Amortisations	190	666	1,177	---	3,937	2,465	333	556	110	181	5,747	3,868
EBIT	**-2,391**	**1,515**	**-1,591**	**---**	**-1,175**	**-1,037**	**3,240**	**836**	**1,598**	**1,558**	**-319**	**2,872**
Financial result											-2,890	-2,315
Earnings before taxes (EBT)											**-3,209**	**557**
Taxes on income and earnings											317	-838
Net profit or loss for the period											**-2,892**	**-281**

The extraordinary amortisation and value recovery include those such as from pre-paid royalties (see Note 7), from inventories (see Note 11) and from trade liabilities (see Note 12).

The sales revenue of the “retail” segment also almost exclusively concerns products from the “book” segment, or books. The following table shows the geographical make-up of the sales revenue for the segments:

(KEUR)	Germany		Foreign countries		Total	
	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016
External sales	122,583	82,735	23,706	19,202	146,289	101,937

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 achieved a profit increase with their two largest clients in the previous business year. Due to the increase in the group sales revenue, in particular from the initial consolidation of the majority shareholding at BuchPartner GmbH, however, no sales revenue of more than 10% of the group sales revenue was generated from a single client. Last year, Bastei Lübbe achieved close to or more than 10 % of its income each from its two largest clients. The amount of income received from these clients is distributed across the segments as follows:

(KEUR)	Books	Digital	Retail	Total
	2015/ 2016	2015/ 2016	2015/ 2016	2015/ 2016
	14,230	4,473	1,185	19,888

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

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

36. 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 or loss 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:

- Equity or loan capital share
- The relation of net financial debt to the group EBITDA

Bastei Lübbe fundamentally strives for an equity ratio of more than 40% as well as a net financial debt percentage of the group EBITDA (= debt level) of 2.5 or less. The equity ratio in the group was 34.92% as at 31 March 2017; the debt level was 3.88 at the same date (adjusted for the special effects).

The stated debt level at group scale is therefore of particular importance for the management of the group because it, in addition to the EBITDA in the individual financial statement of Bastei Lübbe AG, was set as part of the syndicated loan agreement as one of the key indicators (covenants) which must be followed to still maintain the required financial resources for the agreed advantageous conditions. The lenders have a right to extraordinary termination in the event that the key indicators are not achieved. The covenants were met in the previous financial year, although the EBITDA in the individual and group consolidated financial statement dropped more than expected.

37. Financial instruments

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

	Book value		Fair value	
(KEUR)	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Assets				
Loans and receivables				
Cash and cash equivalents	1,203	593	1,203	593
Trade receivables	20,699	19,338	20,699	19,338
Other original financial assets	4,048	4,955	4,048	4,955
Available for sale				
Investments	1,235	1,075	---	---
	27,185	**25,961**	**25,950**	**24,886**
Liabilities				
Liabilities, measured at amortised acquisition costs				
... from trade accounts	28,370	11,968	28,370	11,968
... from bonds issued	0	30,721	0	31,324
... to banks	38,765	1,553	38,765	1,553
... from finance leases	0	107	0	107
Other primary financial liabilities	12,398	2,374	12,398	2,374
Held for trading				
Derivatives without hedging relationships	141	0	141	0
	79,674	**46,723**	**79,674**	**47,326**

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 the publicly-listed bonds paid back as scheduled on 26 October 2016 was based on price quotations up to the reporting dates.
- The fair value of obligations from finance leases is determined by discounting future cash flows while applying interest rates currently available for borrowings on comparable terms, default risks and residual terms.
- The fair value of available-for-sale holdings is not calculated as no quoted market prices exist on an active market and the fair value cannot be reliably determined. These available-for-sale financial assets concern investment in companies which are unrelated to the group consolidated financial statement (affiliated, associated and joint ventures, as well as other investments, specifically press distributorships). Due to the lack of market transactions and knowledge as to the parameters that exert a significant influence on the fair value of assets, the latter was not determined. The Company currently has no intention to sell the assets.
- The fair value of the derivatives without hedging relationship maintained for trade purposes (interest swap) 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 (excluding the issued bond) 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 profits and losses recognised in the net profit and loss statement are hereinafter presented according to the groups of financial instruments and categories (before tax and investment income).

(KEUR)	2016/2017	2015/2016
Loans and receivables	111	-202
Available for sale	-312	0
Liabilities, measured at amortised cost	-6	41
Held for trading	-141	0
	-207	**-161**

The net profit and loss from the “loans and receivables” categories relate in particular to value adjustments, partially compensated by profits on exchange rates arising from currency differences. The net losses of the “available for sale” category concern depreciation on financial investments. The net result of the “liabilities...” category pertains to the results of currency conversion as well as write-offs.

The total interest revenue and total interest expenses for the financial instruments which are assessed for (amortised) costs amount to: KEUR 76 (revenues, P Y: KEUR 64) or KEUR -2,623 (Expenses, P Y: KEUR -2,394).

With regard to trade receivables, interest income from the follow-up valuation according to the effective interest rate method was recognised under interest income in the amount of KEUR 32 (P Y: KEUR 48).

38. Financial risk management

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

Credit risk

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

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

The maximum default risk for financial assets is KEUR 21,811 (P Y: KEUR 20.101) and is calculated as follows:

(KEUR)	31.03.2017	31.03.2016
Total financial instruments Assets	27,185	25,961
minus liab. covered by trade credit insurance	-5,971	-6,511
plus excess (of which 10%)	597	651
	21,811	**20,101**

Liquidity risk

The liquidity required by Bastei Lübbe is – after the bond issued in October 2011 was paid back on 26 October 2016 as scheduled – specifically ensured by the syndicated loan agreement made in October 2015 with a current total volume of EUR 53 million. Bastei Lübbe also has a current account credit facility with the three principal banks, which is however not being used at present. Daily inflow and outflow planning guarantees a permanent overview of liquidity requirements. In addition, actual liquidity requirements are compared with the planning, and any differences are analysed.

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

		as of 31 March 2016 undiscounted cash outflows				
(KEUR)	Carrying value	total	up to 30 days	> 30 days, up to 180 days	> 180 days, up to 1 year	more than 1 year
Trade accounts payable	11,968	12,142	4,388	5,866	1,888	0
Bond, incl. interest	30,874	32,025	0	0	32,025	0
Liabilities to banks	1,553	1,554	1,164	390	0	0
Liab. to non-contr. shareholders	0	0	0	0	0	0
Finance leases	107	147	29	74	44	0
Other original financial liabilities	2,374	2,566	94	2,202	270	0
	46,876	**48,434**	**5,675**	**8,532**	**34,227**	**0**

		as of 31 March 2017 undiscounted cash outflows				
(KEUR)	Carrying value	total	up to 30 days	> 30 days, up to 180 days	> 180 days, up to 1 year	more than 1 year
Trade accounts payable	28,370	28,370	10,895	12,829	4,646	0
Bond, incl. interest	0	0	0	0	0	0
Liabilities to banks	38,765	38,873	505	1,854	1,854	34,660
Liab. to non-contr. shareholders	4,000	4,290	9	44	53	4,184
Finance leases	0	0	0	0	0	0
Other original financial liabilities	2,540	3,025	887	1,978	160	0
	73,675	**74,558**	**12,296**	**16,705**	**6,713**	**38,844**

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 bond or 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. The equity received in advance as part of pre-financing of the VVA concerning trade liabilities (see Note 19) will not lead to a payment outflow in the future.

Currency risk

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

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

Concerning liabilities, currency forward transactions with runtime options were regularly entered into for purchases in US dollars until now. After the sale of the Räder business division, this type of business was no longer concluded. There were therefore no more currency forward transactions on the cut-off date.

Any change in the exchange rate within the expected fluctuation ranges would not have any material impact on the assets, financial and profit situation of the group.

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 of a part of the long-term 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 9.5 million on the balance sheet date.

31 March 2017 saw a (negative) market value (fair value) for the interest derivatives amounting to TEUR -141 which is reported among the long-term financial liabilities.

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.

39. 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 total KEUR 23,695 as of the balance sheet date (P Y: KEUR 22,718). 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

Apart from the finance lease contracts already described as financial liabilities (refer to Note 19), 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 nine years. Two rented sites are renewed for a period of one or two years if neither of the parties objects to this extension at the latest twelve or nine months before the end of the rental agreement. Furthermore, there is an option to renew by five years at the end of the lease contract for these two rented sites.

Rental and lease payments of KEUR 3,312 (P Y: KEUR 2,006) 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)	31.03.2017	31.03.2016
within one year	2,726	2,569
between 1 and 5 years	9,013	6,974
in more than five years	3,022	1,012
	14,761	**10,555**

(c) Other financial obligations

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

(KEUR)	31.03.2017	31.03.2016
within one year	500	561
between 1 and 5 years	62	225
in more than five years	0	0
	562	**786**

40. Notes on Related Parties

Until his death on 13 October 2014, Stefan Lübbe was majority shareholder of Bastei Lübbe AG, both directly through the shares which he owned and indirectly through shares attributable to him, but held by Lübbe Beteiligungs GmbH, Cologne. Since then, this role has been taken over by his wife, Birgit Lübbe. On 26 November 2014, an agreement was reached with Birgit Lübbe that she would assume representational duties. From this, KEUR 128 (P Y: KEUR 129) fees and expenses resulted in the 2016/2017 financial year. No other business transactions were made with controlling shareholders of Bastei Lübbe AG.

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)	2016/2017	2015/2016
Affiliated companies		
Sale of goods	188	43
Services purchased	-13	-2
Other operating expenses	-1	-7
Interest income	18	24
	192	58
Associated companies and other investments		
Sale of goods	0	13
Services rendered	273	50
Revenue deductions	-339	0
Purchase of goods	0	-8
Services purchased	-1	0
Other operating expenses	-36	-11
Interest income	51	8
	-52	52
Executive board/supervisory board and related individuals (without remuneration)		
Other operating expenses	-510	-623
	-510	-623
	-370	**-513**

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

(KEUR)	31.03.2017	31.03.2016
Affiliated companies		
Trade receivables	161	121
Trade payables	-5	-2
Other receivables	667	594
	823	713
Associated companies and other investments		
Trade receivables	245	0
Trade payables	-345	0
Other receivables	3,130	252
Other liabilities	-116	0
	2,914	252
Executive board/supervisory board and related individuals (without remuneration)		
Trade payables	-247	0
Other receivables	394	96
	147	96
	3,884	**1,061**

41. Statement of compliance pursuant to Section 161 AktG

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

42. Executive bodies

With effect from the close of the Annual General Meeting on 30 November 2016, the previous Members of the Supervisory Board:

- Dr Friedrich Wehrle, Stuttgart (Chair), Diplom-Kaufmann.
  Dr Wehrle is a shareholder of Outstore GmbH,
  shareholder of FST Marketing GmbH and
  member of the advisory council of JahrTopSpecial Verlag GmbH & Co KG.
- Prof. Dr. Michael Nelles, Essen (Vice Chair), economist
  Prof. Dr Nelles is the chairman of Conpair AG,
  Managing Director of Nelles Vermögensverwaltungs GmbH,
  member of the advisory council of the Düsseldorf stock exchange and
  chairman of the supervisory council of oolipo AG.
- Prof. Dr. Gordian Hasselblatt, Cologne, lawyer
  Prof. Dr Hasselblatt is a partner of CMS Hasche Sigle Partnership of
  Lawyers and Tax Advisors

resigned their posts. The following were elected by the aforementioned Annual General Meeting as new members of the Supervisory Board:

- Robert Stein, Cologne (Chairman), Dipl.-Betriebswirt (BA)
  Mr Stein is the Managing Director of Arcana Capital GmbH, Cologne,
  Managing Director of Rotaviru GmbH, Cologne,
  member of the Supervisory Board of Arcana capital AG, Zug (Switzerland),
  member of the Supervisory Board of fluid Operations AG, Walldorf, and
  Chairman of the Supervisory Board of Younicos AG, Berlin.
- Dr Mirko Caspar (Deputy Chairman), Dipl.-Kfm.
  Dr Caspar is the Managing Director of Mister Spex GmbH, Berlin,
  shareholder of Userlutions GmbH, Berlin, and
  shareholder of Caspar Feld Marketing-Performance UG (haftungsbeschränkt), Berlin.
- Prof. Dr Friedrich L. Ekey, Bergisch Gladbach, Lawyer
  Prof. Dr Ekey is a lawyer at the law firm Dr Ekey & Kollegen, Cologne.

The total emoluments of the Supervisory Board (not incl. non-variable remuneration) and their allocation for the financial year 2016/2017 are illustrated in the following table:

(KEUR)	2016/2017	2015/2016
until 30 November 2016		
Dr Friedrich Wehrle, Chair of the Supervisory Board	40	60
Prof. Dr Michael Nelles, Vice Chair	30	45
Prof. Dr Gordian Hasselblatt	20	30
from 30 November 2016		
Robert Stein, Chairman of the Supervisory Board	27	0
Dr Mirko Caspar	20	0
Prof. Dr Friedrich L. Ekey	13	0
Total	**150**	**135**

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

- Thomas Schierack, Cologne (Chair),
- Klaus Kluge, Cologne
- Ulrich Zimmermann, Hamburg (since 19 June 2017)

The total emoluments of the Executive Board for the financial year 2016/2017 are illustrated in the following table:

	Fixed remuneration		Other remuneration		Bonus		Supplies		Compensation		Total	
(KEUR)	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016	2016/ 2017	2015/ 2016
Thomas Schierack	430	400	24	12	81	381	20	20	0	0	555	813
Klaus Kluge	310	280	23	9	54	57	20	20	0	0	407	366
Felix Rudloff	0	130	0	7	0	0	0	20	0	320	0	477
Jörg Plathner	0	95	0	4	0	24	0	20	0	550	0	693

43. Employees

In the group, an average of 485 (P Y: 398) employees and 149 (P Y: 0) industrial employees were employed in the financial year. As of 31 March 2017, the Group employed a total of 595 staff members (P Y: 413). The increase in the average particularly depends on the extension in the scope of consolidation (BuchPartner), the decrease at the business year end on the sale of the Räder business unit as at 1 January 2017.

44. Group auditor fees

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

(KEUR)	2016/2017	2015/2016
Statutory auditing services	180	110
Other attestation services	0	2
Tax advisory services	65	43
Other services	92	93
	337	**248**

The previous year's figures relate to the earlier auditor, who also received a fee for the renewed audit of the amended consolidated annual financial statement as of 31 March 2016, in the amount of KEUR 40.

45. Events after the reporting date

With the resolution of the Supervisory Board of 14 June 2017, Mr Ulrich Zimmerman was appointed as a new member of the Executive Board with effect from 19 June 2017. Mr Zimmermann will be responsible for the “finance” department and will supplement the present executive team.

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, 27 July 2017

Bastei Lübbe AG

The Executive Board

Thomas Schierack   Klaus Kluge   Ulrich Zimmermann

Supplementary information

Responsibility statement

Executive Board assurance pursuant to Sections 37 v (1) and (2) No. 3 WpHG in conjunction with Sections 297(2) sentence 4 and 315(1) sentence 6 HGB

We herewith make assurances to the best of our knowledge that, in line with the applicable accounting principles, the consolidated financial statements of Bastei Lübbe AG, Cologne, Germany, present a true and fair view of the Group's net assets, financial position and results of operations as per 31 March 2017, and that the Group's consolidated management report accurately reflects the Group's net assets, financial position and results of operations, as well as the key opportunities and risks of the Group's future development.

Cologne, 27 July 2017

Bastei Lübbe AG

The Executive Board

Thomas Schierack | Klaus Kluge | Ulrich Zimmermann

Auditor’s opinion

We have audited the consolidated financial statements of Bastei Lübbe AG – consisting of the consolidated profit and loss account, consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and consolidated notes – for the financial year from 1 April 2016 to 31 March 2017. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable within the EU and with the supplementary provisions of Section 315a (1) HGB and supplementary provisions of the articles of incorporation are the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We have conducted our group audit in accordance with Section 317 HGB while observing the generally-accepted German auditing standards determined by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany). These standards require that we plan and perform audits in such a manner that inaccuracies and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements and the Group management report in accordance with the applicable financial reporting framework will, with reasonable assurance, be detected. Knowledge of the business activities and the economic and legal environment of the Company, and expectations as to possible errors, are taken into account in the determination of the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the consolidated management report are examined primarily on a test basis within the framework of the audit. The audit covers the assessment of the annual financial statements of the companies that are included in the consolidated financial statements, the delimitation of the consolidated companies, the applied accounting and consolidation principles, the material assessments of the Executive Board, as well as an assessment of the overall presentation of the consolidated financial statements and group management report We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations. In accordance with our assessment due to the insights gained in the audit, the group consolidated financial statement complies with the IFRS, in the way that it should be applied in the EU, and the additional commercial law regulations to be applied in accordance with Section 315a (1) of the German Commercial Code (HGB) and supplementary provisions of the articles of incorporation, and represents a true image of the Group’s assets, financial position and earnings, taking these regulations into account. The Group management report is consistent with the consolidated financial statements, and provides on the whole a true and fair view of the Group’s position, suitably presenting business opportunities and risks going forward.

Cologne, 27 July 2017

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr Christian Janßen	Marcus Lauten
Auditor	Auditor

Business calendar 2017/2018

Date	Event
2 August 2017	Press conference on financial statements/Analysts' conference
29 August 2017	Quarterly report (Q1)
21 November 2017	Semi-annual financial report as of 30 September 2017 (1st semi-annual report)
22 November 2017	Annual General Meeting
27 to 29 November 2017	German Equity Forum, Frankfurt/Main
21 February 2018	Quarterly report (Q3)

Legal details

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You can also find further corporate information online at www.luebbe.de.

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

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