BASTEI LÜBBE AG
ANNUAL REPORT
2019/2020

Michaela Grünig
PALAIS HEILIGENDAMM

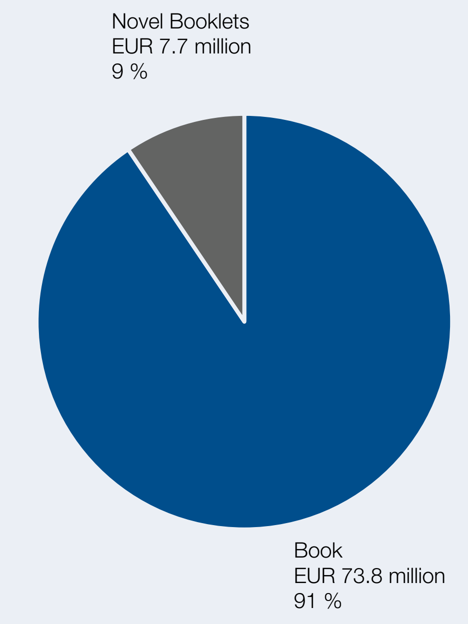
At a glance

	2019/2020	2018/2019	Change
Key financial figures (IFRS) in EUR million			
Group sales	81.5	86.6	-5.9 %
EBIT	4.1	2.3	78.1 %
EBIT margin in %	5.1 %	2.7 %	2.4 Pp
Profit for the period from continuing operations	1.9	0.7	155.0 %
Profit for the period from discontinued operations	-11.0	0.1	-
Group result	-9.1	0.9	-
Balance sheet total as of 31/3	68.6	85.9	-20.2 %
Equity* as of 31/03	27.4	36.1	-24.2 %
Equity ratio in % as of 31/3	39.9 %	42.0 %	-2.1 Pp
Net debt as of 31/3	0.6	11.9	-96.6 %
Free cash flow	12.1	12.5	-3.1 %
Other figures			
Earnings per share** in EUR	-0.46	0.05	
Financial year share closing price in EUR	1.88	1.67	12.3 %
Number of employees as of 31/3	231	251	-8.0 %

* Incl. equity capital shares of non-controlling shareholders
** See consolidated financial statement, Note 18 for calculation

Solid core business

Breakdown of 2019/2020 sales



Operational highlights and outlook

- Group sales for 2019/2020 at EUR 81.5 million exceeded the forecast of EUR 74 - 75 million
- LYX, non-fiction and children's and young people's books were convincing with above-plan successes.
- Fiction and audio went largely according to plan.
- Sale of puzzle division leads to decline in sales revenues in the novel book segment.
- Streamlining of the investment portfolio with the sale of Daedalic completed.
- Focus on organic and inorganic growth.
- Board expects a strong autumn programme 2020 and spring programme 2021.
- Forecast for the 2020/2021 financial year: Group sales between EUR 85 and 90 million and EBIT between EUR 5 and 6 million
- Medium-term: Sales growth to approx. EUR 100 million with an EBIT margin of 6-8 %.

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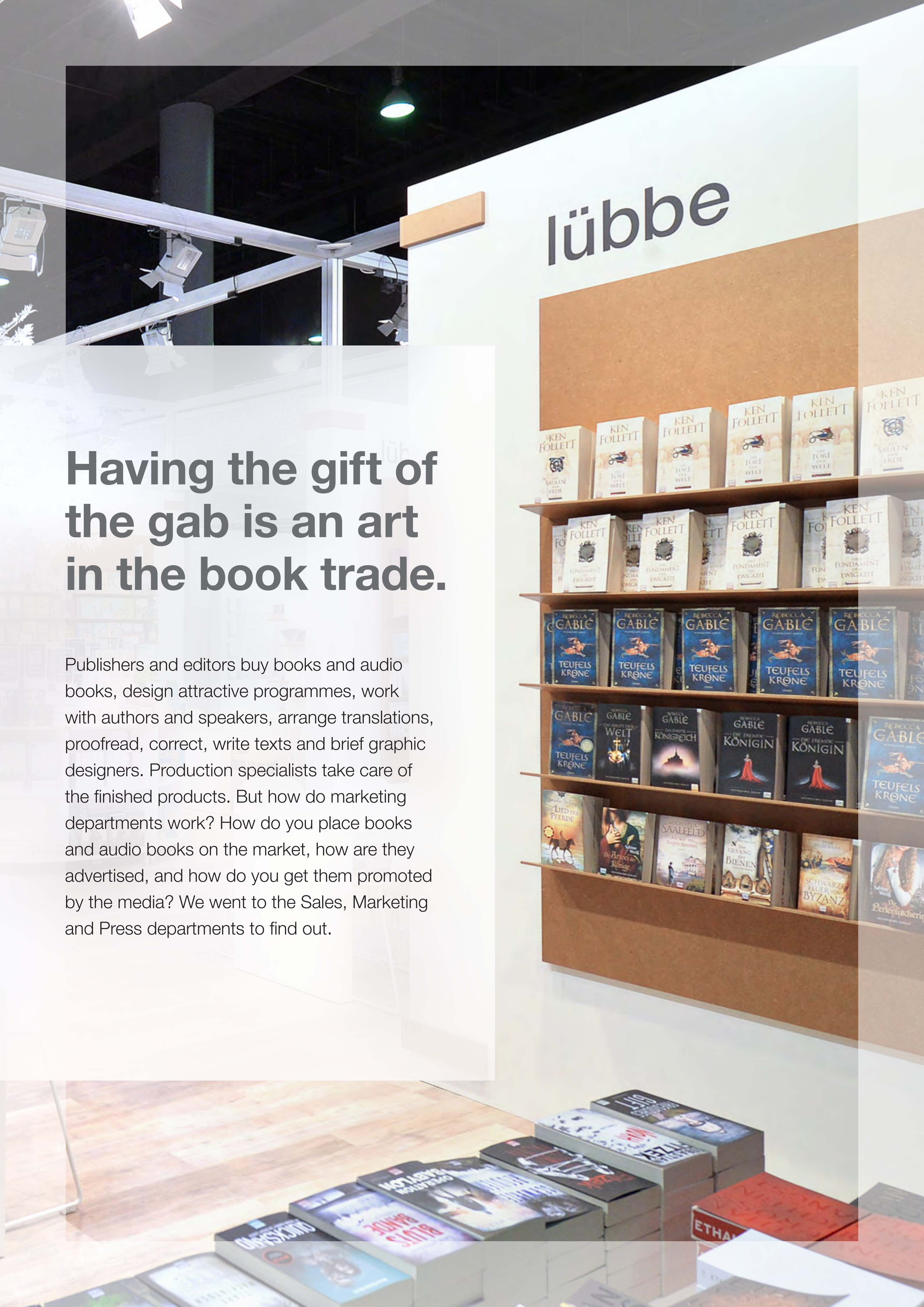


Having the gift of the gab is an art in the book trade.

Publishers and editors buy books and audio books, design attractive programmes, work with authors and speakers, arrange translations, proofread, correct, write texts and brief graphic designers. Production specialists take care of the finished products. But how do marketing departments work? How do you place books and audio books on the market, how are they advertised, and how do you get them promoted by the media? We went to the Sales, Marketing and Press departments to find out.

Interview with

Annett Brandt and Sandra Becker

Sales Management

How have you divided up the tasks in Sales Management?

Sandra Becker: Annett is responsible for all processes relating to customers, i.e. managing key accounts, the sales force and customer service. I am responsible for all the internal processes. I coordinate digital sales and manage sales colleagues in the office. Because, ultimately, we are both aiming to achieve good sales, so Annett and I work closely together.

How does the sales force work with retailers?

Annett Brandt: Every six months, our team of 10 present our program to the retail book trade and specialist market. We advise retailers on selecting the right titles from our portfolio for their respective customer base. The sales force also contributes ideas for campaigns, shop window displays and competitions. Increasingly - and especially due to Corona virus - they also act as consultants for social media channels of the bookshops and help them find the right approach for their customer base. Our sales force visits bookshops and shops with book sections in Germany, Switzerland, Austria and South Tyrol.

Do you have different approaches for major customers and retail bookshops?

Annett Brandt: Yes. The cooperation and exchange between our key account managers and major customers is much more intensive, publishing and market developments are closely monitored, and individual marketing measures are worked out together. Key customers are also likely to be consulted if there is disagreement on the choice of a cover or something like that.

How do you evaluate sales measures with such a flood of new titles?

Sandra Becker: At the beginning of each new program round, all the departments involved in marketing and the editorial staff work out which titles to focus on. Factors such as the author's popularity and his/her previous successes, or the development of a new author, a specific segment or genre that is already established on the market, as well as the programme strategies for a label all play an important role. These titles are then backed by online and offline campaigns.

When does the editorial office inform you about new titles?

Sandra Becker: Following the restructuring of our publishing house, weekly acquisition rounds were introduced. During those sessions all departments involved – including ours – decide whether the title will be acquired by the company.

Have sales activities changed in recent years?

Annett Brandt: Sales activities have changed dramatically as a result of digitisation and the creation of new branches. Digitisation brings us much closer to our customers and we can discuss an extremely wide range of topics in a timely manner. Evaluations, which are an important foundation for successful sales activities, have become much easier. VLB-Tix, a digital platform for previews, has become established, at least with major customers, and through this platform our new titles are presented to the customer and, in some cases, also ordered. In the same way, updated covers can be communicated to the customer much more quickly. The changing presentation and focus of our books is also due to changes in the consumer behaviour of readers. The ease with which titles can be found on the Internet and the way they are presented, particularly on Amazon, is becoming increasingly relevant, as many people use Amazon as a research database.

However, good contact with customers and knowing our customers' needs are still the basis for our success.

How do you operate in the e-book market?

Sandra Becker: We have a wide range of e-book offers that we are constantly enlarging and expanding. The fact that Bastei Lübbe actively focused on marketing e-books very early on means that we have extremely good contact with the various shops and a wealth of experience in this area.

How are you coping with the Corona virus crisis?

Annett Brandt: We very quickly launched programs to support our customers. These include extended payment terms, additional content for new digital portals and online shops or social media activities. Strategically, we kept to the planned new releases rather than making any changes. This approach was well received by our customers and readers.

Also the photo shootings look different in Corona times: For the photo for the annual report, sales, marketing and press management meet - with due distance - in the publishing house foyer.

Bottom right: Annett Brandt
Top right: Sandra Becker
Bottom left: Cay Möntmann
Top left: Barbara Fischer

Interview with
Cay Möntmann

Head of Marketing & Design

What tasks does Marketing perform?
The tasks performed by the Marketing team are varied, which is what makes it so interesting. They include developing and implementing marketing strategies and campaigns, media procurement, maintaining our websites and social media channels, supporting bloggers and distributing our newsletter. There's never a dull moment.

Who determines whether and how a book will be promoted?
This is not a decision made by one individual - the marketing, sales, press and editorial departments work closely together to draw up an optimal marketing strategy.

Everything is becoming increasingly digital, is there still any conventional advertising?
Digital media play an important role in most people's lives, and for us they are thus an essential point of contact with our readers, and one that is becoming increasingly important. But, above all to reach older audiences, classic media such as ads and inserts are relevant ways of promoting our products.

Marketers are creative, but budgets are limited, how do you manage to place a title, even with smaller budgets?
Absolutely, we need to be particularly creative when budgets are small. Of course our digital communication channels, such as websites, newsletters, social media accounts and blogger/influencer collaborations, are very helpful here. But we can also reach many people via insert flyers in our books without having to spend huge budgets.

Are influencers and bloggers important for your publishing house?
As I said, budgets are sometimes small, and of course, limited overall. That's why book bloggers and influencers are key multipliers for us, and they are hugely important for publicising our new titles. They do this with passion, they are enthusiastic about books and are committed to communicating this. It's impressive, how committed they are.

Bastei Lübbe has its own reading community, what are the advantages of having this special connection with readers?
Members of the reading jury – now over 30,000 – are keen book lovers. In the reader sessions, we receive feedback on our new releases and valuable reviews are generated that support opinion formation and sales in online stores.

What are the tasks of your Design department?
Colleagues in the Design team are responsible for all design issues. This starts with the covers, one of the most decisive factors for the success of a book or audio book, and involves designing campaigns and advertising materials as well as the previews. So, almost everything that needs to be visually designed.

What has changed in your daily activities since the start of the Corona virus crisis?
Like many other companies, we're learning a lot about decentralised and digital working. Many colleagues are working from home, and we see that it is possible to ensure the high quality and efficiency of the work – while at the same time I'm very much looking forward to being able to see my team "live" again on a regular basis; nothing can replace that in some situations.

Interview with

Barbara Fischer

Head of Press and Public Relations

What does the work of the Press department involve?
We handle every aspect of the media attention for our authors and their books. Our activities include book reviews or reports, we generate interviews in the print, radio, TV or online media, arrange talk show appearances or TV segments, invite people to press conferences, and organise events such as readings, book launches, panel discussions and trade fair visits. So, we use the full spectrum of the media landscape.

With such an abundance of new publications, how do you manage to attract the attention of editorial departments to your books?
Our „share capital" is our target-oriented approach to editorial departments and specific knowledge of our counterpart's requirements. Time is limited and editorial staff don't want an extensive and detailed introduction to our new programmes. The media landscape is as wide-ranging as our offer. And there's usually something to suit everyone's taste. This also includes a realistic assessment of an author's media marketability. It's not in anyone's interest to have someone appear on a live TV show if that person has a rather introverted personality and his/her strengths do not include a spontaneous exchange in front of an audience of millions of viewers. Our job is to find the right product for editors and to give the right advice to the authors as they negotiate their path through the media jungle.

How important is a media presence for authors and is it something one can learn?
Having the gift of the gab is an art. This is no different in the book sector. Some people have a natural talent when they are in front of an audience or a camera; they go out, shine in the spotlight and do „their thing". But even without this innate characteristic, one can succeed – and learn and grow. One of our tasks is to give authors with no experience of the media the best possible preparation for interviews. Occasionally, we also have external media trainers conduct author-coaching for interviews or readings.

Do all the titles in your publishing house receive media coverage?
That wouldn't be feasible given the amount of new releases, nor is it always necessary. Press activities are not the only marketing opportunity. But we try to identify the best possible means for all media-relevant titles and to develop the right concept for book and author. But sometimes there's little you can do: the Corona virus crisis is currently overshadowing almost all other topics in the media. But such crises won't dominate the media for ever. At some point people will want to hear and read about something else.

How have you been working during the Corona virus crisis, when many editorial offices have ordered their staff to work from home or part-time, and, in particular, all cultural events were cancelled?
We have turned the misfortune into an advantage and supplied editorial departments with a lot of content. Our offer was wide-ranging and included 3-minute reading videos, book recommendation videos by a cultural journalist, sound bites for radio features, print interviews on the book, and every week a headline-of-the-week interview on a current topic, and - very popular - our author Q & A: „Life in times of Corona ... „, in which we discovered how authors are coping with the crisis, what new things they have discovered, what things you currently can't buy in other countries, reading tips and reassuring messages to our favourite booksellers. It was a lot of work, but great fun!

TO OUR SHAREHOLDERS

Ulrike Fokken & Stefanie Argow
SPUREN LESEN

Letter from the CEO

Dear Shareholders,

The book market is back on the winners' podium again. Not only in terms of sales performance compared to other media, such as newspapers or TV, but also in terms of digitisation. Publishers, authors and readers are developing into a community on social media platforms, and at the same time we've been able to continue making our processes more efficient.

The industry enjoys great popularity both in the public perception and also in terms of politics. Reader solidarity with authors and booksellers has been unprecedented even during the Corona virus pandemic. VAT on our digital products, such as e-books and audio files, was reduced to 7 % at the end of last year. All forecasts promise a stable market in the coming years. A 9 billion market without price competition because - it should be noted - the statutory net book agreement applies.

Bastei Lübbe AG is the joint umbrella of a leading group of unincorporated publishing companies. Publishing companies such as Lübbe, Bastei, Baumhaus, Boje, Eichborn, Lübbe Audio or LYX and others address very different target audiences: Adults, children, teens, young adults. Each publishing company has its own profile, target audience, programme team and marketing campaign. We publish and sell our content in all conceivable product forms: printed books and e-books, audio books and audio files, as well as periodically published novel booklets in printed and digital form.

Every year, around 600 new book titles are produced in our publishing house with around 4,000 available titles, from epic historical novels to business bestsellers, from self-help books to thrillers, from cardboard picture books to books dealing with contentious social and political issues. The diversity of the publishing divisions creates an internal balance between risks and opportunities, as many external factors mean the divisions have differentiated business performance.

The beauty of the Bastei Lübbe business model lies in its simplicity. The various publishing divisions all rely on a highly efficient back office. This business model is relatively easy to scale, both organically and inorganically. New target audiences can be addressed with new topics. Existing publishing programs can be developed and expanded and, of course, suitable publishing houses or publishing areas can be acquired for this purpose.

The focus on a profitable and easily manageable core business - "book publishing" - has been overshadowed in the past financial year by the disastrous development of the associated company, Daedalic. The Hamburg-based company develops and publishes video games. This 51 % stake was bought 6 years ago with the expectation that it would be possible to exploit synergies and strategic advantages for the book business, which never actually existed and are also not feasible.

Which is why we were already seeking a buyer for this stake last year. But unfortunately, we have not as yet been successful. Daedalic's recent game developments flopped, resulting not only in large-scale extraordinary depreciation of the games portfolio, but also a complete write-down of goodwill.

Solid business in the core publishing business – high write-downs for the Daedalic holding

At EUR 81.5 million, consolidated sales of the continuing operations are higher than the last forecast of EUR 74 to 75 million. The slight decline compared to the previous year (EUR 86.6 million) is due to programme-related reasons. The publishing units performed in line with typical business fluctuations.

Books for children and teens at Baumhaus and Boje, LYX and Lübbe Audio showed impressive better-than-expected results, while other publishing units achieved results in or almost within the planned range. Earnings before interest and taxes (EBIT) of the continuing operations were EUR 4.1 million or, with an EBIT margin of 5.0 %, EUR 1.8 million higher than in the previous year (EUR 2.3 million) and thus above the forecast for the continuing operations. The write-downs at Daedalic, which fall under the discontinued operations, amount to a total of EUR 11.9 million. The group EBIT including the discontinued business unit amounts to EUR -6.6 million.

The Outlook

The market and business model of the publishing business is stable over the long term. The last major investment – Daedalic – has been sold. The core business of book publishing and novel booklets at Bastei Lübbe has recently performed above average.

In the lockdown months of March and April, we were able to clearly exceed the market trend in some programmes and thus significantly outperform our turnover planning. Books and novel booklets will continue to benefit from tourism and cultural restrictions in the coming months. But people can also travel in their heads, and it is hard to imagine a cheaper form of entertainment, learning and discovery than books and novel booklets. We therefore do not expect any negative effects from the general lull in consumer spending.

Important steps have been taken to ensure the ability to pay dividends in the future: Due to a massive reduction in debt and a significant increase in profitability, the capital reserve was released and the accumulated losses were fully offset.

The company is in good shape and the expertise and efficient organisation are in place. All that remains is to invest purposefully in organic and inorganic growth. The new Executive Board shall become operational with Simon Decot as Director of Programmes from 1 April 2020, Sandra Dittert as Director of Marketing, Press and Sales from 1 August 2020, and Joachim Herbst as Chief Financial Officer from 1 August 2020 and as Spokesperson of the Executive Board from 15 September 2020. I will support the new Executive Board as an advisor until the end of the year.

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

It’s time to go full steam ahead.

Yours,

Carel Halff

Cologne, July 2020

Executive Board of Bastei Lübbe AG

Carel Halff
Chief Executive Officer

Ulrich Zimmermann
Chief Financial Officer

Klaus Kluge
Director
Sales and Marketing

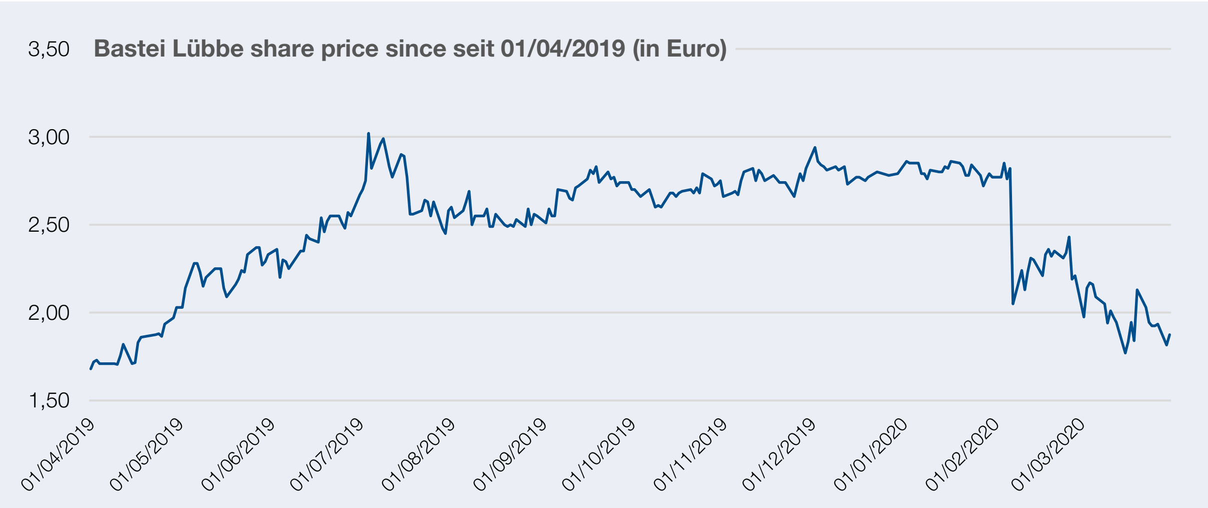
Simon Decot
Director
Programme

Bastei Lübbe in the Capital Market

The price development of Bastei Lübbe shares

In 2019, the German stock market underwent a long-term upward trend that was only interrupted by a volatile phase in the middle of the year. The reasons for this were manifold. The main reason was the lack of an agreement in the trade dispute between the USA and China. Other negative factors influencing the stock markets included emerging fears of recession, brexit debates and conflicts in the Middle East and Hong Kong. While the German stock index started 2019 at 10,580 points, it reached its high of 12,630 points on 4 July 2019. After a price correction in August 2019, the German share index reached its low of 11,413 points on 15 August 2019. The fourth quarter of 2019 was marked by an enormous year-end rally. The DAX closed the year on 30 December 2019 at 13,249 points: a performance of over 25 %. At the beginning of 2020, Germany's leading index was also able to make further gains, reaching a new all-time high of 13,789 points on 19 February 2020. However, the emerging COVID-19 pandemic plunged the world's stock markets into an almost unprecedented crisis. Within a few weeks, the DAX lost over 5,000 points and reached its provisional low for the year on 18 March 2020 at 8,442 points. Although the German leading index was still able to compensate for some of the losses up to 31 March 2020, the closing level of 9,936 points meant a minus of 25 %.

The shares of Bastei Lübbe AG started the financial year 2019/2020 weakly at a price of EUR 1.68, at the same time the 52-week low. In the further course of the year, the shares of Bastei Lübbe AG gradually increased in price, which is due to the success of the strategic realignment. After the publication of the increased forecast on 1 July 2019, the share price exceeded the 3-euro mark for the first time again and reached its 52-week high of EUR 3.02 on 4 July 2019. The Bastei Lübbe AG share price thus rose by almost 80% in the period from 1 April 2019 to 4 July 2019. In the following months, a long sideways movement began without any significant price movements until the end of 2019. The closing price on 30 December 2019 was EUR 2.79. After the impairment on the Daedalic Entertainment investment and the associated adjustment of the Group forecast was published on 6 February 2020, the share price dropped to EUR 2.05 on the following day. Although the share price recovered again to EUR 2.43 on 26 February 2020, the shares of Bastei Lübbe AG also fell in price as a result of the COVID 19 pandemic and ended the 2019/2020 financial year at a level of EUR 1.875 on 31 March 2020 (all figures based on Xetra closing prices). Over the 12-month period of the financial year 2019/2020, the Bastei Lübbe AG share price increased by 12 %. The average daily trading volume of the Bastei Lübbe share (Xetra and Frankfurt Stock Exchange) amounted to 7,719 shares in the financial year 2019/2020 (previous year: 10,749 shares). The market capitalisation of Bastei Lübbe AG amounted to EUR 24.9 million as of 31 March 2020 on the basis of 13,300,000 shares and a closing price of EUR 1.875 (previous year: EUR 22.2 million with a closing price of EUR 1.67).



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

Share information

Total number of shares	13,300,000 (no-par-value shares)
Amount of share capital	EUR 13,300,000.00
ISIN	DE000A1X3YY0
WKN	A1X 3YY
Abbreviation	BST
Market segment	Regulated market (Prime Standard)
Designated sponsor	ODDO SEYDLER BANK AG
Closing price on 31/03/2020	EUR 1.875
12-month high (closing price) on 04/07/2019	EUR 3.02
12-month low (closing price) on 01/04/2019	EUR 1.67

Analyst research

The Bastei Lübbe AG share is continuously analysed and evaluated by DZ Bank and the research specialists for the German stock market, Warburg Research and Solventis. In their current studies on the development of business and the prospects of Bastei Lübbe AG, the analysts recommend buying or holding the Bastei Lübbe share. The price targets range from EUR 2.30 to EUR 4.60. The complete research studies are available for download on the Bastei Lübbe AG homepage at www.luebbe.com/de/investor-relations/die-aktie/research.

Shareholding structure

The shareholder structure is as follows: The largest shareholder of Bastei Lübbe AG is still Birgit Lübbe with 33.08 % of the voting rights. The Roggen family holds 9.02 % of the voting rights and Joachim Schmitt 3.73 %. Lazard Frères Gestion S.A.S holds 3.07 % of the shares. Universal-Investment-Gesellschaft holds 5.08 % of the shares. Larissa Juliana Zang holds 3.01 % of the voting rights. The Management Board and Supervisory Board hold 0.28 % of the share capital. 42.73 % of the shares are in free float.

Investor relations

Bastei Lübbe AG communicates regularly and intensively with institutional investors, analysts, private investors as well as editors of financial and business media about the development and prospects of the company. In financial year 2019/2020, Bastei Lübbe also presented itself at the German Equity Forum in Frankfurt am Main.

The Bastei Lübbe share is listed in the strictly regulated Prime Standard of the Frankfurt Stock Exchange. Accordingly, Bastei Lübbe AG meets all important disclosure and transparency standards and provides detailed and timely information on important events, which are published as ad hoc or press releases. Bastei Lübbe AG will continue its targeted communication and open dialogue with capital market participants in the current financial year. Further information is available to investors on the Investor Relations page of the Company's homepage at www.luebbe.com/de/investor-relations/startseite-investor-relations.

Annual General Meeting for the 2018/2019 fiscal year

The Annual General Meeting of Bastei Lübbe AG took place on 18 September 2019 in Cologne. The Supervisory Board and Management Board began the Cologne Media Group's shareholders' meeting with a review of the past financial year and a positive look into the future: In its presentation, the Management Board reported on the successful year of transition, in which the new strategy was implemented and the focus was placed on book publishers and novels. In its further remarks, the Management Board explained the progress of the efficiency programme, which led above all to adjustments in the cost structure. At the time of voting, around 62.45 % of the statutory share capital of Bastei Lübbe AG was represented at the Bastei Lübbe AG shareholders' meeting. The shareholders approved the proposals of the management with clear majorities in all agenda items. Thus, the shareholders of Bastei Lübbe AG present also followed the recommendation of the management to postpone the discharge of the retired Supervisory Board and the members of the Management Board in office in the financial year 2016/2017 for the financial year 2016/2017 again until the next ordinary Annual General Meeting in the same way as the discharge of the Management Board. For the 2018/2019 financial year, however, the actions of the acting members of the Management Board were approved with 99.75 % of the capital present and those of the acting Supervisory Board with 98.45 % of the capital present.

The detailed agenda items as well as the voting results can be downloaded from the company's website in the Investor Relations section.

Dividend policy

Bastei Lübbe AG continues to pursue the goal of a dividend policy based on continuity in order to allow shareholders to participate in the success of the company with an appropriate portion of the distributable net income. Compatibility with long-term and sustainable business development is a prerequisite for the payment of dividends.

Against the background of the lower level of indebtedness and the significantly improved profitability in the core business, the balance sheet losses were offset against the capital reserves in these annual financial statements in order to restore the ability to pay dividends in the future. Based on the annual financial statements of Bastei Lübbe AG for 2019/2020 under commercial law, a balance sheet loss of EUR 46,430.34 is now reported.

This ensures that the strategic claim of a value-oriented company is pursued through promising investments in promising future developments and that shareholders can also participate appropriately and continuously in future success.

CORPORATE GOVERNANCE

Arnaldur Indriðason
DAS MÄDCHEN AN DER BRÜCKE

Supervisory Board Report

Robert Stein, Chair of the Supervisory Board

Dear Shareholders,

The 2019/2020 financial year was essentially shaped by two events. The sale of a substantial share in Daedalic Entertainment GmbH, which ultimately resulted in a loss, marked the end of the former digitization strategy. The Management Board had worked intensively to bring about the most attractive solution in the interests of the shareholders. This was finally achieved with the sale of the shares to the management at the beginning of the current financial year, even if the resulting losses are painful but unfortunately unavoidable.

Of great importance for the future of Bastei Lübbe AG are the changes in the Management Board, which will lead to a complete replacement of the board as of August 1, 2020. Last year, the Supervisory Board dealt very intensively with the design of Mr. Halff's succession arrangements and decided to place its trust in a Management Board team that can demonstrate relevant experience and success in the publishing business. We have recently focused on this core area, and it is now our task to continuously improve and expand this newly strengthened foundation.

In the past financial year, the shareholding in Community Editions GmbH was increased by a further 10% and a 75% stake in J.P. Bachem Editionen GmbH was acquired. Both acquisitions are in line with the strategy of growing in attractive areas of the publishing business, both organically and inorganically, insofar as this appears sensible from a strategic point of view and feasible from a financial perspective.

The reduction of net debt in the Group's continuing operations was also the focus of last year's efforts. Here, a total reduction from EUR 11.9 million to EUR 0.6 million was achieved. In view of the lower level of debt and the significantly improved profitability, the capital reserves were offset against the accumulated deficit in these annual financial statements in order to restore the ability to pay dividends in the future.

The core business was further optimised and, in particular, the strengthening of the 'Programme Strategy' division is showing clear successes, which had strengthened our resolve to anchor this division independently on the Executive Board.

As part of its advisory functions, the Supervisory Board participated in the development of the corporate strategy and the implementation of key measures and projects.

Furthermore, the Supervisory Board closely monitored the work of the Management Board, regularly advised the Management Board on the management of the Company and carefully supervised the conduct of business on the basis of written and oral reports by the Management Board and joint meetings. In addition, the Supervisory Board satisfied itself of the legality and regularity as well as the expediency and economic efficiency of the company's management. We did not make use of the opportunity to inspect the books and records of the company (Section 111 (2) AktG) in the year under review. Due to the regular, intensive and satisfactory reporting by the Executive Board, the audit by and discussions with the auditors and the supplementary monitoring measures described below, there was no reason to do so. We were always involved in a timely and appropriate manner in all decisions that were of fundamental importance to the company or in which the Supervisory Board was required by law or the Articles of Association to be involved.

A large number of issues were discussed in detail in the 2019/2020 financial year. These were based on written and oral reports by the Management Board to the Supervisory Board. The Board of Management informed us regularly, promptly and comprehensively about the course of business, the earnings and financial position, the employment situation, compliance and the planning and strategic development of the company. Deviations from planning were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully considered.

The Supervisory Board regularly received documents from the Management Board for preparation purposes. Even outside the scheduled meetings, the Chairman of the Supervisory Board was in constant contact with the Management Board and discussed significant events and upcoming decisions with it.

The Supervisory Board was also immediately and comprehensively informed by the Management Board in writing or orally or in writing between the regular meetings about business transactions that were of major importance to the company. The Supervisory Board conscientiously monitored the Management Board and confirmed that it had acted lawfully, properly and economically in every respect.

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

In the 2019/2020 financial year, the Supervisory Board held a total of four ordinary meetings and one extraordinary meeting - in compliance with section 110 (1) sentence 1 of the AktG. In addition, 10 Supervisory Board meetings were held in the form of telephone conferences and eight further meetings were held by written circular. All Supervisory Board members participated in both the ordinary and extraordinary meetings as well as in the telephone conferences. Where necessary, the Supervisory Board adopted resolutions by written procedure.

The most important topics of discussion in the past fiscal year included:

- current business development in 2019/2020,
- the analysis of the Company and its investments as well as the derivation and implementation of strategic measures,
- the securing of the liquidity of the Company,
- planning and budget for 2020/2021,
- scheduling for 2020/2021 and planning of the Annual General Meeting,
- future development and strategy of the Company and its divisions,
- HR planning and organisational structure,
- Group structure,
- company disposals and liquidations,
- activities on the capital market.

We also discussed the following topics at the individual meetings in the 2019/2020 financial year:

Resolution by written circular of 30 April 2019

At the meeting on 30 April 2019, the majority takeover of the shares in J.P. Bachem Editionen GmbH was approved after a thorough review and on the basis of previous, intensive discussions between the Management Board and the Supervisory Board. The corporate planning was also approved in its final form.

Resolution by written circular of 3 May 2019

After the Supervisory Board and the Executive Board had exchanged views on the sale of the Rätsel division several times in the preceding months, the resolution of the Executive Board was approved on 3 May 2019.

Ordinary meetings of 5 and 10 July 2019

At the meeting on 5 July 2019, the Management Board reported to the Supervisory Board on the 2018/2019 annual financial statements, and the Supervisory Board discussed the report in detail. The auditor attended the meeting to discuss this agenda item. The company's Management Board provided supplementary and explanatory information. The auditor reported on the main results of the audit of the annual financial statements and the management report of Bastei Lübbe AG as of 31 March 2019, as well as the consolidated financial statements and the Group management report as of 31 March 2019. Due to the fact that the individual and consolidated financial statements are not yet formally available in final form, the resolution to adopt the annual financial statements was not passed until the meeting on 10 July 2019. Following a detailed examination, the Supervisory Board approved the annual financial statements of the company for the financial year ending on 31 March 2019 in accordance with the German Commercial Code (HGB), which were thus adopted. The consolidated financial statements according to IFRS standards were approved. The Supervisory Board also dealt with the agenda for the 2019 Annual General Meeting, including the resolutions proposed by management.

Ordinary meeting held on 12 September 2019

Following various discussions between the Supervisory Board and the Management Board on the conclusion of the amendment agreement to the syndicated loan agreement, the Supervisory Board approved the final agreements at the Supervisory Board meeting on 12 September. In addition, the Management Board and Supervisory Board discussed with the management of J.P. Bachem Editionen GmbH the main measures to be taken with regard to the future development of the newly acquired investment. Another topic of the meeting was the discussion of further, possible company acquisitions in order to expand and strengthen the existing core business.

Ordinary meeting held on 28 November 2019

At the meeting on 28 November 2019, the Supervisory Board and the Management Board discussed in detail the current business development and the outlook for the end of the 2019/20 financial year. The programme planning of the individual publishing divisions was discussed in detail. At the meeting, the Management Board also reported on the results of the risk inventory as of 30 September 2019 and provided an update on compliance. No new, significant risk areas had arisen; overall, the overall risks are continuing to decline as a result of the restructuring measures. Options with regard to the Daedalic investment and its current economic situation and outlook were discussed in detail. Following the meeting, the Supervisory Board met to review efficiency.

Resolution by written circular of 12 December 2019

At the meeting on12 December 2019, the acquisition of a further 10 % stake in Community Editions GmbH was approved after thorough examination and on the basis of previous, intensive discussions between the Management Board and Supervisory Board.

Resolution by a conference call of 16 December 2019

At its meeting on 16 December 2019, the Supervisory Board approved the conclusion of a Management Board employment contract with Mr Joachim Herbst with effect from 1 August 2020. In addition to assuming responsibility for Finance, Mr. Herbst will take over the position of Spokesman of the Management Board following the departure of Mr. Halff.

Resolution made via a conference call on 23 January 2020

In a conference call on 23 January 2020, the Supervisory Board took a final decision on the new composition of the Management Board. With effect from 1 April Simon Decot, the previous Head of Program Strategy, will take over the newly created Board of Management department 'Program'. Furthermore, the Supervisory Board decides on the conclusion of the Management Board contract with Ms Sandra Dittert with effect from 1 August 2020. Ms Dittert will be responsible for marketing and sales. By separating the programme and sales/marketing divisions, the supervisory board intends to further strengthen the core business of book publishing.

Ordinary meeting of 26 March 2020

At the meeting on 26 March 2020, the Management Board explained the current business development in detail. This was followed by a detailed discussion of corporate planning for the 2020/2021 financial year and medium-term planning including strategic growth measures. The Management Board and Supervisory Board also discussed in detail the company's strategic planning and the program planning for the current planning period. The indicative offer of the management of Daedalic Entertainment GmbH to take over the shares of Bastei Lübbe in the context of a management buy-out as well as alternative options in connection with the investment were discussed and the status quo and further measures in the legal disputes with the former executive bodies were discussed and agreed.

Self-assessment

As recommended by the Corporate Governance Code, the Supervisory Board again reviewed the efficiency of its activities in the 2019/2020 financial year with regard to effective monitoring and advising of the Management Board of Bastei Lübbe AG. The Supervisory Board is of the opinion that Bastei Lübbe AG has sufficient organizational structures and systems to enable the Supervisory Board to fulfill its legal and statutory obligations in an appropriate manner. The rules of procedure for the Supervisory Board and the regulated procedures, the determination of transactions requiring approval, and the timely and sufficient supply of information to the members of the Supervisory Board are decisive factors in ensuring that the Supervisory Board can fulfill its monitoring duties in an appropriate manner. The members of the Supervisory Board have the knowledge required for a member of the Supervisory Board of Bastei Lübbe AG according to their qualifications and respective professional experience in order to efficiently fulfill their tasks.

The members of the Supervisory Board undertake the training and further training measures required for their tasks on their own responsibility. The Company supports the members of the Supervisory Board in an appropriate manner. In particular, the members of the Supervisory Board are informed by the Company both during the Supervisory Board meetings and between the meetings about topics relevant to the Supervisory Board, changes in legislation and current developments in the area of Supervisory Board activities. Lectures or workshops with internal or external speakers can also be held at the plenary sessions of the Supervisory Board on topics of particular relevance. Furthermore, with the support of the Company, Supervisory Board members have the opportunity to make use of external information channels or specialist events. In the 2019/2020 financial year, the Supervisory Board participated in training and further education measures. These included participation in external seminars and events on topics relevant to the Supervisory Board as well as ongoing information on changes in legislation via the Company's legal advisors.

The Company provides appropriate support to the members of the Supervisory Board during their inauguration (onboarding). In this context, new members of the Supervisory Board are provided with relevant information on the structure and governance of the Company and the Supervisory Board as well as on fundamental and current issues of the Company. In addition, new members of the Supervisory Board hold personal discussions with the members of the Management Board and, on this basis, obtain information on relevant issues affecting the Company. They are also given the opportunity to exchange views with company executives and to visit company premises as part of the inauguration of the new members.

In the past financial year, no conflicts of interest arose among the members of the Supervisory Board of Bastei Lübbe AG that would have had to be disclosed immediately to the Supervisory Board.

German Corporate Governance Code

In the 2019/2020 financial year, the Supervisory Board again dealt with the contents of the German Corporate Governance Code. With a few exceptions, Bastei Lübbe AG follows the recommendations and suggestions of the German Corporate Governance Code. On July 7, 2020, the Board of Management and Supervisory Board resolved to issue a limited declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG). The current declaration of conformity and all previous declarations of conformity have been made permanently available to shareholders on the company website. (Further explanations on corporate governance can be found in the "Declaration on Corporate Governance").

Audit of the 2019/2020 annual financial statements and consolidated financial statements

The Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, audited the annual financial statements prepared by the Board of Management in accordance with the provisions of the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with IFRS together with the summarised Group management report and management report of the company for the financial year 2019/2020 and issued an unqualified audit certificate. The above-mentioned documents and the audit report of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, were submitted to the members of the Supervisory Board in good time. They were discussed at the meeting of the Supervisory Board held on 7 July 2020, at which the Board of Management explained the annual financial statements, the consolidated financial statements and the combined Group management report and management report, and the auditors of Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, reported in detail on the results of the audit. At the meeting, all questions were answered exhaustively by the Management Board and the auditors. After its own examination of the annual financial statements, the management report, the consolidated financial statements and the Group management report, the Supervisory Board had no reason to raise any objections to the annual financial statements, the management report, the consolidated financial statements and the Group management report. It agreed with the Management Board in its assessment of the company's situation and approved the annual financial statements, which are thus adopted, and the consolidated financial statements for the 2019/2020 financial year.

Appreciation of the Supervisory Board

The past fiscal year showed sustained successes from the company's refocusing on its core business. The further write-downs in connection with the investment in Daedalic Entertainment GmbH unfortunately had a significant negative impact on the result, but despite all the efforts of the Management Board it was ultimately unavoidable. At the same time, external debt was further reduced; over the restructuring period 2017 to 2020 from EUR 42.6 million to EUR 3.4 million. The restructuring phase has been completed and the Supervisory Board would like to thank in particular the outgoing Management Board and the employees and employee representatives of Bastei Lübbe AG for their passionate commitment in the past financial year and in the years of this successful restructuring. At this point, our very special thanks go to Mr. Carel Halff, who with a great deal of passion, energy and foresight succeeded in leading Bastei Lübbe AG extraordinarily successfully through this severe crisis.

We are now facing a new phase in the company's development and we are pleased to be able to accompany a new management team on this path. The Supervisory Board would like to thank the shareholders of Bastei Lübbe AG for the interest and trust they have placed in the company and in the company as a whole.
Cologne, July 2020

For the Supervisory Board

Robert Stein
Chair of the Supervisory Board

Corporate Governance Statement

Guidelines for business

Corporate Governance stands for responsible management. It comprises the entire system of managing and monitoring a company. This includes its organization, values, business policy principles and guidelines as well as internal and external control and monitoring mechanisms. The goal of good and transparent corporate governance is responsible management and control of the company with a view to creating value. This goal is embedded in the framework conditions laid down by the German Corporate Governance Code, among others.

Transparent corporate governance promotes the confidence of national and international investors, the financial markets, customers and other business partners, employees and the public in Bastei Lübbe AG. We provide information on our corporate governance practice on the Internet at www.luebbe.com/de/investor-relations/corporate-governance.

Shareholdings and reportable transactions

In addition to the provisions of securities law, a key element of the corporate governance guidelines is to create the best possible transparency in directors' dealings transactions.

In accordance with Section 15a of the German Securities Trading Act (WpHG), the members of the Management Board, the Supervisory Board and other persons with insider knowledge as well as persons closely related to them are obliged to disclose the purchase or sale of shares of Bastei Lübbe AG if these reach or exceed a total volume of EUR 5,000 p.a. In addition to the Europe-wide publication, all share transactions subject to reporting requirements are also listed on our website in the Investor Relations / Directors' Dealings section.

Executive bodies, members of management or persons closely related to them did not conduct any share transactions in the reporting period.

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

Good corporate governance is the basis for responsible corporate management. The Executive Board and the Supervisory Board claim to align the management and supervision of the company with national and international standards. Efficient cooperation between the Executive Board and Supervisory Board within the framework of open and transparent corporate communication is indispensable for this.

In addition to the declaration of compliance with the recommendations of the German Corporate Governance Code, the corporate governance declaration pursuant to Section 289f of the German Commercial Code (HGB) contains further information on corporate governance, in particular on corporate management practices and a description of the working methods of the Executive Board and Supervisory Board.

Statement of Compliance

The Management Board and Supervisory Board of Bastei Lübbe AG declare in accordance with Section 161 of the German Stock Corporation Act (AktG)

Bastei Lübbe AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code as amended on February 7, 2017 (published in the official part of the Federal Gazette on April 24, 2017) since the last declaration of compliance, with the exception of the recommendations listed below:

Supervisory Board committees (Section 5.3)

The German Corporate Governance Code recommends that the Supervisory Board should form committees with sufficient expertise. Due to the unavoidable personal identity of committee and supervisory board members in a three-member supervisory board, the supervisory board of Bastei Lübbe AG has not formed any committees at present. The members of the committee are therefore jointly responsible for all matters to be decided. Should the Supervisory Board be enlarged in the future, a decision will be made on the formation of committees.

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

Contrary to the recommendation, the consolidated financial statements and management report for the 2019/2020 financial year were not made publicly available within 90 days of the end of the financial year due to the processes involved in the audit of the annual financial statements.

The Management Board and Supervisory Board of Bastei Lübbe AG declare after due examination in accordance with Section 161 AktG that the recommendations of the GCGC in the version of December 16, 2019 (published in the official part of the Federal Gazette on 20 March 2020, "GCGC 2020") are complied with at present and in the future with the following deviations.

Committees in the Supervisory Board (Sections D.2 to D.5)

The German Corporate Governance Code recommends that the Supervisory Board should form committees with sufficient expertise (Sections D.2 to D5). Due to the unavoidable personal identity of committee and supervisory board members in a three-member supervisory board, the supervisory board of Bastei Lübbe AG has not formed any committees at present. The members of the committee are therefore jointly responsible for all matters to be decided. If the Supervisory Board should be enlarged in the future, a decision will be made on the formation of committees.

Publication of consolidated financial statements and management report (Section F.2)

Contrary to the recommendation in Section F.2, the consolidated financial statements and management report for the 2019/2020 financial year will not be made publicly available within 90 days of the end of the financial year due to the processes involved in the audit of the annual financial statements.

Variable remuneration of Executive Board members (Section G.10 Page 2)

Insofar as the new version of the German Corporate Governance Code results in deviations with regard to the existing employment contracts of the Company's Management Board members, it is pointed out that in accordance with the rationale of the GCGC 2020, "amendments to the Code need not be taken into account in current Management Board contracts". The Company will take the recommendations of the GCGC 2020 into account when renewing existing employment contracts with members of the Management Board and when concluding new employment contracts with members of the Management Board in connection with the entry of new Management Board members and will deviate from recommendation G. 10 p.2 GCGC 2020 in the future. In view of the company's business strategy and business cycle, a period of three years until the long-term variable grant amounts are available seems appropriate.

Working methods of the Executive Board and Supervisory Board, Information on corporate governance practices

As a German stock corporation, Bastei Lübbe AG is subject to German stock corporation law and therefore has a dual management and control structure, consisting of the Management Board and the Supervisory Board. Tasks, competencies and responsibilities of these two bodies are clearly regulated by law and separated in terms of personnel.

For Bastei Lübbe AG, the fundamental principle of responsible corporate governance is to ensure efficient cooperation between the Management Board and Supervisory Board, which is characterized by responsible and transparent corporate governance and control structure. In the 2019/2020 financial year, a large number of issues were discussed in detail between the Supervisory Board and the Management Board. The Supervisory Board carefully and regularly monitored the work of the Executive Board and continuously accompanied its activities in an advisory capacity.

The Supervisory Board was always involved in all decisions in a timely and appropriate manner. The Board of Management informed the Supervisory Board regularly, promptly and comprehensively, in written or oral form, about the course of business, the earnings and financial position, the employment situation and personnel policy, the short and long-term corporate and financial planning and the strategic development of the company and its affiliated companies. Deviations from the plans were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully considered.

The Chairman of the Supervisory Board was also in contact with the Management Board or the Chairman of the Management Board outside of the meetings held at regular intervals and discussed with him the main events and upcoming decisions.

Since 1 June 2016, a compliance regulation adopted by the Supervisory Board and the Management Board has been in force. Bastei Lübbe AG has engaged an external compliance officer to deal with compliance, which is understood as adherence to rules and the integrity of processes and conduct within the company. He conducts research and consulting discussions with the members of the Management Board, department heads, the works council, other individual employees and the departmental staff in departmental meetings. Staff members can contact him by e-mail, letter, telephone calls and personal contact. The compliance officer examines documents and other written materials and holds a monthly consultation. His contacts to the staff and the so-called whistleblowing system consist of announcing the office hours, his email account within the publishing house, announcing his private contact data outside the publishing house, invitations and offers to the staff to make contact openly or anonymously and the assurance of confidentiality.

The Compliance Officer has provided the Management Board with a report on the end of the 2019/2020 financial year. In it, the Compliance Officer comes to the following conclusion in summary: "The publishing company has no compliance problems that are systemically relevant to its business activities in the applicable economic and legal system or that could even threaten its existence. There are identifiable individual compliance-related observations, which the Management Board has, without exception, taken up after being informed.

Allocation of responsibilities and working methods of the Executive Board

The Management Board of Bastei Lübbe AG manages the company with the goal of sustainable value creation on its own responsibility and in the company's interest, i.e. taking into account the interests of the shareholders, its employees and other groups associated with the company. In doing so, the Management Board acts free of instructions from third parties and in accordance with the law, the Articles of Association and the rules of procedure for the Management Board issued by the Supervisory Board and taking into account the resolutions of the Annual General Meeting. When filling management positions in the company, the Board of Management of Bastei Lübbe AG also pays attention to diversity and strives in particular to give appropriate consideration to women. A company-wide, formalized diversity concept has not yet been implemented. The Management Board and Supervisory Board are of the opinion that diversity can be promoted and created even without a formalized diversity concept. The Supervisory Board has set a target quota for the proportion of women on the Management Board of Bastei Lübbe AG of 0-30 % and a deadline for achieving this target of 30 June 2023.

Notwithstanding the principle of overall responsibility, according to which all members of the Management Board share responsibility for the management of the company, each member of the Management Board is responsible for the area of responsibility assigned to him and is solely authorized to manage the company in the area assigned to him. Each member is entitled to submit matters to the full Board of Management for resolution. As a rule, the Management Board of Bastei Lübbe AG meets weekly.

However, issues which by law are assigned to the full Board of Management by law are dealt with and decided jointly by all members. The members of the Management Board make all fundamental decisions on business policy and strategy in close cooperation with the Supervisory Board. In this sense, the Board of Management informs the Supervisory Board of all issues and focal points relevant to the company as a whole. The corresponding information and reporting duties of the Management Board are defined in detail by the Supervisory Board in the Management Board's rules of procedure. The Chairman of the Board of Management has the lead in the overall management and business policy of the company. He ensures the coordination and uniformity of management within the Executive Board and represents the company in public.

The Management Board currently consists of the members Carel Halff (responsible for strategy, corporate development, M&A, compliance, novels and production), Klaus Kluge (responsible for sales, marketing, press), Ulrich Zimmermann (responsible for finance, IT, risk management, human resources and contract management) and Simon Decot (since 1 April 2020, responsible for program). All members of the Management Board were appointed for a term of three years.

The Supervisory Board, together with the Management Board, ensures long-term succession planning. As part of the process for long-term succession planning, the Supervisory Board ensures that the knowledge, skills and experience of the members of the Board of Management are varied and balanced in the interests of the Company, also taking diversity into account. One basis for long-term succession planning is formed by discussions between the Supervisory Board and members of the Board of Management, through which the Supervisory Board obtains a picture of potential successors for Board of Management positions in the Company. Vacant positions on the Management Board are filled on this basis, taking into account the applicant profile provided by the Supervisory Board.

Changes in the Management Board will lead to a complete replacement of the board as of 1 August 2020. The change already began with the appointment of Simon Decot (responsible for the program) as of 1 April 2020. Joachim Herbst (responsible for Finance, IT, M&A, Compliance, Production, Risk Management, Human Resources) and Sandra Dittert (responsible for Sales, Marketing, Press, and Contract Management) will complete the new Management Board on 1 August 2020. Joachim Herbst will become Spokesman of the Management Board when Carel Halff leaves the company on 15 September 2020. All Management Board members are appointed for a period of three years.The Supervisory Board has set an age limit for Management Board members. Persons shall only hold office as members of the Management Board until they reach the age of 68. The Supervisory Board must take this into account when appointing members of the Management Board and when concluding the respective employment contracts.

Working methods of the Supervisory Board

The task of the Supervisory Board is to advise and supervise the Management Board in the management of the company. Since important decisions of the Company require the approval of the Supervisory Board, the latter is involved in decisions that are of fundamental importance to 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 consists of three members. When proposing candidates for election to the Supervisory Board, particular attention is paid to the knowledge, skills and professional experience required to perform the task. In this way, the members of the Supervisory Board ensure the most effective possible supervision of the company and support of the Management Board in matters of strategic orientation. In addition, only those persons who have not yet reached the age of 68 at the time of election are proposed for election to the Supervisory Board.

The Supervisory Board consists of the following members: Robert Stein (Chairman of the Supervisory Board, Managing Director of Arcana Capital GmbH) member of the Supervisory Board since 30 November 2016, Dr. Mirko Alexander Caspar (Deputy Chairman of the Supervisory Board, Managing Director of Mister Spex) member of the Supervisory Board since 30 November 2016 and Prof. Dr. Friedrich L. Ekey (member of the Supervisory Board, attorney and professor of business law at the Rheinische Fachhochschule in Cologne) member of the Supervisory Board since 30 November 2016. The function of financial expert within the meaning of Section 100 (5) AktG is performed by Mr. Robert Stein. In accordance with the Articles of Association, the Supervisory Board of Bastei Lübbe AG consists of three members. A woman shall be represented on the Supervisory Board of Bastei Lübbe AG at the latest at the end of the current term of office.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and attends to the concerns and representation of the body externally. He is in constant and regular contact with the Management Board, in particular with the Chairman of the Management Board, and discusses with him, also outside the meetings, the main events and forthcoming decisions affecting the company. The members of the Supervisory Board of Bastei Lübbe AG are not former members of the Management Board.

At its meeting on 28 November 2019, the Supervisory Board discussed and examined the efficiency of its activities with regard to effective control and advice of the Management Board of Bastei Lübbe AG on the basis of available documents. The Supervisory Board is of the opinion that Bastei Lübbe AG has sufficient organizational structures and systems to enable the Supervisory Board to fulfill its legal and statutory obligations in an appropriate manner. The rules of procedure for the Supervisory Board and the regulated procedures, the determination of transactions requiring approval and the timely and sufficient supply of information to the members of the Supervisory Board are decisive factors in ensuring that the Supervisory Board can fulfill its monitoring duties in an appropriate manner. The members of the Supervisory Board have the knowledge required for a member of the Supervisory Board of Bastei Lübbe AG according to their qualifications and respective professional experience in order to efficiently fulfill their tasks.

The Supervisory Board has given itself the following competence profile for the entire Board and has set the following objectives for the composition of the Supervisory Board:

The Supervisory Board shall be composed in such a way that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties. In this context, the Supervisory Board considers the following areas of competence and knowledge in particular to be essential for the performance of its tasks within the company (competence profile): national and international business experience, management experience, understanding of the business in relation to the company's main areas of activity, digitization, finance, accounting, auditing, controlling/risk management, human resources, governance/compliance. The members of the Supervisory Board must be familiar in their entirety with the sector in which the company operates, in particular through experience in the media industry. At least one member of the Supervisory Board must have expertise in the fields of accounting or auditing (financial expert within the meaning of Section 100 (5) AktG).

The Supervisory Board specifies the following objectives for its composition:

- The Supervisory Board as a whole shall have the knowledge, skills and professional experience required to properly perform its duties. With regard to the composition of the Supervisory Board, the Supervisory Board aims to ensure that the aforementioned competence profile is completed for the entire body and that the areas of competence specified therein are covered.
- In addition, the Supervisory Board should have a number of independent members that it considers to be appropriate. To this end, more than half of the shareholder representatives shall be independent of the company and the Management Board. In the event that the company has a majority shareholder, at least one shareholder representative shall be independent of the controlling shareholder.
- In its election proposals, the Supervisory Board will also pay attention to diversity in the sense of a plurality of opinions and experiences of the persons proposed, for example with regard to age, gender, educational or professional background and internationality.
- The Supervisory Board aims to have a woman on the Supervisory Board by the end of the current term of office at the latest.
- At least one member of the Supervisory Board shall have international business experience or another international background.
- In accordance with the age limit decided by the Supervisory Board and laid down in the Rules of Procedure for the Supervisory Board, the Supervisory Board will only propose persons for election to the Supervisory Board who have not yet reached the age of 68 at the time of the election.
- Conflicts of interest of Supervisory Board members prevent independent advice and monitoring of the Management Board. The Supervisory Board decides in each individual case, within the framework of the law and taking into account the GCGC, how to deal with potential or emerging conflicts of interest. Conflicts of interest are to be avoided when appointing members to the Supervisory Board.

In the opinion of the Supervisory Board, the current composition corresponds to the above-mentioned objectives and fulfils the competence profile. Overall, the members of the Supervisory Board have the knowledge, skills and experience required to properly perform their duties. In its opinion, the Supervisory Board has a reasonable number of independent members. In the opinion of the Supervisory Board, all members of the Supervisory Board are independent members within the meaning of the German Corporate Governance Code.

Proposals of the Supervisory Board to the Annual General Meeting will take the above-mentioned objectives into account and aim to fill out the competence profile for the entire body. The Supervisory Board's decision on the election proposal to the Annual General Meeting is always based on the interests of the Company, taking into account all circumstances of the individual case.

The Supervisory Board also deals with the effectiveness of the audit and prepares the proposal for the resolution to the Annual General Meeting on the election of the auditor. Even before the implementation of Section D.11 of the GCGC 2020, the Supervisory Board discussed the audit services provided together with the auditor and assessed the quality of the services provided in this context.

Avoidance of conflicts of interest

In the past financial year, there were no conflicts of interest among the members of the Management Board and Supervisory Board of Bastei Lübbe AG that would have had to be disclosed to the Supervisory Board without delay. No member of the Management Board was a member of the Supervisory Board of trading companies not belonging to the Company.

Transparency

Bastei Lübbe AG's goal is to ensure the greatest possible transparency and to provide all target groups with the same information at the same time. All target groups can inform themselves about current developments in the company via the Internet. Ad-hoc releases of the Company are published on the website of Bastei Lübbe AG in the "Investor Relations" section. Press releases and other company news are also made available here.

We provide information on our corporate governance practice on the Internet at www.luebbe.com/de/investor-relations/corporate-governance. Our current and previous declaration on corporate governance in accordance with Section 289f HGB, our current and previous declaration of compliance with the Code, our report on corporate social responsibility and our Articles of Association are available here.

In accordance with Section 15a of the German Securities Trading Act, members of the Management Board and Supervisory Board of Bastei Lübbe AG and certain employees in management positions as well as persons closely related to them must disclose the purchase and sale of shares in the Company and related financial instruments. All transactions by management personnel in accordance with Section 15 of the German Securities Trading Act are also published on the website at www.luebbe.com/de/investor-relations/corporate-governance/directors-dealings.

Financial accounting and auditing

The consolidated financial statements of Bastei Lübbe AG and the interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. The annual financial statements of Bastei Lübbe AG are prepared in accordance with the provisions of the German Commercial Code (HGB). In the context of the Annual General Meeting on 18 September 2019, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungs-gesellschaft, Cologne, was elected as auditor for the financial year 2019/2020.
Cologne, July 2020

For the Supervisory Board

Robert Stein
Chairman

For the Executive Board

Carel Halff
Chairman

COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

Company Profile

Business model of the Group

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

Bastei Lübbe divides its business activities into the "Book" and "Novel Booklets" segments. With the partial sale of 41 % of the shares in Daedalic Entertainment GmbH, which was completed with financial effect as of 1 June 2020, the "Games" segment was classified as discontinued with effect from 31 March 2020.

The "Book" segment includes all print, audio and e-book products of Bastei Lübbe AG, which are sold under the labels Lübbe, Lübbe life, Quadriga, Eichborn, Baumhaus, Boje, one, LYX, be and Lübbe Audio. In addition, the Czech holding Moravská Bastei MOBA s.r.o. (hereinafter referred to as “Moba”) and the holdings in J.P. Bachem Editionen GmbH were assigned to the "Book" segment. In the past financial year, volume fourteen of Greg’s diary "Voll daneben" [Diary of a Wimpy Kid] by Jeff Kinney as well as "Der größte Crash aller Zeiten" by Matthias Weik and Marc Friedrich, and "Teufelskrone" by Rebecca Gablé are particularly worthy of mention.

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

Non-consolidated investments

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

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

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

The aforementioned subsidiaries in which Bastei Lübbe AG holds more than 50 % of shares are not consolidated due to their subordinate importance for the company’s asset, financial and income positions.

Goals and Strategies

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

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

Corporate Steering

Executive bodies

As a public limited company under German law, Bastei Lübbe AG has a dual management and supervisory structure consisting of an Executive Board and a Supervisory Board. The Executive Board is made up of three members: Carel Halff (Chairman), Klaus Kluge (Director of Sales and Marketing) and Ulrich Zimmermann (Chief Financial Officer) and Simon Decot (Director of Programmes since 1 April 2020). Joachim Herbst and Sandra Dittert will assume their duties as Board members as of 1 August 2020, replacing Ulrich Zimmermann and Klaus Kluge. After the Annual General Meeting on 15 September 2020, Joachim Herbst will also assume the role of Spokesperson of the Board, which will be performed by Carel Halff until that date. The Executive Board reports regularly to the Supervisory Board. The reports mainly deal with business policies and strategies as well as current business activities. The Supervisory Board is informed of all events that could have a serious impact on the future of Bastei Lübbe AG.

The Supervisory Board appoints the members of the Executive Board and monitors and advises the Executive Board on company management. The three members of the Supervisory Board represent the shareholders. Shareholder representatives are selected at the annual general meeting. The three members of the Supervisory Board are Robert Stein (Chairman of the Supervisory Board), Dr Mirko Alexander Caspar (Vice-Chairman of the Supervisory Board) and Prof. Dr. Friedrich L. Ekey.

The internal corporate control system

The paramount objective of Bastei Lübbe is to continually increase the value of the company through growth and concentration on fields of business that offer the best chances of development, and an improvement in profitability. The Executive Board and Supervisory Board take various corporate steering measures. The basis of the strategic company planning is an annually updated three-year plan with profit and loss calculations, investments and liquidity. For the financial year that follows immediately, as well as a top-down target definition, the turnover planning is also calculated bottom-up, in detail and with product orientation in mind. Budget planning for the following financial year is derived on the basis of the final planning. Company steering is based on a monthly target/performance comparison with regard to overall turnover, segment turnover and balance sheets.

At Bastei Lübbe, the following financial performance indicators are of primary importance for company steering (in each case showing comparisons of actual, target (plan) and previous year's performance):

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

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

Research and development

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

Employees

At the end of the financial year, Bastei Lübbe had 231 employees, as compared to 251 employees on 31 March 2019.

Further training

Bastei Lübbe's employees form the foundation for the group's success. Our objective is HR development, to ensure our employees are qualified for their current and future responsibilities at Bastei Lübbe. To ensure that these responsibilities are fulfilled, we tailor training and further development to each individual employee's needs and also carry out in-house training for groups of employees as needed. We also support in-service and vocational study programmes. In addition, we use cross-departmental management training to further develop our managers' skills and self-reflection abilities, boost teamwork and promote cross-divisional understanding. Thanks to this programme which is specifically developed for management staff, expertise, managerial qualities and specialist knowledge can be continually strengthened and enhanced.

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 to ensure 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 can participate in the measures introduced, irrespective of position and workload. To fulfil this idea of holistic health management at Bastei Lübbe, we offer massages, weekly fruit baskets, and support employee participation in regular sporting activities, such as a company run.

Family friendliness

A desire to strike a balance between planning one's personal and professional life also became increasingly important during this financial year. Already in its seventh year, we provide support to our employees within the framework of a family-friendly HR 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 make it possible to return to work earlier and easier to plan for both us and the parents. In addition, we offer flexible part-time or home office solutions.

Social commitment

As a German publishing company, we are also very conscious of our extensive social responsibilities. We reach millions of readers every year with our novel booklets, puzzle magazines, books and e-books. The content that we distribute thus plays a role in shaping our readers' opinions. We also take our social responsibility into account when selecting our range of products, even down to the individual titles. With our non-fiction books in particular, we try to follow social and political discussions. We also donate to non-profit organisations, particularly in the children's sector, in an attempt to live up to this requirement profile and to fulfil our social responsibility.

Economic Report

Macroeconomic conditions

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

According to the International Monetary Fund (IMF), the global economy only grew by 2.9 % in 2019, compared with 3.6 % in 2018.[1] The reasons for the economic downturn were mainly the trade disputes between the US and China, but emerging fears of recession and the Brexit debates also played an important role. This is confirmed by the declining figures for the business climate and consumer confidence in the EU and eurozone.[2,3] Economic growth in the eurozone slowed again in 2019, only reaching 1.2 % (previous year: 1.8 %).[4] The German economy in particular, with a low growth rate of 0.6 %, was largely responsible for this.[5] Unemployment in the euro area continued to develop positively, reaching 7.5 % at the end of 2019 (previous year: 7.8 %). This is the lowest figure since July 2008.[6] However, due to the Covid-19 pandemic, there was an unprecedented downturn in the first quarter of 2020. According to the German Federal Government, the global economy, and with it, the German economy, are entering a recession. In its spring 2020 projection, the German government announced that the German economy will shrink by 6.3 % in 2020. Experts do not forecast an economic recovery before 2021.[7]

[1] https://www.imf.org/~/media/Files/Publications/WEO/2019/October/English/text.ashx?la=en
[2] https://ec.europa.eu/info/sites/info/files/esi_2019_12_en_0.pdf
[3] https://ec.europa.eu/info/sites/info/files/fcci_2019_12_en.pdf
[4] https://de.statista.com/statistik/daten/studie/156282/umfrage/entwicklung-des-bruttoinlandsprodukts-bip-in-der-eu-und-der-eurozone/
[5] https://de.statista.com/statistik/daten/studie/250161/umfrage/wachstum-des-bruttoinlandsprodukts-bip-in-den-eu-laendern/
[6] https://ec.europa.eu/eurostat/documents/2995521/10159288/3-09012020-AP-DE.pdf/0e80297a-3585-922f-e35a-da8f215416db
[7] https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html

Growth compared to previous quarter (%)	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Eurozone	0,1	0,3	0,1	-3,6
Germany	-0,2	0,3	-0,1	-2,2
Austria	-0,1	0,0	0,0	-2,6
Luxembourg	1,9	0,3	0,4	n. a.
Switzerland	0,4	0,4	0,3	-2,6
Czech Republic	0,5	0,4	0,5	-3,3

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

In 2019, the German gross domestic product was 0.6 % higher than in the previous year (1.5 %). The German economy thus grew for the tenth time in a row, but lost momentum again in 2019. Growth was mainly driven by private consumer spending, which contributed 0.8% to overall growth. Overall, private consumer spending increased by 1.6% compared to the previous year.[8] The shrinking economy was evidenced by the 1.6 percentage point increase in the unemployment rate in December 2019 to 4.9 %.[9] However, household disposable income rose by 2.6 %[10], well above the 1.4 % inflation rate.[11] The consumer climate in 2019 declined slightly compared to 2018, but has stagnated since the last quarter of 2019.[12] The propensity to buy was at the same high level as in 2018.[13]

Overall, Bastei Lübbe experienced a neutral to favourable macroeconomic environment in the first three quarters of the 2019/20 financial year, without any material impact on the publishing business. However, the Covid 19 pandemic that occurred in the first quarter of 2020 led to a global recession, the consequences of which cannot as yet be predicted. However, in the first quarter of 2020, the Coronavirus pandemic had no significant negative impact on the business activities of Bastei Lübbe AG.

The Industry environment in the Bastei Lübbe AG business segments

The German book market in 2019 grew slightly compared to the previous year. According to the Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association), the key distribution channels, i.e. retail book-selling, e-commerce including Amazon, station bookshops, department stores, electrical shops and chemists, managed to achieve an increase in sales of 1.4 %.[14] The stationary book trade also declined slightly in 2019, with sales down by -1.4 % (previous year: -0.6 %). Accordingly, non-fiction books (+5.1 %) and guides (+2.5 %) as well as books for children and teens (+2.0 %) performed very positively. The key fiction sector (-1.1 %) recorded a slight fall, as did travel literature (-0.9 %).[15]

The German book market was very negatively impacted by the Covid 19 pandemic at the start of 2020. Accordingly, in the period from January to March 2020, sales decreased by -7.6 %.[16]

E-books decreased in popularity in 2019. Whereas sales of e-books increased by 12.7 % in 2018, this fell by -1.5 % in 2019. Thus in 2019. 32.4 million e-books were sold (previous year: 32.8 million). Sales increased by 0.6 % over the same period, compared with an increase of 9.3 % in 2018. The number of e-book buyers in 2019 stood at almost the same level as in the previous year and increased by 1.9 % to 3.6 million (2018: 3.6 million). However, the buying intensity decreased in 2019 by 3.4 % (2018: +10.7 %) as did expenditure per buyer by 1.2 %. On average, each buyer purchased 8.9 copies, down by 3.4 % compared to the previous year. Per capita expenditure also fell in 2019 by 1,2 % to EUR 56.32. The share of e-books in the consumer market, at 5.0 %, was the same as in 2018.[17] The fact that Easter was later meant that there was also a drop in numbers in the e-book consumer market in the first quarter of 2019, compared to the previous year. With 5.9 % fewer buyers and a slight drop in buying intensity, e-

[8] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html
[9] https://www.arbeitsagentur.de/presse/2020-01-der-arbeitsmarkt-im-dezember-2019
[10] https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Publikationen/Downloads-Inlandsprodukt/konsumausgaben-pdf-5811109.pdf?__blob=publicationFile
[11] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_019_611.html
[12] https://www.gfk.com/fileadmin/user_upload/dyna_content/DE/documents/Press_Releases/2020/20200220_PM_Konsumklima_Deutschland_dfin.pdf
[13] https://www.gfk.com/de/insights/press-release/verbraucher-bleiben-in-konsumlaune/
[14] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1358&tx_boev_pi14[backend_layout]=pagets__newsletter
[15] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1358&tx_boev_pi14[backend_layout]=pagets__newsletter
[16] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1451&tx_boev_pi14[backend_layout]=pagets__newsletter
[17] https://www.boersenverein.de/presse/pressemitteilungen/detailseite/e-book-markt-2019-mit-leichtem-umsatzplus/

book sales fell by 7.1 %. At the same time, buyers' willingness to pay in the form of the average e-book price paid increased by 6.1 %, meaning therefore that e-book turnover only fell by 1.4 %. The revenue share of e-books on the consumer market remained at 5.7 %, the same value as the previous year.[18]

Talking books/Audio books are becoming increasingly popular with German listeners. In 2018, the number of people in Germany who listened to an audio book, radio play or podcast every day was 4.2 million, but in 2019 this almost doubled to 7.8 million.[19] Meanwhile, 23 million Germans have listened to an audio book, radio play or podcast, and another 9.2 million people can imagine using them in future. Most users listen to audio offers at home to relax or fall asleep. But "Cosy listening" is again on the wane. Listeners, especially on public transport, on a plane or in the car used to pass time with audio offers. In 2019, the digital mobile use in the form of smartphones and tablets also exceeded the classic use of CDs as a medium for the first time. Digital devices accounted for 59 % (2018: 44 %) in 2019. Sales of talking books and audio books in the German book trade have been declining gradually. Since May 2019, sales have fallen every month compared to the previous year. In February 2020 alone, sales of talking books and audio books fell by 16.9 %. The reasons for the decline were not a lack of interest, but rather the increase in audio streaming service offers.[20] In 2019, sales in this segment declined by 14.1 %, thus continuing the trend from 2018 (-8.6 %). The Covid 19 pandemic further boosted this trend in the first quarter of 2020, with sales of talking books and audio books falling by 20.8 % during the same period.[21] The share of audio streaming sales, on the other hand, increased from 30 % in 2018 to 59 % in 2019 and the trend continues to rise.[22]

In 2019, German press wholesalers managed to generate sales of EUR 1.82 billion from the retail of press products such as **novel booklets** and puzzle magazines. This corresponds to a fall of 4.8 % compared to the 2018 sales. Sales of the press core segment decreased by 3.5 % to EUR 1.78 billion. Total sales of newspapers, magazines and press-related non-press products fell by 8 % to 1.36 billion copies.[23] According to the General Association of Press wholesalers, consolidation of the press wholesale business is continuing. As a result, the number of press outlets fell by 3.7 % year-on-year to 97,485 retail locations.[24] The Coronavirus crisis has further exacerbated this downward trend.

With a market share of around 2.0 %, Bastei Lübbe ranked 13th among German general-interest publishers in the hardcover fiction segment in calendar year 2019 according to Media Control. With a market share of about 9.7 %, Bastei Lübbe ranked third in the novel booklets segment in the 2019 calendar year in a comparison of publishers. In the novel booklets fiction segment, Bastei Lübbe ranked sixth in a comparison of publishers with a market share of 5.5 %. In the program areas of children's and young people's books (12 years and older) and audio, Bastei Lübbe is also among the top 1 and 6 general-interest publishers in Germany, with market shares of 16.3 % and 5.1 %, respectively.[25]

Overall we can classify the industry environment, characterised in particular by increasing digitisation, as neutral to challenging.

[18] Börsenverein des Deutschen Buchhandels (German Publishers' and Booksellers' Association), quarterly report for e-books: Late Easter results in a difficult market, 28 May 2019
[19] https://magazin.audible.de/audible-hoerkompass-2019/
[20] https://de.statista.com/statistik/daten/studie/183138/umfrage/umsatzentwicklung-von-hoerbuechern-im-buchhandel-monatszahlen/
[21] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1451&tx_boev_pi14[backend_layout]=pagets__newsletter
[22] https://de.statista.com/themen/2233/hoerbuecher/
[23] https://www.dnv-online.net/handel/detail.php?nr=143335&Handel
[24] https://verbaende.com/news.php/Einzelhandelsstrukturanalyse-2019-Pressegrosshandel-beliefert-taeglich-ueber-97000-Verkaufsstellen?m=132718
[25] Internal calculation based on Media Control figures for the 2018 calendar year

Group Business and Financial performance

General statement on business performance and the economic situation

The 2019/2020 financial year was strongly impacted by the loss-making business performance of the "Games" segment. With the decision taken in the year under review by the Executive Board and the Supervisory Board to dispose of the subsidiary Daedalic Entertainment GmbH, Daedalic was classified as a discontinued operation and the previous year's figures in the income statement adjusted accordingly.

In the following explanations, we refer to the continuing operations. For explanations of the discontinued business segments, please refer to the Annex no. 6.

Overall, the Executive Board of Bastei Lübbe is satisfied with the Group's business development. Sales revenue in the year under review exceeded the forecast of EUR 74 to 75 million with EUR 7.0 million. The main reason for this is the higher-than-expected sales of LYX, books for children and adolescents as well as non-fiction books. In the "Book" segment, turnover fell from EUR 75.8 million to EUR 73.8 million. This, however, exceeded the forecast (EUR 67-68 million) by around EUR 6 million. Despite the beginning of the Corona virus crisis, we were able to realise sales in the fourth quarter that were, depending on the programme, significantly above expectations.

The sales forecast for the "Novel Booklets" segment (EUR 7 million) was slightly exceeded at EUR 7.7 million.

The EBIT forecast was in the range of EUR 2.3 – 3.4 million. The actual EBIT achieved was higher than forecast at EUR 4.1 million due to the improved sales development. The "Book" segment achieved an EBIT of EUR 3.2 million, exceeding the forecast of EUR 1.5 to 2.6 million. The EBIT forecast of EUR 0.8 million in the "Novel Booklets" segment was also exceeded (reporting year: EUR 1.5 million). This includes income from the sale of the Puzzles division amounting to EUR 0.4 million. The deconsolidation of oolipo resulted in a loss of EUR 0.7 million.

At EUR 0.6 million, the net liabilities as at 31 March 2020 were slightly less than the adjusted forecast of around EUR 3 million. This is mainly due to the positive development of the financial year and cautious liquidity planning.

At the beginning of the new financial year 2020/2021, the Executive Board continues to see the necessity of consistently increasing the efficiency and efficacy of the Group and the Company (AG) in order to achieve the target EBIT margin of 6–8 %. In addition, the publishing programme will be extended and improved in order to lay the foundations for future organic growth.

Earnings performance

In the financial year 2019/2020, Bastei Lübbe achieved consolidated turnover of EUR 81.5 million (following 86.6 million in the previous year). The decrease is mainly due to the sale of the Puzzles division and program-related fluctuations in the "Book" segment.

The reduction in inventories of finished and unfinished products increased in the financial year 2019/2020 to EUR 3.5 million from EUR -3.2 million in the previous year.

The other operating income rests at EUR 0.9 million in the year under review following EUR 1.0 million in the previous year.

At altogether EUR 41.6 million in the year under review, material expenses lie below the previous year's level (EUR 44.9 million). This is mainly due to the lower level of sales in the "Book" segment. Expenditure on fees and write-offs on authors' fees decreased to EUR 26,0 million (previous year: EUR 27.7 million). The expenditure on fees and write-offs on authors' fees include write-downs amounting EUR to 1.9 million (previous year: EUR 1.3 million).

Personnel expenses dropped from EUR 17.1 million to EUR 15.2 million. The reduction is due to the personnel measures as part of the efficiency programme at Bastei Lübbe AG. The personnel expenses in the previous year also include the costs for personnel measures amounting to EUR 1.0 million.

Other operating expenses decreased from EUR 19.0 million in the previous year to EUR 15.9 million in the year under review. The decrease is due, on the one hand, to lower legal and consulting costs and, on the other hand, to the IFRS 16 – Lease Accounting Standards applicable from 2019. Leases are usually activated and amortised over the term. In the year under review, expenses were also incurred from the deconsolidation of oolipo amounting to EUR 0.7 million.

The amortisations of intangible assets and tangible fixed assets rose from EUR 1.2 million in the previous year to EUR 2.2 million in the year under review. In the year under review, amortisations on the rights of use of leased objects amounting to EUR 1.2 million was included for the first time.

The Group operating result (EBIT) rose in the financial year 2019/2020 to EUR 4.1 million (previous year: EUR 2.3 million). The EBIT margin was 5.1 %, compared to 2.7 % in the same period last year. The positive effect on EBIT from the initial application of IFRS 16 amounted to EUR 0.1 million.

The result from at-equity accounted investments amounted to EUR 0.4 million (previous year: –).

The other financial result shows net expenses of EUR 1.4 million (previous year: EUR 1.0 million). The consolidated result before income tax was EUR 3.1 million in the year under review and exceeded the previous year’s figure of EUR 1.3 million. After deducting income tax, there was a net income for the period arising from continuing operations and amounting to EUR 1.9 million (previous year: EUR 0.7 million), EUR 1.9 million (previous year: EUR 0.6 million) attributable to the shareholders of Bastei Lübbe AG.

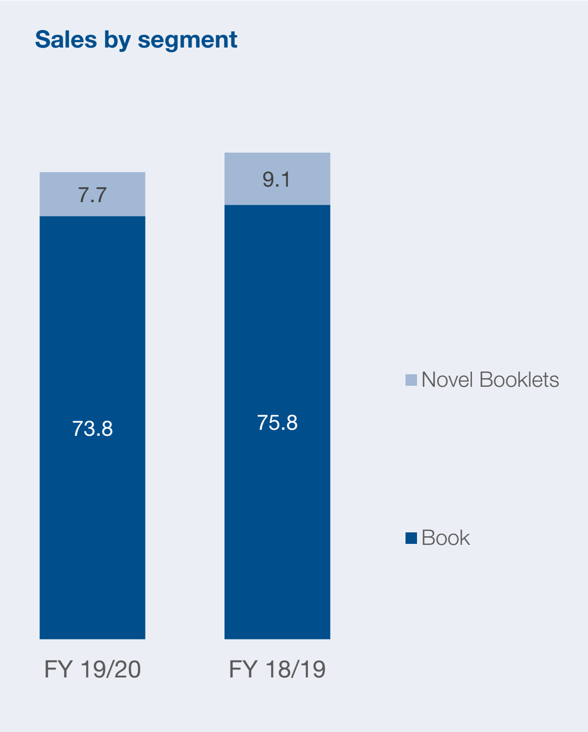
The net income for the period from discontinued operations amounted to EUR -11.0 million (previous year: EUR 0.1 million). Net income for the period from discontinued operations amounted to EUR 9.1 million (previous year: EUR 0.9 million), EUR -6.1 million of which is attributable to the shareholders of Bastei Lübbe AG. Earnings per share amounted to EUR -0.46 (previous year: EUR 0.05).

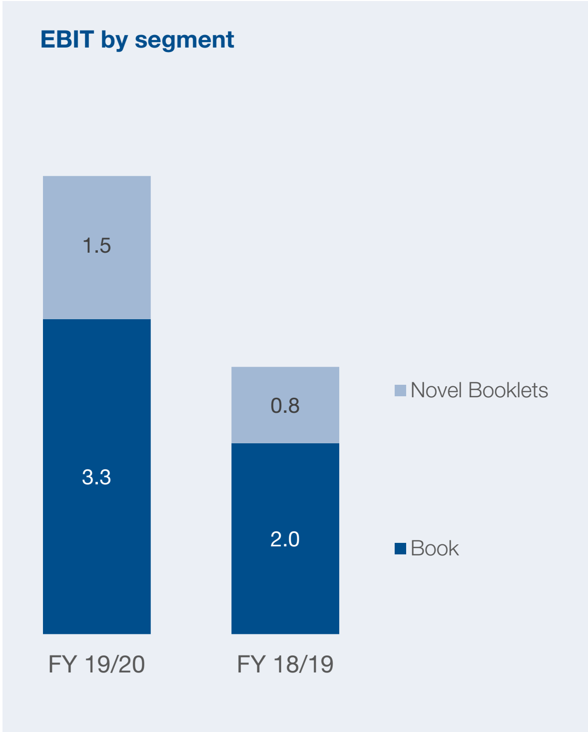
Business performance of continuing segments

Sales revenue in the “Book” segment sank as expected by 2,5 % in the past financial year to EUR 73.8 million in the context of programme-related fluctuations. Driven by Jeff Kinney's children's comic novels and non-fiction with the best-seller "Der größte Crash aller Zeiten" by Marc Friedrich/Matthias Weik, the segments dealing with books for children and young adults developed positively, while LYX, as expected, was unable to achieve the exceptionally high level of sales of the previous year.

The operating result (EBIT) of the segment improved from EUR 2.0 million to EUR 3.3 million. The efficiency program launched in January 2018 has led to a significant increase in profitability. In particular, personnel expenses as well as legal and consultancy costs fell compared with the previous year.

The Novel Booklets segment achieved sales of 7.7 million euros compared to 10.0 million euros in the previous year. The sales revenue for the current financial year are only comparable to those of the previous year to a limited extent, as Bastei Lübbe sold the puzzle magazine division with effect from 31 May 2019. The negative sales effect from the disposal amounts to approximately EUR 2.3 million in the reporting period. The segment EBIT increased from EUR 0.8 million to EUR 1.5 million in the current financial year. This includes revenues from the sale of the puzzles magazine division amounting to EUR 0.4 million.





Financial position

Principles and objectives of the financial and capital management

Objectives

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

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

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

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

Bastei Lübbe generally aims for an equity ratio of more than 40 % and a ratio of net financial debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less. The equity ratio of 39.9 % as at 31 March 2020 was slightly below the target value. At 0.1, the “net financing debt to Group EBITDA” KPI was clearly within the target range. In order to ensure compliance with the financial key figures agreed in the consortium credit agreement, the key figures for equity and EBITDA of Bastei Lübbe AG are decisive in the individual HGB financial statements.

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
- Non-recourse factoring

As of 30 August 2019, a prolongation of the syndicated loan agreement, which has an initial term until 31 March 2020, was contractually agreed until 31 March 2022. Owing to the combination of long payment terms for our clients and the large payments of guarantee royalties to authors prior to publication customary in the industry, Bastei Lübbe has a significant need for financing.

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

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

Dividend policy

The Executive Board pursues the goal of a dividend policy aimed at continuity in order for the shareholders to benefit from the success of the company with a share of 40-50 % in the annual surplus distributable to the shareholders of Bastei Lübbe AG. The precondition for this is the compatibility with the financing and earnings situation of the group of companies and long-term and sustainable business development. The syndicated loan agreement currently includes dividend restrictions.

Derivative financial instruments

To restrict the interest rate risk of the long-term syndicated loan, Bastei Lübbe AG concluded an interest swap deal for a credit amount of originally EUR 10 million on 26 October 2016 with a term running up until 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 3.5 million on the balance sheet date.

31 March 2020 saw a (negative) market value (fair value) for the interest derivatives amounting to KEUR 26 which is reported among the financial liabilities. No hedging is undertaken on the balance sheet.

In order to limit the exchange rate risk, a forward exchange contract in conjunction with a long-term author contract which makes provision for remuneration in USD, was concluded during the previous year. The nominal volume of the five individual transactions totals USD 1.5 million, with terms ranging between 31 October 2019 and 29 November 2021. There was a (positive) fair value in the amount of KEUR 88 as at 31 March 2020.

Capital structure

As at 31 March 2020, the liquidity reserves of the Group held liquid assets of EUR 2.8 million (previous year: EUR 3.4 million). Within the existing credit agreements, there are credit lines with a volume totalling EUR 19.4 million. 17 % of these credit lines were used as of the reporting date.

As at 31 March 2020, the Bastei Lübbe Group had short and long-term financial debts amounting to EUR 12.1 million (previous year: EUR 21.2 million). As of 31 March 2020, EUR 5.6 million (previous year: EUR 24.7 million) of these were due within the next 12 months.

Short- and long-term financial debts as of 31 March 2020 include lease liabilities of EUR 7.2 million for the first time.

As of 31 March 2020, there was a net debt of EUR 0.6 million (previous year, adjusted for discontinued operations: EUR 11.9 million). The decline was mainly due to the positive business development. Thus, the positive cash flow from current business activities could be used for the greater part for scheduled and non-scheduled repayment of the credit lines that had been utilised.

Liquidity analysis and investments

Cash flow from operating activities amounted to EUR 10.4 million in the year under review (previous year: EUR 11.8 million). This is mainly due to increased investments in pre-paid royalties.

The cash flow from investment activities changed to EUR 1.7 million in the year under review compared to the previous year (EUR 0.7 million). Unscheduled repayments of loans to non-Group subsidiaries as well as the sale of the puzzle magazine division had a positive effect on the cash flow from investment activities.

Cash flow from financing activity showed an outflow of funds totalling EUR 11.8 million (previous year: EUR 11.6 million). This is a result of the high amount of repayments of credit liabilities at Bastei Lübbe AG, amounting to EUR 11.0 million.

Assets position

The asset position had changed significantly on the balance sheet date compared to the last consolidated balance sheet date due to the reporting of the Daedalic subsidiary as a discontinued business unit and the write-downs on intangible assets and goodwill at Daedalic. In addition, the lessee reporting under IFRS 16 was applied for the first time as from 1 April 2019.

Long-term assets amount to EUR 32.6 million, following EUR 51.3 million as at 31 March 2019. This is mainly due to the write-down of EUR 11.9 million on intangible assets and the reclassification of EUR 6.9 million of the intangible assets of the Daedalic subsidiary into the discontinued operation on the balance sheet date. In addition, intangible assets are reduced by EUR 1.5 million as a result of the sale of the puzzles magazines division. As a result of the introduction of lease accounting in accordance with IFRS 16 as of 1 April 2019, tangible fixed assets increased by EUR 6.9 million.

The inventory of pre-paid royalties dropped from EUR 20.5 million to EUR 15.3 million. This reduction is based in particular on scheduled write-offs in the increased advance payments for new manuscripts, compared to the previous year.

As of 1 April 2019, the 40 % stake in Community Editions GmbH was consolidated for the first time using the equity method. The book value on 31 March 2020 is EUR 1.0 million.

Current assets increased by EUR 1.2 million from EUR 34.6 million to EUR 36.0 million as of 31 March 2020. This is mainly due to the reclassification of Daedalic into the discontinued operation.

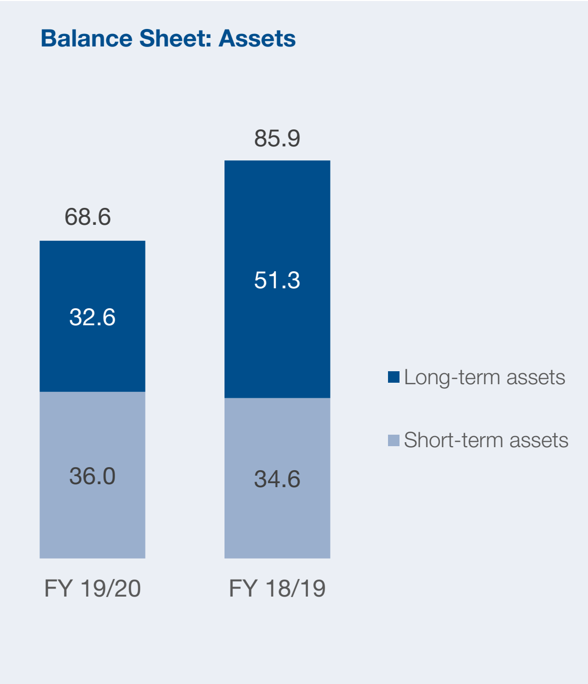
The share of equity attributable to the parent company’s shareholders amounts to EUR 28.3 million, lower than the previous year (EUR 34.7 million). The decrease was primarily due to the negative results for the period.

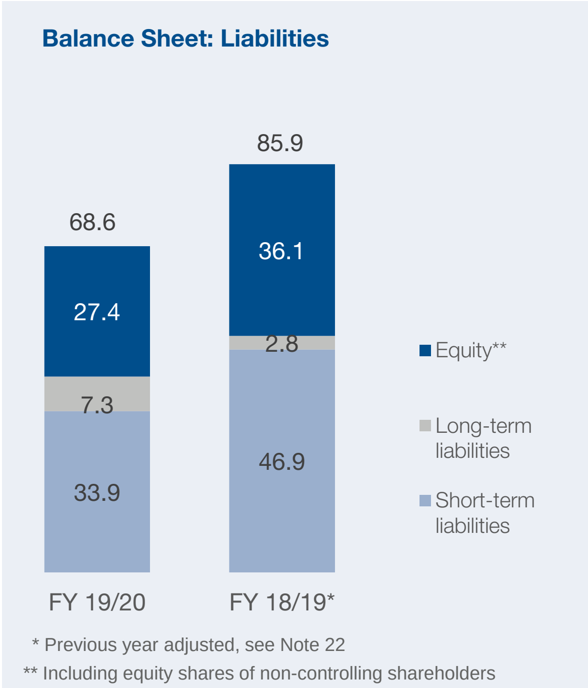
Long-term debts amount to EUR 7.3 million, compared to EUR 2.8 million as at 31 March 2019. The increase is due primarily to the first-time accounting of the non-current portion of leasing liabilities in the amount of EUR 6.0 million related to the introduction of lessee reporting under IFRS 16.

Current debts amount to EUR 33.9 million as at 31 December 2019, following EUR 46.9 million as at 31 March 2019. Current debts fell in the year under review due to the repayment of liabilities to credit institutions. In addition, the current portion of leasing liabilities in the amount of EUR 1.3 million is included in current liabilities.

The provisions include, in particular, those for expected returns of books sold and they decreased in the year under review to EUR 5.7 million (previous year: EUR 7.3 million). Due to the improved management of deliveries, the return rates have decreased, so that lower provisions could be formed.

Trade payables and other liabilities have been reduced, in particular by the recognition of Daedalic as a discontinued operation.





Subsequent Events

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

Forecast

Economic conditions

Due to the COVID-19 pandemic, all original forecasts for the growth of the world economy have been drastically changed. The OECD expects the global economy to shrink by an estimated 6 % if a second wave of the corona pandemic is avoided in autumn 2020. In the event of a second wave, the OECD believes that the global economy will shrink by 7.6 %.[26] Only if the COVID-19 pandemic subsides in the second half of 2020 and the economy can be fully revived does the IMF consider a growth forecast of 5.6 % for 2021 possible. However, the risks for even more serious consequences are considerable.[27] In its outlook, the OECD expects the euro zone economy to slump by 9.0 % (single hit scenario) and 11.5 % (double hit scenario), respectively, even more severely than the global economy, and in all probability will not fully recover from this in 2021 either.[28] A similar scenario emerges for Germany. The ifo Institute expects the German economy to contract by 6.6 % in 2020, but to grow by 10.2 % in 2021.[29]

The sharp fall in the economy is also having an impact on the rate of inflation. In its Spring Report 2020, the EU Commission expects the rate of inflation in the euro area to fall to only 0.2 % in 2020 as a result of the COVID-19 pandemic and to rise to 1.1 % in 2021.[30] Unemployment in the euro area has risen to 9.5 % due to the Corona virus crisis (2019: 7.5 %) and will only return to the level of 2019 in 2021.[31] Germany has also been hit hard by the effects of the pandemic. Since the beginning of the year, the unemployment rate has increased 0.9 percentage points to 5.8 %, with the trend set to rise further in 2020.[32] Consumer prices in Germany will rise by 1.1 % in 2020.[33] Having risen by 1.6 % in 2019, household consumer spending will this year fall by 7.4 %.[34]

Future situation in the industry

The economic situation of the book trade, like almost all sectors of the German economy, was severely affected by the COVID-19 pandemic and the associated restrictions. In the months of January to May 2020, sales fell by 11.9 % compared to the same period in the previous year.[35] As retail stores in Germany have been allowed to reopen gradually since the end of April 2020, it can be assumed that if the COVID-19 pandemic subsides, the significant drop in sales at the beginning of the year can be compensated for in the remaining months.[36] However, there are considerable risks involved, as no one can predict the future course of the pandemic and thus of the economy.

According to a study by the management consultancy PricewaterhouseCoopers (PwC), the overall German book market is expected to grow by an average of 1.3 % per year to EUR 9.7 billion by 2023. Although print sales (across all segments) will fall by an average of 1.2 %, PwC expects that the average 14.9 % increase in e-book sales to

[26] http://www.oecd.org/economic-outlook/june-2020/
[27] https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020
[28] https://read.oecd-ilibrary.org/view/?ref=134_134140-rwypuc6onk&title=Wirtschaftsausblick-107
[29] https://www.ifo.de/ifo-konjunkturprognose/20200528
[30] https://ec.europa.eu/commission/presscorner/detail/de/ip_20_799
[31] https://ec.europa.eu/info/sites/info/files/economy-finance/ip125_en.pdf
[32] https://www.arbeitsagentur.de/presse/2020-27-der-arbeitsmarkt-im-april-2020
[33] https://de.statista.com/statistik/daten/studie/5851/umfrage/prognose-zur-entwicklung-der-inflationsrate-in-deutschland/
[34] https://www.bmwi.de/Redaktion/DE/Dossier/wirtschaftliche-entwicklung.html
[35] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1487&tx_boev_pi14[backend_layout]=pagets__newsletter
[36] https://www.boersenblatt.net/2020-05-01-artikel-einnahmen_bis_zu_acht_mal_hoeher_als_im_shutdown-lockdown-exit__umsatzentwicklung_im_buchhandel_nach_der_wiedereroeffnung.1856606.html

around EUR 2.1 billion by 2023 will compensate for this. PwC envisages that the stationary sale of books will continue to decline. The reason for this is especially in the age group of 20 to 49-year-olds, who increasingly use competing leisure and streaming services.[37] PwC expects print sales to fall by 0.9 % on average per year by 2022.[38] However, the COVID-19 pandemic may change this forecast.

Expected earnings and financial position of the Group

After the focus of the Group in recent years on implementing an efficient cost structure, dismantling the profitable core book publishing business and reducing excessive debt, the prerequisites for profitable growth have been created.

With Ken Follett's " "The Evening and the Morning" the trade is looking forward to an outstanding book event in 2020: We consider the prequel to "The Pillars of the Earth" to be the market's highest-selling fiction title. In addition, with Volume 2 of " Rowley Jefferson's Awesome Friendly Adventure" and Volume 15 of "Diary of a Wimpy Kid", we have two titles by the best-selling author Jeff Kinney this year. The trade also has high sales expectations for Dan Brown's first children's book. In non-fiction, we are anticipating "Happy Eating" the new title by best-selling author and presenter Anastasia Zampounidis.

In the current financial year 2020/2021, the consolidated sales revenue is expected to be between EUR 85 and 90 million (reporting year: EUR 81 million). Of this, EUR 78 to 83 million (reporting year: EUR 74 million) is attributed to the “Book” segment. The Board of Management estimates that the 2020 autumn program and the 2021 spring program for fiction are stronger overall and assumes that the earnings situation will continue to improve.

The “Novel Booklets” segment should achieve turnover of about EUR 7.5 million (reporting year: EUR 7.7 million). The turnover of the puzzle magazine division sold as of 1 June 2019 was included in the year under review.

In the current financial year, a positive EBIT in the range of between EUR 5 and 6 million is expected (reporting year: EUR 4.1 million). For the “Book” segment, an EBIT of between EUR 4.1 and 5.1 million is expected (reporting year: EUR 3.3 million).

For “Novel Booklets”, an EBIT of EUR 0.9 million is expected (reporting year adjusted: EUR 1.2 million).

The financial planning of the Bastei Lübbe Group assumes that free cash flow in the current financial year in the range of EUR 5 to 8 million (reporting year: EUR 10.4 million) can be achieved.

Business development in the first quarter of the current 2020/2021 financial year is essentially on schedule despite the ongoing COVID-19-pandemic and the consequent temporary closure of retail outlets. Lower than originally planned sales of physical fiction and non-fiction titles may be offset by higher sales of children's and young adults’ books, LYX and e-books.

[37] https://www.pwc.de/de/technologie-medien-und-telekommunikation/gemo-2019-summary.pdf
[38] https://www.pwc.de/de/technologie-medien-und-telekommunikation/german-entertainment-and-media-outlook-2018-2022/zeitungsmarkt.html

Overall statement on the predicted development of the Group

From the point of view of the Executive Board, the effects of a further intensification of the measures to curb the COVID-19 pandemic, which could lead to a decline in the forecast, are currently subject to considerable uncertainty, as new findings are emerging on a daily basis worldwide. In the future quarterly releases and the half-year report, the Executive Board will again communicate its expectations and the outlook for the future on the basis of the latest developments.

Despite the above-mentioned uncertainty, the Executive Board considers a positive development to be realistic at the present time. The Executive Board is aiming for turnover growth of around EUR 100 million in the medium term. The goal continues to be an EBIT margin of 6-8 % for the Group. In addition, the balance sheet ratios, in particular equity ratio and debt ratio, should continue to be sustainable at the present level.

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

Risk report

Risk management system

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

The aim of this risk management system (hereinafter referred to as RMS) is to promptly identify risks for the Group so that countermeasures can be taken and controls implemented. The principles are laid down in a binding manner by way of a risk management policy. Clear, appropriate and controllable risks are entered into consciously where a reasonable rate of return is to be expected. Risks are accordingly 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 was also done in the 2019/2020 financial year.

The RMS comprises all consolidated subsidiaries. Following initial classification, discontinued business segments are no longer included in the group of consolidated companies. Risks are identified using consistent predetermined categories and documented in a risk inventory. The risks are then assessed based on the probability of occurrence and the loss value.

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

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

Overall risk management is the responsibility of the Executive Board. The Executive Board defines the risk policy and decides on the risks to be taken as well as on the steering measures. The Executive Board is informed immediately when risks emerge that have a major impact on the company. The Board regularly discusses the risk management system in board meetings and frequently reports to the Supervisory Board on the risk management system. Despite these efforts, the opportunity and risk management system cannot guarantee total certainty regarding the achievement of the related objectives. As with all discretionary decisions, those taken regarding the implementation of appropriate systems can be fundamentally flawed. Controls may not be functional in individual cases due to errors or mistakes, or changes to situational variables may not be recognised until a later stage despite appropriate observation. The same applies to intentional acts of damage caused by individuals.

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

The goals of the accounting-related risk management system and internal control system are to ensure the reliability of external and internal accounting and the timely provision of information. In addition, reporting should be a representation of the assets, financial position and earnings of Bastei Lübbe corresponding to the true circumstances. One core function of the accounting and financial reporting processes is to steer Bastei Lübbe AG and its operational units.

As a general rule, the four-eyes principle is implemented for reporting and as part of the closing processes. In addition, organisational measures are in place in connection with the authorisation of access to accounting and financial systems. The accounting-related business data of the integrated Group companies is merged at Group headquarters. Group headquarters monitors compliance with accounting provisions as well as content-related compliance with workflows.

Significant information and facts that are relevant to the accounting processes of the integrated Group companies are discussed with the individual departments before compilation and are critically assessed by the accounting department 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 with the involvement of other departments. If necessary, Bastei Lübbe engages in external support in the preparation of the consolidated financial report.

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

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

Significant risks

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

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

Probability of occurrence (in %)

Promising titles absent from the range of products

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

As a rule, Bastei Lübbe plans its content within a time frame of 18 to 24 months. In some segments, such as non-fiction and LYX, the lead time may be shorter. For the "Book" segment, target programme structures have been adopted according to size clusters and genres. The degree of filling of target structures is updated regularly in the course of reporting. This reporting serves as a basis for acquiring new titles. This makes it possible to detect a lack of profitable titles in the programme early on. As a result of the long lead time, there is sufficient time to move available titles forward or purchase more titles.

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

IT risks

Disruption to operational procedures due to the failure of key IT systems constitutes a permanent risk for the Group. Bastei Lübbe has its own IT department. Essential areas are outsourced so that the company can remain operational without internal IT structures – for a certain time at least. This reduces the direct economic risk considerably. Particular mention should be made here of our central delivery point with its debtor management, the banking system for incoming and outgoing payments, as well as the outsourced services of the payroll department.

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

Risks resulting from the payment of excessive guarantees

In the valuation of prepaid royalties, there is a risk of impairment losses due to below-budget sales of the purchased title, which could burden Bastei Lübbe's EBIT. All rights are pre-calculated and the earnings potential is estimated as part of a documented process. When estimating the potential of the title to be purchased, both predecessor titles and, especially in the case of new authors, comparative titles from other publishers are taken into account. In addition, target structures based on sales expectations are defined for future programmes, and the acquisition of new rights is based on these structures.

High guarantee fees are paid to world bestselling authors in particular. There is therefore a risk of a correspondingly high value adjustment of the prepaid royalties shown in the balance sheet. Impairment tests are carried out every six months as part of a standardized impairment test based on expected cash flows. All other securities are also regularly reviewed for possible future shortfalls using a standardized procedure. The large number of securities under review may result in a significant need for impairment.

The resulting risk is classified as a B risk if the probability of occurrence is low and the amount of loss is high.

Data protection and protection against unauthorised acts

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

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

Bad debts

There is a risk that customers will not pay or will pay only partially for delivered goods, or that a trading partner will drop out due to insolvency. Bastei Lübbe applies real factoring to a large part of receivables from physical and digital transactions, thereby transferring the risk of default to the factorer. For other receivables from goods and services, in particular via a vis digital distribution partners, Bastei Lübbe runs the risk of a default in receivables.

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

Inability to deliver

The business is significantly influenced by the ability to deliver, especially in the "Book" segment. Customers are making increasingly short-term and tighter arrangements for their goods. Due to tighter scheduling of printing orders for first and subsequent editions on the part of Bastei Lübbe, in order to avoid possible overstocking, delayed deliveries may occur, particularly for successful titles. However, reprints can usually be made within 14 days, so that delivery capability can be restored relatively quickly.

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

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

A significant change in the risk situation of Lübbe AG over the previous year resulted from the sale of Daedalic Entertainment GmbH. The risk of unplanned development of the affiliated companies was subsequently reclassified from an “A” to a “C” risk.

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

Financial risks

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

Companies belonging to the Bastei-Lübbe Group are predominantly active in the Euro area, meaning therefore that there is only limited reliance on the performance of exchange rates outside the Euro area. Interest swap deals for an original credit amount of EUR 13 million (EUR 4.0 million on the reporting date) with a term running up until 26 November 2021 were concluded to restrict the interest rate risk. There is also a risk arising from the interest rate adjustment owing to rating changes. Forward exchange transactions were concluded in individual cases to restrict the currency risks.

Liquidity risks arise from the possible inability of the Bastei Lübbe Group to fulfil existing or future payment obligations owing to a lack of sufficient means of payment. The Bastei Lübbe group has to pre-finance the majority of its business transactions. Authors generally receive their guarantee payments by the time the book is released. The booksellers – or platforms – have long payment terms. The same applies to the so-called secondary markets. Bastei Lübbe's financial risk is split across several bodies. On the one hand, Bastei Lübbe AG also obtains finance via a genuine factoring process. On the other hand, Bastei Lübbe has concluded a syndicated credit agreement with Commerzbank AG as consortium leader, and Deutschen Bank AG and Sparkasse Köln-Bonn as underwriters.

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

As of 31 March 2020, Bastei Lübbe AG reported non-compliance with the agreed financial key figures because of the value adjustment on the investment book value of Daedalic Entertainment GmbH. The lenders, in a letter dated 3 July 2020 agreed to waive the right to terminate the contract and to adjust the financial key figures. Partial repayment of the credit facility granted was also agreed with the financing syndicate.

The Executive Board considers the risk of termination of the loan agreement as a result of a future covenant breach to be low.

On the one hand, the Management Board considers the core business to be stable and robust and, on the other hand, the risk of negative effects on earnings from the investments as a result of the sale of Daedalic Entertainment GmbH has been significantly reduced.

COVID-19-pandemic

On 11 March 2020, the WHO classified the spread of the new Sars-Cov-2 virus as a pandemic. As a result of rising infection rates in Germany, non-essential retail stores were closed nationwide from mid-March. This included the stationary book trade. Booksellers in Austria and Switzerland also had to close temporarily. Since 20 April 2020, the stationary book trade has been able to reopen subject to conditions, leading to a partial recovery in sales in the market.[39]

Nevertheless, the Corona virus pandemic represents great uncertainty for the coming months. As of now, it is impossible to predict how long the virus will affect people in Germany. On the one hand, we expect that the hygiene rule, which allows only a limited number of customers in retail stores at the same time, will remain in place. Lower customer frequency could lead to a delayed recovery in book trade sales in the medium term.

On the other hand, there is still the risk of a resurgence of the virus – without an effective vaccine or drug – and the resulting tightening of the measures to contain the pandemic. The negative effects of a possible new shutdown on the retail sector, and in particular the stationary book trade, as well as the publishing industry, are currently incalculable. Since the beginning of the pandemic, we have seen a moderate increase in e-book sales, but this cannot compensate for the lack of sales from the stationary book trade.

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

From our present point of view, based on the information known, it can be stated that there are no risks that could jeopardize the continued existence of the company and that no such risks are discernible for the future. The assessment of the current situation has shown that the risks can be borne or controlled overall. Nevertheless, there are increased uncertainties regarding the effects of the COVID 19 pandemic. For further details, please refer to the forecast report.

[39] https://www.buchreport.de/news/auf-dem-weg-zurueck/

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 regular identification, analysis and evaluation is done as to how the company might target and exploit the various opportunities. Opportunities lie in the following areas:

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

The identified significant opportunities are 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 trends for the future of the business.

Opportunities through digitisation

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

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

Opportunities through changed reading habits

People's reading habits are changing. Some people now want in digital form the content that they read before in analogue form. Others are reading less or not even picking up a book at all, as they are spending more time on their mobile phone.[40] Publishers must react to these altered reading habits and address this young group of buyers, for example, with an appropriate range of products. With imprints such as LYX and ONE, Bastei Lübbe has successfully managed to attract young target audiences with analogue and digital offers. The company is treading new paths, both in terms of content as well as in its marketing. This focus on small and very clearly defined target audiences enables efficient end customer marketing online and ensures high repurchase rates.

Other opportunities

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

[40] https://www.buchreport.de/news/warum-bedroht-candy-crush-den-buchmarkt-herr-markowetz/

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

Bastei Lübbe AG business and financial performance

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

Income statement for the financial year from 1 April 2019 to 31 March 2020 in accordance with HGB.

(in KEUR)	2019/2020	2018/2019
Sales revenue	**80.611**	**85.671**
Changes of inventories of finished goods and work in progress	-3,620	-3,218
Other operating income	1,335	1,096
Material expenses	-40,478	-43,407
Personnel expenses	-14,289	-16,418
Amortisations	-868	-1,280
Other operating expenses	-17,921	-20,326
Earnings from investments	414	360
Other interest and similar earnings	122	196
Depreciation of financial investments and of securities classified as current assets	-8,890	–
Interest and similar expenditure	-1,194	-1,275
Taxes on income and earnings	-104	80
Net profit/loss for the year	**-4,882**	**1,481**
Loss/Profit carried forward	-12,923	-14,404
Withdrawal from the capital reserve	17,759	–
Net loss	**-46**	**-12,923**

Sales of around EUR 75 million was planned for Bastei Lübbe AG, with EUR 80.6 million achieved (previous year: EUR 85.7 million).

The business performance of the "Book" and "Novel Booklet" segments is explained on page 37/38 in the section "Business performance of the segments".

Other operating income includes income of EUR 0.8 million from the sale of the puzzle magazines division. In the previous year, personnel expenses and other operating expenses included expenses for the efficiency program and the expenditures for the adjustment of the participation portfolio amounting EUR 2.0 million.
Earnings from investments amounting to EUR 0.4 million (previous year: EUR 0.4 million) are comprised from profits from Community Editions, Moba as well as dividends from various press wholesalers.

Depreciation of financial investments and of securities classified as current assets comprise value adjustments on the subsidiary Daedalic.

On average, Bastei Lübbe AG employed 202 members of staff in the financial year 2018/2019 (previous year: 221 employees).

Annual net loss amounted to EUR -4.9 million following an annual net profit of EUR 1.5 million in the previous year. The forecast for the EBIT of between EUR 2 and 3.4 million was exceeded.

Financial position of Bastei Lübbe AG

As at 31 March 2020, the liquidity reserves of Bastei Lübbe AG held liquid assets of EUR 1.9 million (previous year: EUR 1.8 million). Within the existing credit agreements, there are credit lines with a volume totalling EUR 19.4 million. 17 % of these credit lines were used as of the reporting date. As at 31 March 2020, Bastei Lübbe AG had liabilities to credit institutions amounting to EUR 3.4 million (previous year: EUR 14.4 million).

Assets position of Bastei Lübbe AG

ASSETS (KEUR)	31/03/2020	31/03/2019
Fixed assets	**874**	**2,128**
Intangible assets	1,210	1,241
Tangible assets	3,231	12,522
Financial investments	5,314	15,891
	15,260	**20,378**
Inventory of pre-paid royalties		
Current assets	**11,528**	**15,156**
Inventories	9,199	10,615
Receivables and other assets	1,859	1,785
Bank balances	22,586	27,556
	772	**543**
Deferred income	**43,933**	**64,367**
Total ASSETS	**874**	**2,128**

The balance sheet total, compared to 31 March 2019, sank by EUR 20.4 million to EUR 43.9 million (EUR 64.4 million in the previous year). This reduction is due for one thing to the value adjustment on the subsidiary Dadealic amounting to EUR 8.9 million. The inventory of prepaid royalties dropped from EUR 20.4 million to EUR 15.3 million. This can be attributed to the depreciation and value adjustments on pre-paid royalties.

Current assets have decreased from EUR 27.6 million to EUR 22.6 million. This drop is essentially due to measures for reducing stock.

LIABILITIES (KEUR)	31/03/2020	31/03/2019
Equity		
Issued capital stock	13,200	13,200
Capital reserves	8,900	26,659
Retained earnings	100	100
Net loss	-46	-12,923
	22,154	**27,036**
Provisions	**8,396**	**11,224**
Liabilities		
Liabilities to credit institutions	3,375	14,375
Trade payables	9,252	9,201
Other liabilities	756	2,529
	13,383	**26,106**
Deferred income	**0**	**3**
Total LIABILITIES	**43,933**	**64,367**

At EUR 22.2 million, equity was below that of the previous year (EUR 27.0 million). The reason for this was the annual net loss of EUR 4.9 million.

Provisions amount to EUR 8.4 million, compared to EUR 11.2 million as at 31 March 2019. Reserves primarily contain provisions for remittances amounting to EUR 4.3 million (previous year: EUR 5.9 million).

Liabilities have been reduced from EUR 26.1 million to EUR 13.4 million. This reduction is mainly based on lesser liabilities to credit institutions due to the scheduled and unscheduled repayment of loans.

Risk situation of Bastei Lübbe AG

The risk situation corresponds essentially with that of the Bastei Lübbe Group and is described on Page 45 in the section “Risk report”.

Forecast for Bastei Lübbe AG

The development of Bastei Lübbe AG depends primarily on the development of the “Book” and “Novel Booklets” segments. Overall, sales of between EUR 82 and 85 million are expected. Of this, between EUR 75 and 78 million (reporting year: EUR 73.4 million) is attributed to the “Book” segment. The “Novel booklets” segment should achieve sales of around EUR 7.5 million (reporting year: EUR 7.7 million). Overall, an operational result (EBIT) in the range of EUR 5 to 6 million (reporting year: EUR 5.2 million) is expected. For the “Book” segment, an EBIT of between EUR 3.8 and 4.8 million is expected, with an EBIT of around EUR 1.2 million targeted for the “Novel Booklet” segment.

Supplementary report

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

Remuneration Report

Executive Board remuneration

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

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

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

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

One-year variable remuneration

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

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

Multi-year variable compensation

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

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

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

If the revised version of the German Corporate Governance Code of 16 December 2019 results in deviations with regard to the existing employment contracts of the members of the company's Executive Board, it should be noted that, in accordance with the explanatory statement of the German Corporate Governance Code (DCGK 2020), "amendments to the Code must not be taken into account in current Executive Board contracts". The Company will take into account the recommendations of the DCGK 2020 when renewing existing contracts for the appointment of the Executive Board and when concluding new contracts for the appointment of the Executive Board in connection with the entry of new members of the Executive Board, and will declare any corresponding deviations in the future.

Remuneration of the Executive Board – benefits granted

	Carel Halff Chairman				Ulrich Zimmermann Chief Financial Officer				Klaus Kluge Director Marketing and Sales			
in KEUR	**2019/20**	**2019/20 min**	**2019/20 max**	**2018/19**	**2019/20**	**2019/20 min**	**2019/20 max**	**2018/19**	**2019/20**	**2019/20 min**	**2019/20 max**	**2018/19**
Non-variable remuneration	360	360	360	360	220	220	220	220	250	250	250	250
Fringe benefits	37	37	37	37	9	9	9	9	8	8	8	8
Total	**397**	**397**	**397**	**397**	**229**	**229**	**229**	**229**	**258**	**258**	**258**	**258**
One-year variable remuneration												
Management bonus	–	0	96	240	–	0	112	71	–	0	134	85
Multi-year variable remuneration												
Performance Share Unit	–	0	144	–	–	0	126	22	–	0	150	26
Total	**–**	**0**	**240**	**240**	**–**	**0**	**238**	**93**	**–**	**0**	**284**	**111**
Total remuneration	**397**	**397**	**637**	**637**	**229**	**229**	**467**	**322**	**258**	**258**	**542**	**369**

Remuneration of the Executive Board – allocations

	Carel Halff Chairman		Ulrich Zimmermann Chief Financial Officer		Klaus Kluge Director Marketing and Sales	
in KEUR	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Non-variable remuneration	360	360	220	220	250	250
Fringe benefits	37	37	9	9	8	8
Total	**397**	**397**	**229**	**229**	**258**	**258**
One-year variable remuneration						
Management bonus	240	50	71	53	85	–
Total	**240**	**50**	**71**	**53**	**85**	**–**
Total remuneration	**637**	**447**	**300**	**282**	**343**	**258**

Supervisory Board remuneration

Under the Articles of Association, the remuneration of members of the Supervisory Board must consist exclusively of non-variable components. No separate remuneration is accrued for committee work. Remuneration is paid out after the end of the financial year.

Members of the Supervisory Board received the following remuneration for the 2019/2020 financial year:

in KEUR	**2019/2020**	**2018/2019**
Robert Stein, Chairman of the Supervisory Board	100	80
Dr Mirko Caspar	75	60
Prof. Dr Friedrich L. Ekey	50	40
Total	**225**	**180**

Other disclosures under sections 289a and 315a HGB

Composition of subscribed capital

The registered capital comprises EUR 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 EUR 1.00 per share. Each share entitles its holder to one vote according to Section 23(1) of the Articles of Association of Bastei Lübbe AG. As in the previous year, the number of treasury shares at the balance sheet date amounted to 99,900 no-par value shares (see Notes to the Consolidated Financial statements No. 16).

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

Appointment and removal of members of the Executive Board

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

Amending the Articles of Association

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

Powers of the Executive Board to issue or buy back shares

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

1. The Executive Board is authorised, with the permission of the Supervisory Board, to use treasury shares for any permissible purpose, with the exception of trading in treasury shares, particularly to effect a sale of acquired treasury 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 treasury shares are sold at a price which does not fall below or exceed the stock market price of company shares of the same unit class by more than 5 % at the time of sale. This authorisation is limited to a maximum total of 10 % of the share capital of the company. The applicable stock market price is, in accordance with the aforementioned regulation, the average of the opening and closing rates for the company’s shares in XETRA trading (or any functionally comparable successor system) during the respective last 10 trading days preceding the sale of the share.

2. The Executive Board is furthermore authorised, with the consent of the Supervisory Board, to incorporate treasury shares in full or in part without further resolutions of the annual general meeting.

3. The Executive Board is also authorised, with the consent of the Supervisory Board, to use treasury shares as (partial) compensation in the context of company mergers or to acquire companies, investments 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 % below the stock market price of shares of the company of the same unit class at the time of sale. The applicable stock market price is, in accordance with the aforementioned regulation, the average of the opening and closing rates for the company's shares in XETRA trading (or any functionally-comparable successor system) during the respective 10 stock market days preceding the use of the share.

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

Notification of voting rights in accordance with Section 33(1) of the WpHG in the event of exceeding the voting rights share of 10 %.

Ms Birgit Lübbe informed us on 17 October 2014 in accordance with Section 21 (1) of the WpHG that her share in the voting rights of Bastei Lübbe, Cologne, had dropped below the threshold of 50 % of the voting rights on 13 October 2014 and now amounted to 48.87 % (corresponding to 6,500,000 voting rights). 12.78 % of the voting rights (corresponding to 1,700,000 voting rights) are attributable to Ms Lübbe in accordance with Section 22 (1) (1) No. 1 of the Securities Trading Act (WpHG). At the same time, allocated voting rights are maintained in the following company controlled by Birgit Lübbe, whose share of voting rights in Bastei Lübbe AG amounts to 3% or more: Lübbe Beteiligungs-GmbH.

Lübbe Beteiligungs-GmbH, Cologne, informed us on 20/04/2015 in accordance with Section 21 (1) of the WpHG that its share in the voting rights of Bastei Lübbe AG, Cologne, Germany, had dropped below the threshold of 3 % of the voting rights on 16/04/2015 and now amounted to 0 % (corresponding to 0 voting rights).

Material agreements subject to a change of control

Bastei Lübbe AG has concluded the material agreements listed below, which contain provisions for cases in which there is a change of control, such as may occur, among other things, because of a takeover bid:

- Syndicated loan agreement of 19 October 2018, which provides for the right of termination of the lender in the event that a person (other than Ms. Birgitt Lübbe) or a group of persons acting jointly acquires direct or indirect control over 30 % or more of the shares or voting rights in the company or any other controlling influence within the meaning of Section 290(2) of the German Commercial Code.
- In all major distribution contracts there are standard change-of-control clauses.

Special rights and voting rights control

The Executive Board is not aware of any restrictions according to Section 315a(1) No. 2 of the German Commercial Code. There are no special and control rights in accordance with Section 315a(1) Nos. 4 and 5 of the German Commercial Code.

Corporate Governance

The company has once more addressed the content of the German Corporate Governance Code in the 2019/2020 financial year. Bastei Lübbe adheres to the recommendations and suggestions of the Corporate Governance Code. The Executive Board and the Supervisory Board on 7 July 2020 adopted a limited Declaration of Conformity according to Section 161 of the German Stock Corporation Act, according to which the company complies with the recommendations of the German Corporate Governance Code as amended on 16 December 2019 with the exception of items D.2 to D.5 and F.2. The current Declaration of Conformity, as well as Declarations of Conformity over the last five years, have been made permanently available to shareholders on the company website (see www.luebbe.com/de/investor-relations/corporate-governance/entsprechenserklaerung).

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

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

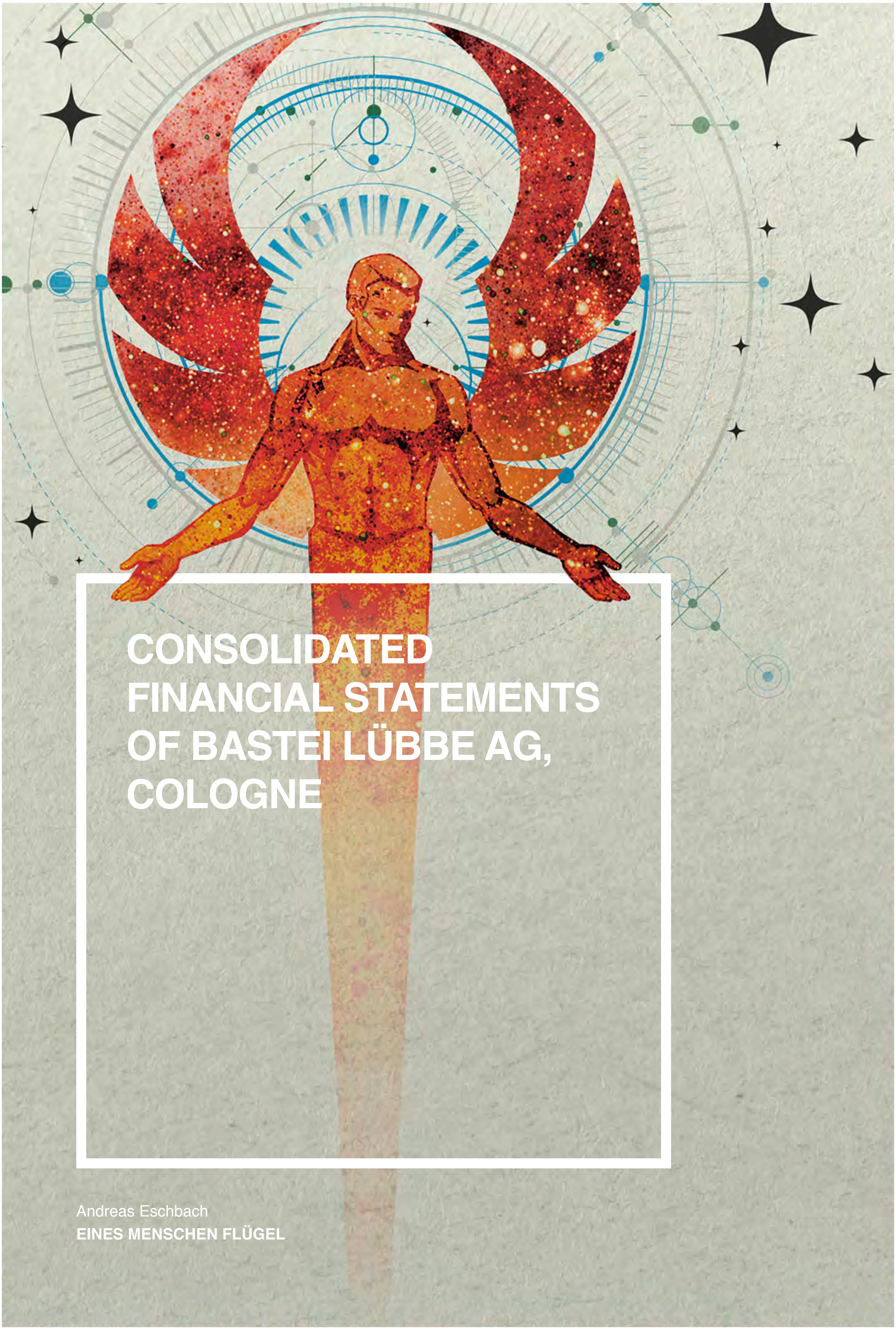
Cologne, 6 July 2020
Bastei Lübbe AG

Carel Halff
Chief Executive Officer

Ulrich Zimmermann
Chief Financial Officer

Klaus Kluge
Director
Sales and Marketing

Simon Decot
Director
Programme



CONSOLIDATED FINANCIAL STATEMENTS OF BASTEI LÜBBE AG, COLOGNE

Andreas Eschbach
EINES MENSCHEN FLÜGEL

Consolidated balance sheet as of 31 March 2020

	Note	31/03/2020 KEUR	31/03/2019* KEUR
Long-term assets			
Intangible assets	7.	1,130	19,934
Inventory of pre-paid royalties	8.	15,347	20,455
Tangible assets (incl. rights of use)	9.	8,415	1,573
Investments accounted for under the equity method	10.	999	-
Financial investments	11.	3,276	4,603
Trade receivables	14.	420	672
Deferred tax claims	12.	3,043	4,053
		32,629	**51,290**
Short-term assets			
Inventories	13.	11,959	15,509
Trade receivables	14.	8,482	12,487
Financial assets	11.	1,053	1,098
Income tax receivables	12.	374	307
Other receivables and assets	15.	1,815	1,847
Cash and cash equivalents	16.	2,765	3,356
Assets held for sale	6.	9,501	-
		35,950	**34,604**
Total assets		**68,579**	**85,894**
Equity			
Share of equity attributable to parent company shareholders			
Subscribed capital	17.	13,200	13,200
Capital reserves	17.	9,045	26,804
Net profit/loss	17.	4,055	-7,245
Accumulated other income	17.	1,995	1,980
		28,295	**34,739**
Equity capital shares of non-controlling shareholders	17.	-940	1,363
Total equity		**27,354**	**36,102**
Long-term liabilities			
Accruals	19.	86	84
Deferred tax liabilities	12.	0	1,200
Financial liabilities	21.	6,448	0
Trade payables	22.	768	983
Other liabilities	20./23.	0	577
		7,302	**1,861**
Short-term liabilities			
Financial liabilities	21.	5,581	24,684
Trade payables	22.	10,338	14,153
Income tax liabilities	12.	266	4
Accruals	19.	5,748	7,297
Other liabilities	20./23.	1,668	1,793
Liabilities in connection with assets classified as held for sale	6.	10,321	-
		33,922	**47,931**
Total debt		**41,225**	**49,792**
Total liabilities		**68,579**	**85,894**

* adjusted, see Note 22

Consolidated income statement and statement of comprehensive income for the period from 1 April 2019 to 31 March 2020

	Note	2019/2020	2018/2019
		KEUR	**KEUR**
Continuing operations			
Sales revenue	24.	81,485	86,612
Change in inventories of finished goods and work in progress	25.	-3,492	-3,215
Other operating income	26.	904	1,032
Material expenses	27.	-41,549	-44,896
Personnel expenses	28./29.	-15,150	-17,122
Other operating expenses	30.	-15,894	-18,972
Earnings from investments	31.	56	50
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**6,360**	**3,489**
Amortisation of intangible assets and fixed assets	32.	-2,231	-1,170
Depreciation of financial investments	32.	0	0
Earnings before interest and taxes (EBIT)		**4,129**	**2,318**
Result from at-equity accounted investments		402	0
Financial result	33.	-1,419	-1,028
Earnings before taxes (EBT) from continuing operations		**3,112**	**1,290**
Taxes on income and earnings	34.	-1,223	-550
Results for the period from continuing operations		**1,889**	**741**
Results for the period from discontinued operations		**-10,960**	**113**
Consolidated earnings		**-9,071**	**854**
of which is attributable to:			
Shareholders of Bastei Lübbe AG			
Results from continuing operations		1,873	604
Results from discontinued operations		-7,992	62
		-6,119	**666**
Equity capital shares of non-controlling shareholders	35.		
Results from continuing operations		16	136
Results from discontinued operations		-2,968	51
		-2,953	**187**
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	18.	-0,46	0,05

Consolidated statement of comprehensive income for the period from 1 April 2019 to 31 March 2020

	Note	2019/2020	2018/2019
		KEUR	**KEUR**
Consolidated earnings		**-9,071**	**854**
Amounts that cannot be carried to the consolidated profit and loss account in future		**0**	**1,989**
Changes in fair value from available-for-sale financial assets	36.	0	1,989
Amounts that can be carried to the Consolidated profit and loss account in future		**17**	**-12**
Differences from currency conversion		17	-12
Other profit/loss		**17**	**1,977**
Consolidated group results		**-9,054**	**2,831**
of which is attributable to:			
Shareholders of Bastei Lübbe AG		9,148	2,645
Equity capital shares of non-controlling shareholders		-2,951	186

Consolidated cash flow statement for the period from 1 April 2019 to 31 March 2020

		2019/2020 KEUR	2018/2019 KEUR
Results for the period		-9,071	854
+/-	Depreciation/appreciation of intangible assets and tangible fixed assets	17,116	4,894
+/-	Depreciation/appreciation on financial investments	-	-
+/-	Depreciation/appreciation on author royalties	14,180	14,619
+/-	Other non-cash expenses/income	17	204
+/-	Proportion of profit or loss in companies accounted for under the equity method	-402	–
+/-	Increase/decrease in provisions	-1,518	62
-/+	Profit/loss from the disposal of intangible assets and tangible fixed assets	-369	-38
-/+	Profit/loss from the sale of other financial investments	-	-50
-/+	Profit/loss from the sale of fully consolidated companies	707	-75
-/+	Increase/decrease in income tax receivables and liabilities incl. deferred tax claims and liabilities	1,111	1,007
-	Prepaid royalties	-9,072	-7,551
-/+	Increase/decrease in inventories, receivables from goods and services, as well as other assets not associated with investment or financing activities	5,973	3,344
+/-	Increase/decrease in trade liabilities from goods and services, as well as other liabilities not associated with investment or financing activities	-4,407	-2,842
Cash flow from current business activities		**14,265**	**14,428**
Of which cash flow from current business activities of continuing operations		**10,393**	**11,808**
+	Payments received from the disposal of intangible assets	1,900	44
-	Outflow of funds for investments in intangible assets	-4,477	-3,473
+	Income from the disposal of tangible fixed assets	-	-
-	Outflow of funds for investments in tangible fixed assets	-506	-122
+	Income from the disposal of financial assets	1,138	830
-	Outflow of funds for investments in financial assets	-646	-
+	Proceeds from the sale of fully consolidated companies less cash and cash equivalents sold	-	35
-	Dividends from companies accounted for under the equity method	46	–
Cash flow from investment activities		**-2,544**	**-2,686**
Of which cash flow from investment activities of continuing operations		**1,730**	**705**
-	Payments to non-controlling shareholders (dividends)	-36	-36
+	Proceeds from the raising of (financial) loans	200	1,596
-	Outflow of funds for the repayment of (financial) credit	-11,000	-11,555
-	Outflow of funds for the repayment of leasing liabilities	-1,296	–
Cash flow from financing activities		**-12,131**	**-9,995**
Of which cash flow from financing activities of continuing operations		**-11,780**	**-11,590**
	Net change in cash and cash equivalents	-411	1,748
-/+	Consolidation-related increase/decline in cash and cash equivalents	-42	700
+	Cash and cash equivalents at start of period	3,356	907
=	**Cash and cash equivalents at end of period**	**2,903**	**3,356**

Consolidated statement of change in equity for the period from 1 April 2019 to 31 March 2020

	Parent company						Shares of non-controlling shareholders	Group equity capital
(all sums in KEUR)	**Subscribed capital**	**Capital reserves**	**Net profit**	**Other comprehensive income**	**Currency compensation items**	**Equity**	**Equity**	**Equity**
As at 01/04/2018	13,200	26,804	-8,967	–	–	31,037	1,102	32,139
Adjustments resulting from first-time adoption of IFRS 9, after tax	–	–	-135	–	–	-135	-5	-140
Adjusted on 01/04/2018	13,200	26,804	-9,102	–	–	30,902	1,097	31,999
Changes in the group of consolidated companies	–	–	1,190	–	–	1,190	116	1,306
Dividends paid	–	–	–	–	–	–	-36	-36
Results for the period	–	–	667	–	–	667	187	854
Other profit/loss	**–**	**–**	**–**	**1,989**	**-11**	**1,978**	**-1**	**1,977**
Total earnings	–	–	667	1,989	-11	2,645	186	2,831
As at 31/03/2019	**13,200**	**26,804**	**-7,245**	**1,989**	**-11**	**34,739**	**1,363**	**36,102**
As at 01/04/2019	13,200	26,804	-7,245	1,989	-11	34,739	1,363	36,102
Changes in the group of consolidated companies	–	–	-341	–	–	-341	684	343
Dividends paid	–	–		–	–	0	-36	-36
Liquidation of capital reserves as per Section 272(1) of the German Commercial Code (HGB)	–	-17,759	17,759	–	–	0	–	0
Results for the period	–	–	-6,119	–	–	-6,119	-2,953	-9,072
Other profit/loss	–	–		–	15	15	2	17
Total earnings	-	-	**-6,119**	-	**15**	**-6,104**	**-2,951**	**-9,054**
As at 31/03/2020	**13,200**	**9,045**	**4,055**	**1,989**	**5**	**28,295**	**-940**	**27,354**

* see Note. 17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dan Brown
WILD SYMPHONY

Table of 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 is a media company in the form of a publishing house. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, e-books and other digital products in the genres of fiction and popular science as well as periodicals including novel booklets and puzzle magazines. With financial effect as of 1 June 2020, Bastei Lübbe AG sold its stake in Daedalic Entertainment GmbH, whose business activities are the development and marketing of high-quality and multi-platform computer and video games. The main areas of activity of the Bastei Lübbe group (hereinafter also “Bastei Lübbe”), are described in the notes to the segment reporting (Point 39).

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

The reporting currency is the euro; unless otherwise noted, all amounts are stated in thousands of euros (KEUR). Totals and percentages were calculated on the basis of non-rounded euro amounts and may deviate from a calculation performed on the basis of the reported thousand-euro amounts.

The consolidated financial statements for the financial year from 1 April 2019 to 31 March 2020 were prepared by the Executive Board on 6 July 2020, approved for publication, and will be submitted to the Supervisory Board for approval on 7 July 2020.

Please refer to Point 51 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, financial position and earnings, and cash flows existing on or before 6 July 2020.

2. Accounting principles

a) Underlying accounting regulations

The consolidated financial statements dated 31 March 2020 were prepared in accordance with the regulations on accounting valid on the reporting date, as determined in the International Financial Reporting Standards adopted by the European Union (EU) and in line with the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), based in London. The various German statutory provisions applicable according to Section 315e (1) of the German Commercial Code (HGB) are also observed.

b) Valuation of assets and debts

The consolidated financial statements are prepared on the basis of historical acquisition and production costs, with the exception of derivative financial instruments and the investment in Räder GmbH. These are allocated a current market value in accordance with IFRS 13.

c) Currency conversion

The consolidated financial statements of economically independent foreign group companies are converted into the Group currency in accordance with the functional currency concept. When these financial statements are converted, all assets and liabilities are converted at the exchange rate prevailing on the balance sheet date, and income and expense items are converted at the average exchange rate for the reporting period. The equity components of the subsidiaries are converted at the corresponding historical exchange rate at the time of their creation. The exchange differences arising from the currency conversion are recognised as adjustment items from the currency conversion within the other accumulated equity or the shares of non-controlling shareholders.

Transactions in foreign currencies are converted using the valid daily rate. Monetary items are converted at the mean spot exchange rate prevailing 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 for the inventory of pre-paid author royalties, the definition of depreciation methods for the inventory of pre-paid author royalties and anticipated rates of return on goods sold to determine the returns on corresponding goods. The key assumptions and estimates for the valuation of leasing liabilities are set out in Note 3 h). We refer you to the corresponding explanations for information determined on the basis of estimations.

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

At the time of preparation of the individual financial statements, the Executive Board does not anticipate considerable changes to the underlying assumptions, estimations and discretionary decisions. Adjustments made to any previously made assumptions are also explained in the relevant notes.

3. Accounting policies

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

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

These consolidated financial statements were 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 2019/2020 financial year.

The standards, clarifications and interpretations applicable on a mandatory basis from 1 April 2019, including in particular IFRS 16 – Lease agreements, have had an impact on the assets, financial position and earnings and are illustrated below. The initial application of all other amended accounting provisions did not have any (material) impact on the presentation of the assets, financial position and earnings.

Transition to IFRS 16 – Leasing contracts

In the financial year beginning on 1 April 2019, the Bastei Lübbe Group applied IFRS 16 using the modified retrospective method for the first time. All reclassifications and adjustments resulting from the initial application are therefore included in the opening balance sheet as of 1 April 2019. With the initial application of IFRS 16, the Group recognised leasing liabilities for leasing arrangements previously classified as operating leasing arrangements under IAS 17 The leasing arrangements essentially refer to leases of office buildings. These liabilities are discounted at the present value of the remaining lease payments against the lessee's marginal borrowing rate as of 1 April 2019. The marginal interest rate on capital of the lessee, which was applied to the lease liabilities as of 1 April 2019, is between 1.73 and 5.13 %.

The positive effect on EBIT from the lessee's accounting in accordance with IFRS 16 amounted to KEUR 139 in the reporting year. Cash flow from financing activities decreased by KEUR 1,144.

Bastei Lübbe AG has exercised the right to treat individual leases ending in the 2019/2020 financial year in accordance with the exemption rules for short-term leases.

With the initial adoption of IFRS 16 the Bastei Lübbe Group has further availed of
the following advantages:

- The assumption of earlier assessments of whether a lease is onerous as an alternative to carrying out impairment tests – as of 1 April 2019, there were no onerous contracts.
- Disregarding initially direct costs when evaluating the use rights at the time of initial use.
- The retroactive determination of the term of leases with renewal or termination options.

The Group has chosen, for lease agreements concluded before the transition date, not to re-examine whether a contract is or contains a lease at the time of initial application, but to maintain the previous assessment made under IAS 17 and IFRIC 4.

For all contracts, the rights of use were valued at the first-time application in the amount of the lease liability, reduced by the lease payments already made.

In total, the adjustments made to the balance sheet through the first-time application of IFRS 16 in the consolidated balance sheet as of 1 April 2019 are as follows:

(KEUR)	**01/04/2019**
Rights of Use	
Rights of use - Real estate and buildings	7,929
Rights of use - Operating and business equipment	335
	8,264
Leasing liabilities	
Long-term financial liabilities	1,196
Short-term financial liabilities	7,068
	8,264

The reconciliation between leasing liabilities can be found in the following table:

(KEUR)	01/04/2019
Liabilities from operating leases as at 31/03/2019 as indicated in IAS 17 in the consolidated financial statements	**3,726**
Ease of application for short-term leasing arrangements and leases of low-value assets	-99
Reassessment of renewal and termination options	5,603
Liabilities from leases in accordance with IFRS 16 as at 31/03/2019 (undiscounted)	**9,230**
Effect of discounting	-966
Book value of leasing liabilities on 01/04/2019	**8,264**

b) New regulations not yet applied in the financial year

The Bastei Lübbe Group did not make any use of the option to apply the new standards and interpretations early. The plan is to apply the standards and interpretations from the date on which they become mandatory. The application of new standards and interpretations is not expected to have any material impact on the Group's assets, financial position and earnings. The option to adjust the previous year's figures in accordance with the transition provisions of the respective IFRS standard, where permitted, is waived.

c) Consolidation principles and cut-off date

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

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

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

Interim profits from internal trade receivables, as well as from the sale of property, plant and equipment between consolidated companies, will be eliminated insofar as the impact on Group assets, financial position and earnings is not of secondary importance.

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

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

d) Intangible assets

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

	Useful life Year	Depreciation rate %
Other intangible assets		
Software	3-7	14.29-33.33
Internally-developed computer games	5-7	14.29-20.00
Publishing and title rights	15	12.50

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

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions made before 1 April 2011 is updated according to the previous law. This means that there are still write-downs and impairments which occurred in earlier periods, and goodwill netted out with equity without influence on net income is not subsequently capitalised.

e) Inventory of pre-paid author royalties

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

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

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

f) Tangible assets

Property, plant and equipment are valued pursuant to IAS 16 (Property, Plant and Equipment) at acquisition or production cost minus accumulated and scheduled depreciation and impairment losses during the financial year. Acquisition costs include the purchase price, costs of commissioning and ancillary acquisition costs. Interest on debt capital as interpreted in IAS 23 (Borrowing Costs) was not capitalised.

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

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

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

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

	Useful life in years	Depreciation rate %
Real estate and property		
Leasehold improvements	8-10	10.00-12.50
Technical equipment, plant and machinery	**5-10**	**10.00-20.00**
Other equipment, operating and business equipment		
Fleet	6-9	11.11-16.67
Fittings, office machines and equipment	3-13	7.69-33.33
Low-value items (up to EUR 800)	< 1 year	100.00

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

g) Impairment tests

The value of assets is reassessed at least once a year at Bastei Lübbe, either on the reporting date or, if deemed necessary, at another point during the course of the year. If and insofar as an independent evaluation of the affected assets is not possible, an evaluation will be carried out by the cash-generating unit (CGU) of the next highest level, as defined in IAS 36 (Impairment of Assets).

(i) Definition of CGUs

At Bastei Lübbe, goodwill and intangible assets with indefinite useful lives acquired in the context of business combinations and acquisitions are assigned to a group of CGUs that would be expected to benefit from the synergies of the business combinations and acquisitions. These groups of CGUs represent the lowest level at which these assets are monitored for the purposes of corporate steering. These generally correspond to individual companies or publishing houses.

(ii) Implementing the impairment tests

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

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

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

In order to identify the net present value, the discount rate is determined on the basis of weighted capital costs; it is based on a current base rate (as at the balance sheet date) of -0.7 % as well as a market risk premium of 7.0 % (upper value within the range recommended by IDW). Weighted capital costs for J.P. Bachem Editionen GmbH amounting to 6.4 % before tax and 4.3 % were calculated after tax as at 31 March 2020.

The cash flows after the detailed planning period are then extrapolated for J.P. Bachem Editionen GmbH with a sustained growth rate of 0.0 %.

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

	J.P. Bachem Editionen GmbH
Basis of achievable amount	Value in use
Significant assumptions cash flow forecast	The Board of Directors expects a growth phase in the coming years for the newly founded company. Therefore, the planning includes an average increase in sales of 57 % by the 2022/2023 financial year, based on actual sales of KEUR 599 (in the short financial year 1 June 2019 to 31 March 2020) and an associated turnaround in cash flow development. The growth is to be achieved mainly by acquiring new customers in the corporate publishing business as well as through synergies with Bastei Lübbe AG
Detailed planning period	3 years
Value in use (KEUR)	2,566
Book value (KEUR)	707
Discrepancy value in use / book value (KEUR)	1,859
Underperformance of free cash flow plan in perpetuity, resulting in value in use equal to carrying amount	75 %
Change in WACC that results in the value in use corresponding to the carrying amount	8.55 %-points

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

With financial effect from 1 June 2020, Bastei Lübbe AG sold 41 % of the shares in Daedalic Entertainment GmbH as part of a management buy-out to the managing founding shareholder Carsten Fichtelmann and to the commercial director Stephan Harms. This cash-generating unit had already been subject to an impairment test on 31 December 2019 due to a triggering event. The capital costs calculated on this reporting date at that date amounted to 10.8 %

before tax and 7.3 % after tax. The cash flows which exist in accordance with the detailed planning period were extrapolated with a sustainable growth rate of 1.0 %.

As a result of the impairment test, goodwill in full (KEUR 4,903) and intangible assets in the course of the past financial year, mainly internally-developed computer games, were impaired in the amount of KEUR 5,615 as of 31 December 2019.

In March 2020, the recoverable amount for the cash-generating unit Daedalic Entertainment GmbH was estimated again on the basis of the management buy-out offer. The intangible assets, essentially internally-developed computer games, were reviewed at the level of the individual company in the context of impairment tests and, if necessary, impaired. In this context, further write-downs of KEUR 1,429 were recorded. The recoverable amount of KEUR 7,863 as of 31 March 2020 is lower than the book value of the cash generating unit (KEUR 9,292). All impairment losses are reported in the discontinued operations.

h) Leasing arrangements

Up to and including 2018, leases on property, plant and equipment were classified as either finance or operating leases. As of 1 April 2019, leases will be recorded as a right of use and the corresponding lease liability accounted for at the time when the leased object is made available to the Group for use. Assets and liabilities from leases are initially recorded at cash value. Leasing liabilities include the cash value of the following lease payments:

- Fixed payments less any receivable lease incentives

- Variable lease payments that are linked to an index, initially valued using the index on the availability date.

In addition, lease payments based on a sufficiently safe exercise of extension options must be considered when evaluating lease liability. Lease payments are discounted at the implicit interest rate underlying the lease, if it is readily determinable. Otherwise – and this is usually the case in the Group – a discount is made at the lessee's marginal borrowing rate. This corresponds to the interest rate that the lessee would have to pay if he were to borrow funds in order to acquire an asset of a comparable value under comparable conditions for a comparable term with comparable security in a comparable economic environment.

In order to determine its marginal lending rate, the Bastei Lübbe Group obtains interest rates from external sources of finance and makes certain adjustments to take into account the leasing conditions and the nature of the asset.

The Bastei Lübbe Group is exposed to possible future increases in variable lease payments, which may result from a change in an index or interest rate. These possible changes in the leasing instalments are not taken into account in the leasing liability until they become effective. As soon as changes in an index or interest rate affect the leasing rates, the lease liability is adjusted against the right of use.

Lease payments are divided into repayment and interest payments. The interest portion is recognized in income over the term of the lease, so that for each period there is a constant periodic rate of interest on the remaining balance of the liability.

Rights of use are valued at acquisition costs, which consist of the following:

• The amount of the initial valuation of the lease liability,

• All lease payments made on or before the provision, less any lease incentives,

• All direct costs initially incurred by the lessee,

• Estimated costs incurred by the lessee in dismantling or eliminating the underlying asset, for restoring the location where it is located, or returning the underlying asset in the condition required in the lease agreement

Rights of use are depreciated on a straight-line basis over the shorter of the two periods of the useful life and term of the underlying lease.

Payments for short-term leases of plant and machinery, factory and office equipment as well as vehicles and other leases, including assets of low value, are recorded as an expense in profit or loss on a straight-line basis. Short-term leases are leases with a term of up to 12 months. All leasing contracts with an initial right of use of less than KEUR 5 are considered to be assets of low value.

Various real estate leasing agreements of the Bastei Lübbe Group contain renewal and termination options. Such contract terms are used to maintain maximum operational flexibility with respect to the assets used. The majority of the existing renewal and termination options can only be exercised by the Bastei Lübbe Group and not by the respective lessor.

When determining the term of lease contracts, the management takes into account all of the facts and circumstances that provide an economic incentive to exercise renewal options or failure to exercise termination options. Term changes resulting from the exercise of renewal or termination options are only included in the term of the contract, if a renewal or failure to exercise a termination option is sufficiently certain.

If renewal options were available in connection with the leasing of vehicles, warehouse vehicles as well as operating and business equipment, this was not included in the determination of the lease term and thus in the lease obligation, since these assets can be replaced by the Group without any significant costs or interruptions to operations.

The assessment shall be reviewed if a renewal option is actually exercised or not exercised. A re-assessment of the initial assessment is made when there is an essential event or a significant change in circumstances that could affect the previous assessment. In the current reporting period, no changes were due to revaluations and modifications as well as adjustments to the contract terms.

If the Group acts as a sub-lessor, it classifies each lease as either a finance lease or an operating lease at the start of the contract.

In order to classify each lease, the Group has made an overall assessment of whether the lease essentially transfers all risks and rewards associated with ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. In this assessment, the Group takes into account certain indicators, such as whether the lease covers the major part of the economic useful life of the asset.

i) Financial instruments

(i) Financial assets

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

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

Financial assets are initially recognised at fair value. In case of other financial investments than those which are classified as being valued at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset are additionally taken into account.

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

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

(ii) Impairment of financial assets

The Company accounts for write-downs for anticipated credit losses on financial assets that are measured at amortised cost. The company determines the write-downs in the amount of the expected credit losses over the term and uses a three-stage procedure for calculating write-downs.

Level 1: In level 1, all liabilities are generally classified upon access. For them, the present value of expected payment defaults resulting from possible default events within 12 months after the reporting date must be recognised as expenses. The interest is recorded on the basis of the gross book value, i.e. the effective interest method is to be carried out on the basis of the book value before taking into account the risk provisions.

Stage 2: This includes all instruments that show a significant increase in the risk of default at the closing date compared to the date of entry. Risk provisions must reflect the present value of all expected losses over the remaining term of the instrument. The interest is recorded on the basis of the gross book value, i.e. the effective interest method is to be carried out on the basis of the book value before taking into account the risk provisions.

Level 3: If, in addition to a significant increase in the default risk at the balance sheet date, there is also an objective indication of impairment, the risk provisions are also measured on the basis of the present value of the expected losses over the remaining term. However, interest is recorded in the following periods, so that the interest income is to be calculated on the basis of the net book value, i.e. the book value after deduction of risk provisions.

A financial asset is deemed to have failed if it is unlikely that the debtor will be able to pay its full credit liability to the company without having to resort to measures such as the recovery of collateral (if any are available).

(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 or been transferred.
- Although the company retains the rights to receive cash flows from financial assets, it assumes a contractual obligation for the immediate payment of the cash flows to a third party under an agreement that fulfils the conditions of IFRS 9.3.2.5 (pass-through arrangement), or the company has transferred its contractual rights to receive cash flows from a financial asset, which involves either (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) neither the transfer nor retention of the opportunities and risks associated with ownership of the financial asset, but transfer of the authority to dispose of the financial asset.

(iv) Cash and cash equivalents

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

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

(v) Other derivatives

Changes in the value of derivatives without a balance sheet hedging relationship are assessed on the basis of fair value and are recognized in income.

(vi) Trade receivables

The simplified procedure must always be applied to trade receivables and other receivables which do not contain a significant financing component. Under the simplified procedure, it is not necessary to track changes in credit risk. Instead, a risk provision equal to the expected default risk over the entire term must be recognised, both during the initial recognition, and as part of the subsequent assessment.

In the previous year, impairment losses were calculated to determine the risk provisions using a write-down table, which determines the expected losses over the remaining term as percentages depending on the duration of the overdue period. In the reporting year, default estimates derived from external ratings are applied, as this is an even better assessment in the opinion of management. An adjustment of the previous year's figures was not necessary due to the expected immateriality and the fact that it was impossible to obtain retroactive credit ratings free of so-called hindsight bias. Default risks within each risk classification were segmented based on the classification of customers into risk classes. For each segment, a credit default rate is calculated for the expected credit loss.

(vii) Other financial assets

Other financial assets are valued at acquisition cost if their fair value cannot be ascertained with adequate certainty. In the case of unscheduled depreciation, this is recognised as profit or loss.

(viii) Financial liabilities

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

Financial liabilities are measured at fair value upon initial recognition and, in the case of loans, plus directly attributable transaction costs. The measurement subsequent to initial recognition is carried out at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised or during the amortisation process using the effective interest method. Amortised costs are calculated by taking the fees or costs into account that are an integral part of the effective interest rate. Amortisation carried out using the effective interest method is shown on the profit and loss statement under financial expenses. Financial liabilities are written off if the underlying obligation has been met or cancelled or if it has expired. For the valuation of derivatives held for trading, only market-based valuation methods are used. This complies with the Level 2 procedure. The market interest rate on the reporting date is used as an input factor for valuation of the interest rate swap (IFRS 13.91).

j) Financial investments

Equity instruments are generally measured at fair value according to IFRS 9.

k) Inventories

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

The net realisable value is the anticipated achievable selling price minus costs incurred prior to sale. The net realisable value of unfinished products is determined according to a retrograde method from the net realisable value of the finished goods, taking account of costs incurred prior to completion. In order to take inventory risks into account, write-downs for excess stocks are made on obsolete inventories.

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

l) Other provisions

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

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

m) Revenue and expenses recognition

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

When physical products are sold, invoices, which are usually payable within 35 to 120 days, are issued at that time. When digital products are sold, invoices are issued upon receipt of invoices from the sales portals, which are usually payable within 30 days.

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

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

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

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

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

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

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

n) Income taxes

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

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

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

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

o) Share-based payments

In the case of share-based payments with cash compensation agreed on behalf of the Board of Management, a liability is recognised for the services received and initially carried at fair value using an option price model. Until the liability is settled, the fair value must be remeasured at each reporting period and at the date of settlement. Any changes in fair value are recognised as personnel expenses in profit or loss.

4. Consolidated companies and shareholdings

Below are overviews of the key subsidiaries of the Group and the changes to the group of consolidated companies (See 5) conducted during the 2019/2020 financial year:

Fully consolidated companies

	Headquarters	Ownership interest 31/03/2020	Ownership interest 31/03/2019
Daedalic Entertainment GmbH[1)]	Hamburg	51.00 %	51.00 %
Daedalic Entertainment Bavaria GmbH[1)]	Munich	51.00 %	51.00 %
oravská Bastei MOBA s.r.o.[2)]	Brno / Czech Republic	89.76 %	89.76 %
oolipo AG i.L. (ehem. BEAM AG)[3)]	Cologne	–	88.78 %
J.P. Bachem Editionen GmbH[4)]	Cologne	75.00 %	–

1) For the component from discontinued operations see Note 6
2) Different financial year included in the consolidated financial statements 01/01/2019-31/12/2019
3) Deconsolidation as at 31/03/2020
4) Initial consolidation as at 01/06/2019

Non-controlling shares

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

	Headquarters	Ownership shares of non-controlling shareholders 31/03/2020	Ownership shares of non-controlling shareholders 31/03/2019
Daedalic Entertainment GmbH[1)]	Hamburg	49.00 %	49.00 %
Daedalic Entertainment Bavaria GmbH[1)]	Munich	49.00 %	49.00 %
Moravská Bastei MOBA s.r.o.[2)]	Brno / Czech Republic	10.24 %	10.24 %
oolipo AG i.L. (formerly BEAM AG)[3)]	Cologne	–	11.22 %
J.P. Bachem Editionen GmbH[4)]	Cologne	25.00 %	–

1) For a component of the discontinued operations, see Notes 6
2) Different financial year included in the Consolidated Financial Statements 01/01/2019-31/12/2019
3) Deconsolidation as at 31/03/2020
4) Initial consolidation as at 01/06/2019

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

Consolidation and shareholdings

	Moba		Bachem	
(KEUR)	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Long-term assets	156	108	312	–
Short-term assets	1,805	1,651	409	–
Long-term liabilities	-	-	14	–
Short-term liabilities	322	281	304	–
Net assets	1,639	1,478	404	–
Net assets to be assigned to the non-controlling shares	167	151	-20	–
Sales revenue	2,265	1,970	599	–
Period = total earnings	501	333	-178	–
Total profit to be assigned to non-controlling shares	50	34	-34	–

Shares of Moravská Bastei MoBa s.r.o. and J.P. Bachem Editionen GmbH are assigned to the "Book" segment. Moba paid out dividends during the reporting year and the previous year. Otherwise, there were no dividend pay-outs on the part of the other fully consolidated subsidiaries in either of the two previous financial years.

Non-included subsidiaries, associated companies, and other investments

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

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

(KEUR)	Headquarters	Ownership interest	Equity	Net result
Siebter Himmel Bastei Lübbe GmbH[1]	Cologne	100 %	149	64
Bastei Ventures GmbH[2]	Cologne	100 %	15	-3
Daedalic Entertainment Studio West GmbH[3] [4]	Düsseldorf	100 %	29	-8

1) Information according to preliminary annual financial statements as at 31 March 2020
2) Information according to annual financial statements as at 31 December 2019
3) Information according to the preliminary annual financial statements as at 31 December 2017
4) Subsidiary of Daedalic Entertainment GmbH

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

(KEUR)	Headquarters	Ownership interest	Equity	Net result
CE Community Editions GmbH[1)2)]	Cologne	40 %	1,998	709
Räder GmbH[3]	Bochum	20 %	7,118	3,755

1) Information according to the preliminary annual financial statements as at 31 December 2019

2) consolidated under the equity method

3) Information according to annual financial statements as at 3t December 2019

The associated company CE Community Editions GmbH, which was not previously included in the consolidated financial statements for reasons of materiality, will be fully consolidated as of 1 April 2019 (Note 10).

The following table shows a summary of financial information on the major associated companies accounted for at fair value:

	Räder	
(KEUR)	31/12/2019	31/12/2018
Long-term assets	5,228	6,124
Short-term assets	14,248	11,802
Long-term liabilities	8,672	12,263
Short-term liabilities	3,685	2,300
Net assets	7,118	3,363
Sales revenue	24,450	23,388
Period = total earnings	3,755	2,609

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

5. Material changes to the consolidated companies

By notarial deed dated 23 May 2019, and taking financial effect on 1 June 2019, Bastei Lübbe AG acquired 75 % of shares in J.P. Bachem Editionen GmbH, which is headquartered in Cologne. J.P. Bachem Editionen GmbH is an establishment set up jointly with the sole shareholder of J.P. Bachem Verlag GmbH, in particular in order to service the corporate customer and corporate publishing segment. J.P. Verlag GmbH introduces the required business operation and customer relationship into the new company for this purpose by way of a contribution. The company will become part of the “Books” segment.

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

The J.P. Bachem Editionen GmbH has contributed to group turnover in the current financial year with KEUR 599 and to group profit with KEUR -178 (each with regards to 100 per cent of shares).

According to purchase price allocation (PPA), the fair values and liabilities of Bachem as of the date of initial consolidation (1 June 2019) are calculated as follows:

(KEUR)	Book values upon acquisition	Adaptation in relation to PPA	Fair Values
Intangible assets	-	33	33
Tangible assets	26	-	26
Trade receivables and other receivables	2	-	2
Cash and cash equivalents	25	-	25
Deferred tax liabilities	-	-11	-11
Trade payables and other liabilities	-18	-	-18
Net assets (and liabilities)	**35**	**22**	**57**
Non-controlling shares based on the share of recorded assets and liabilities	9	6	14
Shares of the majority shareholder based on the proportion of recorded assets and liabilities	26	17	43
Acquisition costs			**271**
Goodwill			**228**

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

The fair value valuation of intangible assets covers undisclosed reserves in the amount of the expected profit margins in the order backlog. It is assumed that the undisclosed reserves in the intangible assets 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 Books segment are described in the first paragraph of this section. The tax-deductible goodwill amounts to KEUR 323.

Under the terms of the purchase agreement, the minority shareholder was granted a put option over its shares in J.P. Bachem Editionen GmbH. The liability that might arise from the exercise of the put option is listed under financial liabilities (see Note 21). The minority shareholder has the right to sell its shares to Bastei Lübbe AG for the first time at the end of 31 March 2024. The average earnings before interest and taxes (EBIT) for the financial year of the exercise of the put option and the previous financial year serve as the basis for the assessment. The accounting is carried out according to the Present Access method.

oolipo AG i.L. was deconsolidated on 31 March 2020, after the liquidation procedure was almost complete. The deconsolidation resulted in a loss of KEUR 707, mainly from the write-off of the equity interests of non-controlling shareholders. As a result of the deconsolidation of the company, cash and cash equivalents decreased by KEUR 42. In addition, short-term liabilities amounting to KEUR 4 are being repaid.

6. Discontinued operations

On 25 February 2020, the management of Daedalic Entertainment GmbH submitted to the Bastei Lübbe Management Board an indicative offer to acquire the Daedalic Entertainment GmbH shares as part of a management buy-out. The Supervisory Board approved the proposal of the Management Board to pursue the negotiations on the basis of this offer on 27 February 2020.

With financial effect from 1 June 2020, Bastei Lübbe AG sold 41 % of its shares in Daedalic Entertainment GmbH and thus lost control (see also events after the balance sheet date under Note 51). The purchase price of KEUR 410 was paid in full with funds in June 2020. The proceeds from the sale significantly undercut the book value of the associated net assets, taking into account the impairment of goodwill of KEUR 4,903 as of 31 December 2019, so that expenses in the course of the reclassification of the business were recorded as held for sale in the amount of KEUR 1,429.

The "Games" segment includes the development and marketing of high-quality, cross-platform computer and video games. The segment will be discontinued with the sale of the shares effective as of 1 June 2020. The Daedalic division had not previously been classified as for sale, or as a discontinued operation.

Earnings from the discontinued operations of the Daedalic division:

(KEUR)	2019/2020	2018/2019
Sales revenue	10,761	8,311
Change in inventories of finished goods and work in progress	15	-
Capitalised self-constructed assets	3,254	2,741
Other operating income	940	91
Material expenses	-3,552	-2,223
Personnel expenses	-3,182	-3,003
Other operating expenses	-4,129	-1,805
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**4,106**	**4,112**
Amortisation of intangible assets and fixed assets	-13,456	-3,724
Valuation result from assets held for sale	-1,429	-
Earnings before interest and taxes (EBIT)	**-10,779**	**387**
Financial result	-260	-145
Earnings before taxes (EBT) from discontinued operations	**-11,039**	**243**
Taxes on income and earnings	79	-130
Results for the period from discontinued operations	**-10,960**	**113**
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	-0.61	0,00

Further information on the results can be found in the segment report (Note 39, “Games” column). The depreciation or value recovery mentioned therein relate to the following items in the statement of comprehensive income:

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

(KEUR)	31/03/2020
Long-term assets	
Intangible assets	6,867
Tangible assets (incl. rights of use)	527
Financial investments	102
	7,495
Short-term assets	
Inventories	79
Trade receivables	1,591
Financial assets	16
Other receivables and assets	183
Cash and cash equivalents	137
	2,006
Assets held for sale	**9,501**
Long-term liabilities	
Deferred tax liabilities	1,106
Financial liabilities	479
Other liabilities	215
	1,800
Short-term liabilities	
Financial liabilities	7,138
Trade payables	961
Accruals	29
Other liabilities	393
	8,521
Liabilities in connection with assets classified as held for sale	**10,321**

There were no contingencies and no open purchase orders as at the balance sheet date that would need to be reported here. As of the balance sheet date, there are other obligations amounting to KEUR 2.

As the (previously intragroup) financing will continue after the final disposal, Bastei Lübbe has made a complete allocation of the elimination postings to the continuing business segment.

The following table shows the net cash flows of the discontinued business segment:

(KEUR)	2019/2020	2018/2019
Cash flow from current business activities	3,872	2,620
Cash flow from investment activities	-4,275	-3,391
Cash flow from financing activities	-351	1,595
Cashflow for the year	**-754**	**825**

Comments on Consolidated Balance Sheet

7. Intangible assets

(KEUR)	Goodwill and company value	Internally generated intangible financial assets	Other intangible financial assets	Advance payments	Total
Acquisition/Production costs					
As of 01/04/2018	6,561	15,555	20,606	979	43,701
Changes in consolidofed companies	0	0	-174	0	-174
Additions	0	2,742	55	676	3,473
Reclassificofions	0	0	235	-235	0
Disposals	-841	0	-3,275	0	-4,116
As of 31/03/2019	**5,720**	**18,297**	**17,446**	**1,421**	**42,884**
Accumulated amortisations and depreciation					
As of 01/04/2018	841	8,268	13,629	94	22,832
Changes in consolidofed companies	0	0	-153	0	-153
Amortisofions	0	1,896	1,710	0	3,606
Write-downs	0	774	0	0	774
Disposals	-841	0	-3,268	0	-4,109
As of 31/03/2019	**0**	**10,938**	**11,918**	**94**	**22,950**
Book values					
As of 0104/2018	5,720	7,287	6,978	885	20,869
As of 31/03/2019	**5,720**	**7,359**	**5,528**	**1,327**	**19,934**
Acquisition/Production costs					
As of 01/04/2019	5,720	18,297	17,446	1,421	42,884
Changes in consolidofed companies	228	0	33	-80	181
Additions	0	3,254	114	1,109	4,476
Reclassificofions	0	0	1,687	-1,687	0
Disposals	-782	0	-1,331	0	-2,113
Exchange differences	0	0	0	0	0
Reclassificofion of assets held for sale	-4,903	-21,551	-10,412	-523	-37,389
As of 31/03/2020	**263**	**0**	**7,537**	**240**	**8,040**
Accumulated amortisations and depreciation					
As of 01/04/2019	0	10,938	11,918	94	22,950
Changes in consolidofed companies	0	0	0	-80	-80
Amortisofions	0	1,572	1,625	0	3,197
Write-downs	4,903	4,641	479	495	10,518
Valuofion result from assets held for sale	0	1,429	0	0	1,429
Reclassificofions	0	0	0	0	0
Disposals	0	0	-582	0	-582
Exchange differences	0	0	0	0	0
Reclassificofion of assets held for sale	-4,903	-18,580	-6,530	-509	-30,522
As of 31/03/2020	**0**	**0**	**6.910**	**0**	**6.910**
Book values					
As of 01/04/2019	5,720	7,359	5,528	1,327	19,934
As of 31/03/2020	**263**	**0**	**628**	**240**	**1,130**

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

(KEUR)	31/03/2020	31/03/2019
Book		
J.P. Bachem Editionen	228	–
Eichborn	35	35
Games		
Daedalic	0	4,903
Novel booklets and puzzle magazines		
PMV	–	782
	263	5,720

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

In the case of goodwill, the impairment of capitalised book values is checked once a year in accordance with IAS 36 and, in the event of triggering events, on the basis of groups of cash-generating units.

The total amount of write-downs recorded for goodwill relates to Daedalic and amounts to KEUR 4,903 and is recorded under the item "Income from discontinued operations" in the total income statement. For the valuation parameters used, please refer to Note 4.

With the sale of the puzzle magazines as of 1 June 2019, the PMV goodwill has also been transferred. The sale of intangible assets generated a profit of KEUR 371.

In other intangible assets, title and trademark rights, which are written down for a useful life of 15 years, are recorded at the balance sheet date with a total of KEUR 174 (previous year: KEUR 1,258). The main individual items for title and trademark rights have a useful life of 9 to 10 years. 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 454 (previous year: KEUR 3,538). Amortisations and write-downs are shown in the consolidated income statement under the item “Amortisation of intangible assets and tangible fixed assets”.

Intangible assets serve as collateral to a limited extent (acquired title and trademark rights).

8. Inventory of pre-paid royalties

(KEUR)	Prepaid royalties	Advance payments	Total
Acquisition/production costs			
Last Updofed: 01/04/2018*	67,595	3,545	70,111
Disposals from changes to the group of consolidofed companies	117	0	117
Additions	6,066	1,485	7,551
Disposals	-3,207	-271	-3,478
Reclassificofions	2,739	-2,739	0
As of 31/03/2019	**73,310**	**2,020**	**74,301**
Accumulated amortisations and depreciation			
As of 01/04/2018*	43,275	95	42,341
Additions from changes in the scope of consolidofion	34	0	34
Depreciofion	13,374	0	13,374
Impairments	1,340	0	1,340
Reversals of impairment losses	0	-95	-95
Disposals	-3,148	0	-3,148
As of 31/03/2019	**54,875**	**0**	**53,846**
Book values			
As of 01/04/2017	31,974	5,402	37,376
As of 31/03/2018	**24,320**	**3,450**	**27,770**
Acquisition/production costs			
As of 01/04/2019	73,310	2,020	75,330
Additions	7,898	2,040	9,938
Disposals	-816	-50	-866
Reclassificofions	734	-734	0
As of 31/03/2020	**81,127**	**3,276**	**84,403**
Accumulated amortisations and depreciation			
As of 01/04/2019	54,875	0	54,875
Amortisofions	12,323	0	12,323
Write-downs	1,807	50	1,857
Value recovery	0	0	0
Disposals	0	0	0
As of 31/03/2020	**69,005**	**50**	**69,055**
Book values			
As of 01/04/2019	18,435	2,020	20,455
As of 31/03/2020	**12,121**	**3,226**	**15,347**

* Previous year adjusted

All expenses incurred in connection with prepaid royalties and down payments made – incl. depreciations and amortisations – are recognised as material expenses under "Expenses for fees and depreciations to prepaid royalties" appreciation or value recovery under other operating income.

The stock of prepaid author royalties continues to be written off on a sales and revenue basis.

In the previous year, the depreciation and amortisation patterns were reassessed on the basis of historical sales trends. In the previous year, the revised estimate resulted in additional expenses of EUR 6.5 million.

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

9. Tangible assets and rights of use

(KEUR)	Real estate and buildings	Technical equipment and machinery	Business and operating equipment	Total
As of 01/04/2018	1,548	38	4,290	5,876
Additions/changes in consolidated companies	0	0	103	103
Additions	4	0	118	122
Disposals	0	0	-372	-372
As of 31/03/2019	**1,552**	**38**	**4,139**	**5,729**
Accumulated amortisations and depreciation				
As of 01/04/2018	771	31	3,118	3,920
Additions/changes in consolidated companies	0	0	79	79
Amortisations	181	3	330	515
Disposals	0	0	-357	-358
As of 31/03/2019	**952**	**34**	**3,170**	**4,156**
Book values				
As of 01/04/2018	777	7	1,172	1,956
As of 31/03/2019	**600**	**4**	**970**	**1,573**
Acquisition/Production costs				
As of 01/04/2019	1,552	38	4,139	5,729
Initial application of IFRS 16	7,929	0	335	8,264
Adjusted on 01/04/2019	9,481	38	4,474	13,993
Changes in consolidated companies	0	0	-7	-7
Additions	123	0	1,067	1,190
Disposals	0	0	-116	-116
Reposting	-129	0	0	-129
Exchange differences	0	0	2	2
Reclassification of assets held for sale	-623	0	-246	-869
As of 31/03/2020	**8,852**	**38**	**5,174**	**14,064**
Accumulated amortisations and depreciation				
As of 01/04/2019	952	34	3,170	4,156
Changes in consolidated companies	0	0	-15	-15
Amortisations	1,270	1	700	1,972
Disposals	0	0	-108	-108
Reposting	-15	0	0	-15
Exchange differences	0	0	-1	-1
Reclassification of assets held for sale	-139	1	-202	-340
As of 31/03/2020	**2,068**	**36**	**3,545**	**5,649**
Book values				
Adjusted on 01/04/2019	600	4	969	1,573
As of 31/03/2020	**6,784**	**2**	**1,629**	**8,415**

No 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 of the 2019/2020 financial year, lease assets are presented as rights of use within property, plant and equipment. For details on the changes in accounting methods, see Section 2. h).

Property, plant and equipment includes rights of use in the amount of KEUR 6,941 in connection with leased property (see Section 43).

As in the previous year, property, plant and equipment are not used as collateral for own liabilities (with the exception of the usual retention of title in respect of debts to suppliers).

10. Financial investments accounted for using the equity method

The associated company CE Community Editions GmbH, which was not previously included in the consolidated financial statements for reasons of materiality, will be fully consolidated as of 1 April 2019 and reported under the “Investments accounted for under the equity method” balance sheet item.

The associated company is a young publishing house for social media influencers. The following tables aggregate the key data for the joint ventures included in the consolidated financial statements using the equity method, based on the 40.0 % ownership interest:

(KEUR)	**2019/2020**
Sales revenue	6,412
Net profit for the period = Net profit	709
Dividends received from the associated company	46

(KEUR)	**31/03/2020**
Long-term assets	11
Short-term assets	4,798
Long-term liabilities	-
Short-term liabilities	-2,811
Net assets (100 %)	**1,998**
Group share of net assets (40 %)	799
Goodwill	200
Book value of the investment in the associated company	**999**

11. Financial assets

(KEUR)	31/03/2020	31/03/2019
Long-term (financial assets)		
Other equity investments	2,095	2,094
Loans on other investments	800	1,797
Other loans	175	317
Investments in affiliated companies	106	150
Net investment in a lease	99	–
Investments in associated companies and joint ventures	-	244
	3,276	**4,603**
Short-term		
Loans on other investments	237	0
Receivables from associated companies and joint ventures	191	0
Receivables from factoring	148	125
Derivatives	88	60
Creditors with debit balances	57	91
Supplier rebates	40	40
Net investment in a lease	15	–
Receivables from other equity investments	0	389
Eichborn AG receivables (insolvency)	0	102
	1,053	**1,098**

The shares in affiliated companies are not consolidated due to their subordinate importance for the company's asset, financial and income positions.

Loan to other shareholdings relates to Räder GmbH with a fixed term until 31 December 2024, and an interest rate of 6 % p.a.

The investment in Räder GmbH is valued as an equity investment and stated at the relevant fair value through other comprehensive income (FVOCI). The investment is an investment that is not held for trading.

As of 31 March 2019, the fair value of Räder GmbH was KEUR 1,995 As of 31 March 2020, this value was maintained, since a current determination of the fair value could not be performed due to insufficient information in the context of the Corona virus pandemic. There are no indications that the fair value might have fallen, even taking into account possible plan adjustments caused by the Corona virus pandemic. As in the previous year, no dividends were received in the financial year.

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. The receivable was fully impaired in the reporting year (Level 3).

On 1 April 2019 the Group sublet a rented shop and classified the lease agreement as a finance lease. Accordingly, the right of use from the main lease was transferred to the sub-lessee and a corresponding net investment in a sub-leasing relationship was reported.

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

12. Income tax assets and liabilities

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

(KEUR)	31/03/2020	31/03/2019
Deferred tax claims	3,043	4,053
Income tax receivables	374	307
Deferred tax liabilities	-	-1,200
Income tax liabilities	-266	-4
Balance	**3,151**	**3,156**

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 31/03/2020	liabilities deferred taxes 31/03/2020	assets deferred taxes 31/03/2019	liabilities deferred taxes 31/03/2019
Other intangible assets	1,874	-	2,370	2,573
Tangible assets	33	65	–	89
Financial investments	16	-	16	0
Trade receivables	55	70	70	73
Financial assets	–	–	–	19
Other provisions	152	–	–	–
Financial liabilities	9	32	27	36
Tax losses carried forward	1,071	–	3,161	–
	3,210	**167**	**5,644**	**2,790**
Balancing	-167	-167	-1,590	-1,590
	3,043	**0**	**4,053**	**1,200**

Deferred tax claims on losses carried forward mainly relate to the parent company (KEUR 1,008). On the basis of the medium-term planning in the next three to five years, it can be assumed that this will be implemented. In the 2020 assessment period, trade tax losses carried forward in the amount of KEUR 2,397 and corporate tax losses carried forward in the amount of KEUR 2,220 were offset.

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)		31/03/2020		31/03/2019	
Deferred tax claims 1 April		4,053		4,536	
Deferred tax liabilities 1 April		-1,200	2,853	-1,078	3,458
Deferred tax claims 31 March		3,043		4,053	
Deferred tax liabilities 31 March		0	3,043	-1,200	2,853
=	Change in Balance		190		-605
+/-	Additions/disposals from changes to the group of consolidated companies		11		–
+/-	Amounts recognised directly in equity		–		-69
+/-	Reclassification to discontinued operations		–		128
+/-	Reclassification of assets held for sale		-1,200		–
=	**Deferred tax income as per profit and loss statement**		**-999**		**-546**

Furthermore, we refer to the information regarding income tax expenses under Note 34 in this respect.

13. Inventories

(KEUR)	31/03/2020	31/03/2019
Raw materials and supplies	157	227
Unfinished products	497	526
Finished goods	11,211	14,734
Prepayments on inventories	94	22
	11,959	**15,509**

Impairment losses on inventories amounted to KEUR 1,912 in the financial year (previous year: KEUR 2,767). Inventories serve as collateral for the syndicated loan to the extent that they relate to Bastei Lübbe AG and with the exception of customary retention of title.

14. Trade receivables

The long- and short-term trade receivables recognised in the balance sheet can be broken down as follows:

(KEUR)	31/03/2020	31/03/2019
Receivables from		
third parties	9,225	13,657
less long-term discounting	-12	-23
less value adjustments	-311	-475
	8,902	**13,159**

Long-term receivables from a client amounting to KEUR 431 (previous year: KEUR 695) are discounted at a cash value of KEUR 420 (previous year: KEUR 672) as no interest rate was stipulated. All other trade receivables shown are due within a year and are shown as current receivables.

The Group's exposure to default risk is influenced mainly by the individual characteristics of each customer (credit rating). However, the Board also takes into account the characteristics of the entire customer base, including the default risk of the industry in which the customers operate, as these factors can also influence the default risk. In the year under review, default estimates are derived on the basis of external ratings.

Accordingly, a flat-rate allocation to Level 2 is made on access and a transfer to Level 3, provided that objective evidence for an impairment exists:

(KEUR)	31/03/2020	31/03/2019
Trade receivables		
Trade receivables from third parties	9,213	13,634
Expected credit losses over the term (Level 2)	-165	-194
Specific valuation allowances (Level 3)	-146	-281
Total trade receivables	**8,902**	**13,159**

Value adjustments in the fiscal year

(KEUR)	Expected credit losses over the term (Level 2)	Specific valuation allowances (Level 3)	Value adjustments
Trade receivables			
As of 1 April 2018	0	267	267
Retrospective change in accounting policy due to IFRS 9	213	0	213
Adjusted on 01/04/2018	213	277	490
Change in receivables volume	-19	0	-19
Addition	0	23	23
Expenditure	0	-2	-2
Reversal	0	-7	-7
As of 31/03/2019	**194**	**281**	**475**
As of 01/04/2019	194	281	475
Change in receivables volume	0	0	3
Addition	198	3	3
Expenditure	-194	-131	-131
Reversal	0	-6	-6
Reclassification of assets held for sale	-32	0	-32
As of 31/03/2020	**165**	**146**	**311**

The default risk for trade receivables (level 2) as at 31/03/2020, broken down by customer group, is as follows:

(KEUR)	Ø Default rate	Book value	Write-down
Book trade for key accounts	-1.53 %	2,525	39
Digital distribution portals	-2.84 %	1,610	46
Other retail book trade	-2.05 %	2,526	52
Other customers	-2.05 %	1,422	29
Trade receivables not subject to a default risk	0.00 %	984	–
Expected credit losses over the term (Level 2)		**9,067**	**165**

Trade receivables that are not subject to risk of default are receivables covered by trade credit insurance.

Information on write-downs on trade receivables as at 31/03/2019 (Level 2):

(KEUR)	Inventory after specific valuation allowances	not due as of 31/03/2019	Days overdue			
			up to 90 days	91 to 180 days	181 days to 1 year	> 1 year
Trade receivables	13,353	8,861	4,304	98	33	58
Sales tax	-1,073	-397	-664	-7	-2	-4
Subtotal	12,280	8,464	3,640	91	31	54
Ø Failure rate		1.00 %	2.50 %	5.00 %	10.00 %	20.00 %
Value adjustment as of 31/03/2019	194	85	91	4	3	11
Reclassification to discontinued operations	-32					
Write-down as of 31/03/2019 - continuing operations	162					

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

15. Other receivables and assets

(KEUR)	31/03/2020	31/03/2019
Other accruals and deferrals	784	554
Sales tax refund claims	101	97
Asset from return provision (in accordance with IFRS 15)	925	1,180
Other	5	16
	1,815	**1,847**

All amounts are realisable within a year.

16. Cash and cash equivalents

(KEUR)	31/03/2020	31/03/2019
Credit balances at financial institutions		
Sight deposits and fixed deposits	2,755	3,330
Cash assets	10	26
	2,765	**3,356**

These assets are not subject to any restrictions on ownership or disposal, with the exception of a bank account held by Bastei Lübbe AG, which is pledged as collateral as part of a factoring agreement (balance on 31 March 2020: KEUR 645).

17. Equity

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

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 - as in the previous year - 13,200,100 issued and fully paid, no-par-value shares in Bastei Lübbe AG were in circulation at the balance sheet date. As in the previous year, there were no changes in this respect in the financial year.

The capital reserves in the Group mainly include the premium from the capital increase in 2013. As of 31 March 2020, KEUR 17,759,170.71 was reclassified into the balance sheet profit in accordance with Section 270(1) of the German Commercial Code (HGB).

The net profit (including retained earnings) consists of the reversal of the capital reserves (see above), the initial valuation of put option Bachem (see No. 21), the 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 equity shares of non-controlling shareholders concern equity contributions relate to the minority shareholders of Bachem and Moba, and have developed as follows in the past consolidated financial year:

KEUR)	**Daedalic Entertainment**	**Daedalic Bavaria**	**oolipo**	**J.P. Bachem Editionen**	**Moba**	**Total**
As of 31/03/2019	1,887	-7	-668	0	151	1,363
pro rata profit/loss for the year	-2,960	-8	-1	-34	50	-2,953
Additions/disposals from changes in the group of consolidated companies	0	0	669	14	0	684
Dividends	0	0	0	0	-36	-36
Exchange rate differences	0	0	0	0	2	2
As of 31/03/2020	**-1,073**	**-15**	**0**	**-20**	**167**	**-940**

18. Earnings per share

In calculating earnings per share (EUR -0.46/share, previous year: EUR 0.05/share), the net profit for the period attributable to the shareholders of the parent company and the average number of shares issued (13,200,100 shares) were recorded as a weighted average, offsetting the treasury shares held by the company.

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

19. Other provisions

Die sonstigen Rückstellungen haben sich wie folgt entwickelt:

(KEUR)	As of 01/04/2019	Changes in consolidated companies	Availment	Reversal	Addition	Regrouping (IFRS 5)	As of 31/03/2020
Long-term							
Archiving costs	84	0	0	0	2	0	86
	84	**0**	**0**	**0**	**2**	**0**	**86**
Short-term							
Returns	7,050		-6,125	0	4,251	0	5,176
Other	247		-110	-38	502	-29	572
	7,297	**0**	**-6,235**	**-38**	**4,753**	**-29**	**5,748**

The provisions for returns refer to contractual liabilities under IFRS 15 from 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. In the current financial year, provisions for returns developed almost consistently. 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.

No further sales were realised from the provisions posted in the previous year, as the returns have occurred or are expected.

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. In the year under review, litigation provisions amounting to KEUR 32 were released due to the positive prospects of success.

The "Other" item includes a provision for an onerous author's agreement in the amount of KEUR 468 in the reporting year.

20. Partial retirement obligations

In the 2019/2020 financial year, Bastei Lübbe concluded partial retirement agreements with two employees (Partial retirement block model). 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 are represented as follows:

(KEUR)	31/03/2020	31/03/2019
Present value of partial-retirement obligation	119	–
Fair value of plan assets	-80	–
	38	–

The cash value of partial retirement obligations changed as follows:

(KEUR)	31/03/2020	31/03/2019
As of 1 April	0	–
Current service cost	81	–
Interest expense	0	–
Expenditure from addition	37	–
Actuarial profits ("-") /losses	0	–
As of 31 March	**119**	–

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)	31/03/2020	31/03/2019
As of 1 April	0	–
Deposits	83	0
Disbursements	0	0
Net expenses	-2	0
As of 31 March	**80**	**0**

The plan assets are comprised of reinsurance policies held with a life insurance company. In-payments were 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 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.

21. Financial liabilities

(KEUR)	As of 31/03/2020 of which with a remaining term of				As of 31/03/2019 of which with a remaining term of			
	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years
Liabilities (to / from)								
Banks	3,375	3,375	–	–	21,175	21,175	–	–
Balanced processing charges	-66	-44	-22	0	-110	-110	–	–
Leasing liabilities	7,156	1,170	4,145	1,842	–	–	–	–
Forwarding obligation LUX	–	–	–	–	2,095	2,095	–	–
Employees	648	648	–	–	1,188	1,188	–	–
Partial retirement obligations	38	38	–	–	–	–	–	–
Liability from put option	457	0	457	–	–	–	–	–
Debtors with credit balance	348	348	–	–	129	129	–	–
Derivatives (interest swap)	26	0	26	–	84	84	–	–
Other	46	46	0	–	123	123	–	–
	12,028	**5,581**	**4,606**	**1,842**	**24,684**	**24,684**	**–**	**–**

On 19 October 2018, a revised syndicated loan totalling EUR 28 million was concluded between the parent company and a renowned banking consortium. The syndicated loan had an original term until 31 March 2020 and was extended on 30 August 2019 to 31 March 2022. Because of the losses at the Daedalic subsidiary, the agreed financial figures could not be complied with as of 31 March 2020 (see No. 51).

Financial liabilities include the liability that might arise from the exercise of a put option by the minority shareholder of J.P. Bachem Editionen GmbH. The amount as of 31 March 2020 was KEUR 457 (previous year: -). At the time of the first inclusion of J.P. Bachem Editions GmbH as of 1 June 2019, the liability arising from the put option amounting to KEUR 341 was recorded at fair value. The follow-up assessment is recognised as financial income in the financial result.

The expenses related to leases on low-value assets not included in the short-term leases (recorded in other operating expenses) amount to KEUR 1. The expenses related to leases of assets with low maturity, which are not included in the short-term leases (recorded in other operating expenses) amounted to KEUR 160. There were no expenses related to variable lease payments not included in lease liabilities.

Total payments for leasing in the 2019/2020 financial year amounted to KEUR 1,546

Liabilities to employees include in particular bonuses and compensation.

22. Trade payables

Trade payables (KEUR 11,107; p. previous year: KEUR 14,153) 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. Long-term liabilities to a licensor amounting to KEUR 983 (previous year adjusted: KEUR 1,083) are discounted at a cash value of KEUR 768 (previous year: KEUR 983).

23. Other liabilities

(KEUR) Liabilities (to/from)	31/03/2020	31/03/2019
Accruals and deferrals	13	951
Other taxes	244	326
Employees	809	704
Advances received on orders	202	–
Partial retirement obligations	38	–
Other	362	389
	1,668	**2,370**

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) Liabilities (to/from)	31/03/2020	31/03/2019
Accruals and deferrals	0	477
Other	0	100
	0	**577**

Comments on the Statement of Comprehensive Income

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

24. Sales revenue

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

	2019/2020			2018/2019		
(KEUR)	**Physical**	**Digital**	**Total**	**Physical**	**Digital**	**Total**
Book	49,262	24,550	73,812	51,143	24,635	75,778
Novel booklets	7,299	374	7,673	9,704	336	10,041

	2019/2020			2018/2019		
(KEUR)	**Games**	**E-Book**	**Total**	**Games**	**E-Book**	**Total**
Games	–	–	–	–	793	793
Sales revenue			**81.485**			**86.612**

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

	Inventory		Changes in inventory	
(KEUR)	**31/03/2020**	**31/03/2019**	**31/03/2020**	**31/03/2019**
Unfinished products	497	526	-29	-39
Finished goods	11,211	14,734	-3,523	-2,883
			-3,552	**-2,922**
Exchange differences			-4	–
Changes in the group of consolidated companies			–	-287
Reclassification of assets held for sale			64	–
			-3,492	**-3,215**

The changes in the group of consolidated companies include those from the initial consolidation of Moba.

26. Other operating income

(KEUR)	2019/2020	2018/2019
Income from disposals of assets	371	–
Income from writing off liabilities	190	247
Benefits in kind	135	217
Currency conversion gains	86	11
Income from the release of provisions	38	35
Income from the liquidation of specific bad debt allowances	42	38
Income from the sale of fully consolidated subsidiaries	–	75
Income from the sale of investments	–	55
Other	65	354
	927	**1,032**

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

27. Material expenses

(KEUR)	2019/2020	2018/2019
Expenditure on fees and write-offs on authors' fees	25,950	27,695
Expenses for purchased services	15,401	17,001
Cost of raw materials and supplies	198	200
	41,549	**44,896**

28. Personnel expenses

(KEUR)	2019/2020	2018/2019
Wages and salaries	12,834	13,847
Expenses for pensions and other social security contributions	2,221	2,375
Other	95	901
	15,150	**17,122**

29. Share-based Payments

With the appointment of the current Executive Board members, Bastei Lübbe AG has agreed to a share-based remuneration policy in accordance with the IFRS 2 as a salary component. This variable remuneration begins with the 2018/2019 financial year on 1 April 2018 and entitles the members of the Management Board to receive a cash payment after a three-year waiting period. The plan is designed in such a way that a number of virtual shares in the amount of a contractually defined target quantity are issued on the grant date based on the 30-day closing price of the Bastei Lübbe share. In this context, 58,196 virtual shares were issued on 1 April 2018 and 197,590 virtual shares were issued on 1 April 2019. The final number of virtual shares is linked to the level of target achievement of a non-market condition. The defined target achievement must be at least 75 % and can be up to 150 %. The number of virtual shares is adjusted after the plan has expired according to the average achievement of the target within the range of 0 % - 200 %. The share-based remuneration of the two Board members does not entitle them to shares in the company. The fair value of the virtual shares was determined using the Black-Scholes formula. Terms and conditions of service and market-independent services associated with transactions were not taken into account in determining the fair value.

The following parameters were used in determining the fair value on the grant date and on the valuation date of the virtual shares.

IFRS 2 Valuation parameters	Grant date 01/04/2018	Valuation day 31/03/2020	Valuation day 31/03/2019
Fair value (in EUR)	3.04	1.86	1.65
Share price (in EUR)	3.09	1.88	1.65
Expected Volatility (weighted average, in %)	38.87 %	65.83 %	52.33 %
Expected Term (in years)	3	1	2
Expected Dividends (in %)	0	0	0
Risk-free interest rate (based on government bonds, in %)	1.01	1.01	1.01

IFRS 2 Valuation parameters	Grant date 01/04/2019	Valuation day 31/03/2020
Fair value (in EUR)	1.54	1.66
Share price (in EUR)	1.68	1.88
Expected Volatility (weighted average, in %)	48.12 %	62.08 %
Expected Term (in years)	3	2
Expected Dividends (in %)	0	0
Risk-free interest rate (based on government bonds, in %)	1.02	1.01

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

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

The total book value of liabilities from share-based payment amounts to KEUR 0 (previous year: 49).

30. Other operating expenses

(KEUR)	2019/2020	2018/2019
Selling expenses	6,110	6,636
Advertising expenses	2,985	3,226
Legal, consulting and audit costs	2,454	3,416
IT expenses	1,333	1,426
Expenditure from deconsolidation of oolipo AG i.L.	707	–
Rent, leasing and other occupancy costs	461	1,251
Other expenses	1,843	3,016
	15,894	**18,972**

31. Earnings from investments

The result of earnings from investments is derived from the following miscellaneous press distributorships:

32. Depreciation and Amortisation

(KEUR)	2019/2020	2018/2019
Scheduled depreciation and amortisation		
Intangible assets	440	687
Tangible assets	1.790	483
	2.231	**1.170**
Write-downs		
Intangible assets	–	–
Financial assets	–	–
	–	–
	2.231	**1.170**

33. Financial result

(KEUR)	2019/2020	2018/2019
Finance income		
Income from accumulation of long-term trade receivables.	12	14
Interest income from affiliated/participating companies	98	177
Income from derivatives	63	96
Other	6	6
	179	**293**
Financial expenses		
Interest expense on syndicated loan	-664	-925
Syndicated loan processing costs	-336	-212
Interest expense from factoring	-239	-181
Interest expense from leasing liabilities	-240	0
Other	-119	-2
	-1,598	**-1,321**
Financial result	**-1,419**	**-1,028**

34. Income tax expense and income

(KEUR)	2019/2020	2018/2019
Income taxes refunded, paid or due		
for the current year	-431	-102
for previous years	207	99
	-224	**-4**
Deferred taxes		
on temporary differences	-267	-557
on changes in losses carried forward	-733	11
	-999	**-546**
	-1,223	**-550**

Reference is also made to Note 12 with regard to the balance sheet changes from income taxes.

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

(KEUR)	2019/2020	2018/2019
Income before income taxes	**3,112**	**1,290**
Expected income tax expense (32.45 %)	1,010	421
Tax rate differences	-82	-54
Impairment of non-consolidated investments	–	3
Depreciation of tax balance sheet surplus values	282	-24
Non-deductible business expenses / tax-free income / special area	42	36
Trade tax corrections	49	86
Taxable investment income from partnerships	–	-8
Deconsolidations	230	-17
Non-recognition of deferred taxes on losses carried forward	–	99
Taxes for previous years	-180	-99
Adjustment previous years	-1	–
Result from the valuation of investments according to the equity method	-130	–
Other	5	107
Actual income tax expense	**1,223**	**550**

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

35. 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 interests of Moba, Daedalic, oolipo and Bachem amounting to KEUR -2,953 (previous previous year: KEUR 187) represent the sum of the respective profit shares, see also Note 17. For further financial information regarding the non-controlling interests, please refer to Note 4.

36. Other result

In the previous year, mainly unrealised profits from changes in the fair value of equity instruments amounting to KEUR 1,989 were contained in other comprehensive income.

Other disclosures

37. Notes on the Cash Flow Statement

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

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

The total amount (balance) of income tax payments made in the previous financial year is
KEUR -112, KEUR 96 of which is attributable to continuing operations (previous year: KEUR -582, of which KEUR -580 was for continuing operations) and the interest payments made KEUR 1,293, KEUR 96 of which is attributable to continuing operations (previous year: KEUR 1,165, of which KEUR 929 was for continuing operations). The income taxes and interest payments are assigned to the operating cashflow.

Consolidated earnings (KEUR -9,071, previous year: KEUR 854) have decreased by KEUR 9,925 year-on-year. In the reporting year, impairment on goodwill and intangible assets of Daedalic amounted to KEUR 11,947, which is attributable to the discontinued operation. At KEUR 10,393, the operating cash flow of the continuing operations was below the level of the previous year (KEUR 11,808). This is mainly due to increased investments in pre-paid author royalties (KEUR 9,072; previous year: KEUR 7,551).

In the year under review, the main result of the partial repayment of a loan to a subsidiary was a cash inflow of KEUR 1,730 (previous year: KEUR 705).

Cash flow from financing activity shows an inflow of funds totalling KEUR 11,780 (previous year: KEUR 11,590). The repayments of (financial) losses exceed the deposits from the borrowing of new funds. Short-term borrowings and repayments (typically 1-3 months) are displayed on a net basis. In addition, dividends to non-controlling shareholders will be paid out.

As a result, there was an overall increase in cash and cash equivalents of the continuing operations during the financial year by KEUR 302 (previous year: increase of KEUR 1,662).

38. Reconciliation for liabilities from financial activities

			Non-cash changes		
(KEUR)	**Book value 31/03/2019**	**Cash flows**	**Change in fair value**	**Reclassi-fication IFRS 5**	**Book value 31/03/2020**
Liabilities to banks	21.175	-10.800	–	-7.000	3.375
Liabilities from derivatives	84	–	-58	–	26
	21.259	**-10.800**	**-58**	**-7.000**	**3.401**

39. Segment reporting

Segment reporting follows internal management and reporting structures. For the purposes of corporate steering, the Bastei Lübbe Group is broken down into business segments according to products or their sales channels. The business units are always monitored by the Executive Board using EBIT. The Group financing (including financial expenses and income) and income taxes are taxed in a standardised way throughout the Group and are not assigned to the individual business segments. The transfer prices between the business segments are determined using conditions which are in line with the market between external third parties.

Book

The “Books” segment contains all print products from books, as well as the digital e-book and audio products from Bastei Lübbe AG. The products are distributed under various labels, including hardbacks, paperbacks and pocket books. The subsidiary Moravská Bastei MoBa s.r.o., Brno, Czech Republic, also belongs to the segment and for the first time the subsidiary. J.P. Bachem Editionen GmbH.

Novel Booklets

After the sale of the puzzle magazine published under the PMV brand with economic effect as of 31 May 2019, the "Novel Booklets" segment now only contains the physical novels (the so-called women's novels and the suspense novels are listed below).

Games

The digital products made by the subsidiary Daedalic Entertainment GmbH (game developer and publisher) belong to the “Games” segment. With financial effect from 1 June 2020, Bastei Lübbe AG sold 41 % of its shares in Daedalic Entertainment GmbH as part of a management buy-out and the "Games" segment will not be continued.

The segments performed as follows over the past financial year:

(KEUR)	Book		Novel Booklets		Games (discontinued)	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Segment sales revenue	73,903	75,793	7,673	10,041	10,903	9,285
Internal sales	91	14	0		142	182
External sales	**73,812**	**75,778**	**7,673**	**10,041**	**10,761**	**9,103**
EBITDA	**5,329**	**2,952**	**1,746**	**947**	**3,391**	**3,702**
Amortisations	-2,024	-1,002	-207	-135	-14,885	-3,758
EBIT	**3,305**	**1,950**	**1,539**	**812**	**-11,494**	**-56**
The following key non-cash matters are included here:						
Impairment on goodwill	–	–	–	–	-4,903	–
Impairment on other intangible assets	–	–	–	–	-5,615	-774
Valuation result from assets held for sale	–	–	–	–	-1,429	–
Impairment on author royalties	-1,857	-1,340	–	–		–
Value recovery on author royalties	–	95	–	–	0	–
Impairment on financial instruments and inventories	-1,912	-2,780	–	–	0	–
Value recovery on financial instruments and inventories	–	–	–	–	0	–

(KEUR)	Group total		Continuing operations		Discontinued operations	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Segment sales revenue	92,478	95,118	81,575	86,626	10,903	8,493
Internal sales	232	196	91	14	142	182
External sales	**92,246**	**94,922**	**81,485**	**86,612**	**10,761**	**8,311**
EBITDA	**10,466**	**7,601**	**6,360**	**3,489**	**4,106**	**4,112**
Amortisations	-15,687	-4,895	-2,231	-1,170	-13,456	-3,724
Valuation result from assets held for sale	-1,429	–	–	–	-1,429	-1,429
EBIT	**-6,649**	**2,706**	**4,129**	**2,318**	**-10,779**	**387**
Result from at-equity accounted investments	402	–	402	–	–	–
Financial result	-1,679	-1,173	-1,419	-1,028	-260	-145
Earnings before income taxes (EBT)	**-7,927**	**1,533**	**3,112**	**1,290**	**-11,039**	**243**
Taxes on income and earnings	-1,145	-680	-1,223	-550	79	-130
Results for the period	**-9,071**	**854**	**1,889**	**741**	**-10,960**	**113**

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

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

(KEUR)	Germany		Foreign countries		Total	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
External sales	56,807	64,669	24,678	21,942	81,485	86,611

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

Bastei Lübbe generates more than 10 % of its sales revenue from its largest customer. The total revenue generated from this customer refers to the “Books” segment and amounts to KEUR 17,205.

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

Segment assets and liabilities are mainly located in Germany.

40. Capital management

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

As part of capital management, the Executive Board endeavours to assure a strong equity base in order to strengthen the confidence of investors, potential investors and contracting partners with respect to the sustainability of Bastei Lübbe's business activities, and to guarantee future business development. In order to strengthen the equity base, there is a particular intention to reinvest a larger share of net profit for the period. Participation of employees in the company in the form of employee share programmes has not been the intention so far.

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

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

Bastei Lübbe generally aims for an equity ratio of more than 40 % and a ratio of net financial debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less. The equity ratio in the Group was 39.9 % as at 31 March 2020; the debt level was 0.1 on the same date. This is calculated from the net indebtedness in the amount of KEUR 610 and EBITVDA in the amount of KEUR 6,382.

As part of the new syndicated loan agreement concluded on 19 October 2018 and amended on 30 August, new covenants were defined, which must be complied with in order to continue to receive the required funds at the agreed conditions. As in the past, this relates to EBITDA and, for the first time, equity in the annual financial statements of Bastei Lübbe AG (previous year: debt-equity ratio at Group level). The lenders have a right to extraordinary termination in the event that the key indicators are not achieved. In the past financial year, the financial indicators EBITDA and equity could not be maintained due to the loss situation of the Daedalic subsidiary on 31 March 2020 (see Note 51).

41. Financial instruments

The following table illustrates the book values and the fair values for financial instruments according to the respective classes, as well as a breakdown into the different categories of financial instruments in accordance with IFRS 9 for the reporting date as at 31/03/2020 and/or in accordance with IAS 39 for the reporting date as at 31/03/2019.

		Amount recognised in the balance sheet according to IFRS 9				
(KEUR)	**Measure-ment category according to IFRS 9**	**Book value 31/03/2020**	**Amortised Acquisition costs**	**Fair value recognised directly in equity**	**Fair value through profit or loss**	**Fair value 31/03/2020**
Assets						
Cash and cash equivalents	AC	2,765	2,765	–	–	–
Trade receivables	AC	8,902	8,902	–	–	–
Other original financial assets	AC	2,040	2,040	–	–	–
Derivatives without hedging relationships relating to accounts	FVPL	88	–	–	88	88
Investments	FVOCI	1,995	–	1,995		1,995
Investments	AC	206	206			–
Liabilities						
Trade payables	AC	11,107	11,107	–	–	–
Liabilities to credit institutions	AC	3,375	3,375	–	–	–
Other primary financial liabilities	AC	8,208	8,208	–	–	–
Liability from put option	n.a.	457	–	341	116	457
Derivatives without hedging relationships relating to accounts	FVPL	26	–	–	26	26

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

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

- Cash, trade receivables, other current receivables and assets, trade liabilities, current liabilities to banks and other current liabilities come very close to their carrying values, largely as a result of the short terms of these instruments.
- Non-current assets not traded on an active market are valued by the company based on parameters such as interest rates and creditworthiness. The carrying values of these receivables do not materially differ from their fair values at the balance sheet dates.
- The fair value of available-for-sale holdings is calculated with the aid of valuation models, as no quoted market prices exist on an active market. The valuation models use market data to the greatest extent possible and company-specific data as little as possible.
- The fair value of the derivatives without hedging relationship maintained for trade purposes (interest swap/forward exchange transaction) 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
- Stage 2: input factors – except prices pursuant to Level 1 – that can be directly or indirectly observed for the asset or liability, and
- Level 3: factors not based on observable market data for the valuation of the asset or the liability.
- The calculation of the fair value of all financial instruments recognised in the balance sheet and in these Notes is either based on listed Level 1 prices or on the information and input factors referred to under Level 2. The use of observable market parameters prevents the evaluation from deviating from general market assumptions. There are no Level 3 financial instruments of the fair-value hierarchy.

The net results from the respective categories of financial instruments according to IFRS 9 for the reporting period are displayed in the overview below:

	From interests	**From subsequent valuation**			**Other**
(KEUR)		**Change in fair value**	**Currency conversion**	**Value adjustment**	**Net result**
Financial assets, measured at amortised cost (AC)	12	–	–	18	30
Financial investments in equity instruments, measured at fair value through other comprehensive income (OCI)	–	–	–	–	0
Financial assets, measured at fair value through profit or loss (FVPL)	–	28	–	–	28
Financial liabilities, measured at amortised cost (AC)	-1,119	-112	19		-1,211
Financial liabilities, measured at fair value through profit or loss (FVPL)	–	58	–	–	58

The net results from the respective categories of financial instruments according to IFRS 9 for the period in the previous year are displayed in the overview below:

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

42. Financial risk management

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

Credit risk

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

Furthermore, a majority of receivables from sold books (physical and digital), merchandising items etc. are sold within the framework of a genuine factoring process. The sold books are supplied via VVA (Bertelsmann subsidiary in Gütersloh). VVA provides this service to a large number of publishing houses, including the Random House Group. VVA has its own risk management system that checks the creditworthiness of individual debtors based on total payments. VVA issues regular and timely warnings to its contracting partners, incl. Bastei Lübbe, in this respect in the event of changing and worsening payment tendencies of individual customers. In consultation with Bastei Lübbe, these customers are then blocked from receiving further deliveries.

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

The maximum default risk for financial assets comprises the amount of the book values of financial assets. For additional financial information regarding anticipated credit losses on financial assets please refer to Note 14.

Liquidity risk

The liquidity required by Bastei Lübbe was specifically ensured, by the reporting date, by the syndicated loan agreement concluded in October 2018, and changed in August 2019, with a volume, as at the reporting date, totalling EUR 19 million. Please refer to Point 51 in this context. Daily inflow and outflow planning guarantees a permanent overview of liquidity requirements. In addition, actual liquidity requirements are compared with the planning, and any differences are analysed.

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

		As at 31/03/2020 undiscounted cash outflows				
(KEUR)	**Book value**	**Total**	**up to 30 days**	**> 30 days, up to 180 days**	**> 180 days, up to 1 year**	**more than 1 year**
Trade payables	11,107	11,193	3,292	6,810	136	955
Liabilities to credit institutions	3,375	3,389	14	1,000	2,375	–
Other original financial liabilities	8,627	9,424	158	1,624	631	7,010
	23,109	**24,006**	**3,464**	**9,434**	**3,143**	**7,965**

		As at 31/03/2019 undiscounted cash outflows				
(KEUR)	**Book value**	**Total**	**up to 30 days**	**> 30 days, up to 180 days**	**> 180 days, up to 1 year**	**more than 1 year**
Trade payables	14,153	14,153	6,800	3,529	2,841	983
Liabilities to credit institutions	21,175	21,300	125	6,800	14,375	–
Other original financial liabilities	3,509	3,509	2,207	1,033	269	–
	38,930	**39,055**	**8,225**	**11,362**	**17,485**	**983**

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

Currency risk

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

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

There was a (positive) fair value in the amount of KEUR 88 as at 31 March 2020.

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

Interest rate risk

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

To limit the risk of interest on the syndicated loan, an interest swap deal was concluded on 26 October 2016 for a credit volume of originally EUR 10 million with a term up to 26 November 2021 and a fixed interest rate of 0.75 %.

The nominal amount of the derivative decreases every three months by EUR 0.5 million and, as a result, still accounts for EUR 3.5 million on the balance sheet date.

There was a negative fair value of the interest derivatives in the amount of KEUR -26 as at 31 March 2020.

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

There is also the general risk that the interest rate specific to the company would change due to changes in creditworthiness. If interest rates increased by 1 percentage point, interest expenses would be increased by approximately KEUR 25.

43. Leasing arrangements

The Group mainly rents office space and motor vehicles. The term of leases for office space are typically ten years with the option of extending the lease after that period. Some leases provide for additional rent payments based on changes in local price indices. These leasing arrangements were previously classified as operating leases under IAS 17.

Rights of use in connection with the leases are presented as property, plant and equipment.

(KEUR)	Real estate and property	Business and operating equipment	Total
Acquisition/Production costs			
As at 01/04/2019	0	0	0
Initial application of IFRS 16	7,929	335	8,264
Adjusted on 01/04/2019	7,929	335	8,264
Additions	97	586	683
Disposals	0	0	0
Reposting	-129	0	-129
Reclassification of assets held for sale	-623	-24	-647
As at 31/03/2020	**7,275**	**897**	**8,172**
Accumulated amortisations and write-downs			**0**
As at 01/04/2019	0	0	0
Amortisations	1,083	319	1,402
Disposals	0	0	0
Reposting	-15	0	-15
Reclassification of assets held for sale	-139	-17	-156
As at 31/03/2020	**930**	**301**	**1,231**
Book values			**0**
Adjusted on 01/04/2019	7,929	335	8,264
As at 31/03/2020	**6,345**	**596**	**6,941**

Amounts recorded as income:

(KEUR)	2019/2020
Depreciation on rights of use	-1,246
Interest expense on leasing liabilities	-240
Expenses for short-term leases	-160
Expenses for low-value assets	-1
Variable lease payments	–
Income from sub-leases	17

44. Contingent liabilities 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 13,967 as of the balance sheet date (p. previous year: KEUR 15,142). The payment dates are dependent on the occurrence of events regulated in the respective contract, such as receipt of the manuscript for a purchased work.

b) Other financial obligations

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

(KEUR)	31/03/2020	31/03/2019
within one year	668	676
between 1 and 5 years	–	29
in more than five years	–	–
	668	**705**

45. Comments on related parties

Ms Birgit Lübbe is the majority shareholder of Bastei Lübbe AG. On 26 November 2014, an agreement was reached with Birgit Lübbe that she would assume representational duties. KEUR 123 (previous year: KEUR 123) fees and expenses resulted in the 2019/2020 financial year.

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

(KEUR)	2019/2020	2018/2019
Affiliated companies		
Sale of goods	31	19
	31	**19**
Associated companies and other investments		
Services rendered	418	285
Interest income	96	162
	513	**447**
Total	**545**	**466**

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

(KEUR)	31/03/2020	31/03/2019
Associated companies and other investments		
Trade receivables	228	–
Trade payables	–	-16
	228	**-16**
Executive board/supervisory board and related individuals (without remuneration)		
Trade payables	–	-1
	–	**-1**
Total	**228**	**-17**

46. Declaration of Conformity pursuant to Section 161 AktG

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

47. Executive bodies

The following are members of the Supervisory Board:

- Robert Stein, Cologne (Chairman), Dipl.-Betriebswirt (BA)
  Mr Stein is the Managing Director of Arcana Capital GmbH, Cologne,
  Member of the Board of Directors of Arcana Capital AG,
  Managing Director of Euripides GmbH, Walldorf.

- Dr Mirko Caspar (Deputy Chairman), Diplom-Kaufmann
  Dr Caspar is the Managing Director of Mister Spex GmbH, Berlin,
  Shareholder of Userlutions GmbH, Berlin,
  Shareholder of Caspar Feld Marketing-Performance GmbH, Berlin.
- Prof. Dr. Friedrich L. Ekey, lawyer
  Prof. Dr. Ekey is a partner in the "Dr. Ekey & Kollegen" law firm, Cologne,
  Honorary Professor at the University of Applied Sciences in Cologne (Rheinische Fachhochschule).

The total emoluments of the Supervisory Board (not including non-variable remuneration) and their allocation for the financial year 2019/2020 are illustrated in the following table:

(KEUR)	2019/2020	2018/2019
Robert Stein, Chairman of the Supervisory Board	100	80
Dr Mirko Caspar	75	60
Prof. Dr Friedrich L. Ekey	50	40
Total	**225**	**180**

Bastei Lübbe AG has sued Prof. Nelles and two companies of which he is a shareholder for repayment of remuneration for consulting and support services in the amount of EUR 1.3 million plus interest and costs. In this connection, former Management Board member Thomas Schierack and former Supervisory Board members Dr. Friedrich Wehrle and Prof. Dr. Gordian Hasselblatt are being sued for damages as joint and several debtors in the amount of Most of the claims were upheld in the first instance. Both Bastei Lübbe and the defendants have appealed. The proceedings are currently suspended, as the parties are endeavoring to settle the proceedings by way of a settlement subject to the approval of the Annual General Meeting. No claims have been capitalized due to the reservation of consent.

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

- Carel Halff, Augsburg (Chairman)
- Simon Decot, Frankfurt am Main (Director of Programmes since 1 April 2020)
- Klaus Kluge, Cologne (Director of Marketing and Sales)
- Ulrich Zimmermann, Hamburg (Director of Finance)

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

	Fixed remuneration		Other remuneration		Short-term bonus		Long-term bonus		Total	
(KEUR)	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Carel Halff	360	360	37	37	0	240	0	–	0	637
Klaus Kluge	250	250	8	8	0	85	0	26	0	369
Ulrich Zimmermann	220	220	9	9	0	71	0	22	0	322
Total	**830**	**830**	**54**	**54**	**0**	**396**	**0**	**48**	**0**	**1,328**

48. Employees

An average of 230 (previous year: 247) people were employed in the Group during the financial year. As of 31 March 2020, the Group employed a total of 231 staff members (previous year: 251).

49. Group auditor fees

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

(KEUR)	2019/2020	2018/2019
Statutory auditing services	323	290
Other attestation services	–	–
Tax advisory services	71	69
Other services	29	55
	423	**424**

The audit services comprise the audit of the annual and consolidated financial statements of Bastei Lübbe AG and consolidated subsidiaries in the amount of KEUR 37 (previous year: KEUR 7) for the past financial year and the support of an enforcement procedure in the amount of KEUR 81 (previous year: KEUR 21).

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

Other services essentially include expenses in connection with accounting issues relating to the audit, amounting to KEUR 25 for previous years.

50. Group affiliations

Bastei Lübbe AG, Cologne, Germany, is a listed parent company and thus required to compile consolidated financial statements pursuant to Section 315e(1) of the HGB in accordance with the International Financial Reporting Standards (IFRS). This statement is published in the Federal Gazette (Bundesanzeiger) and in the business register (Cologne Local Court, HRB 79249).

51. Subsequent events

Bastei Lübbe AG sold 41 % of the shares in Daedalic Entertainment GmbH, based in Hamburg, under a notarial contract dated 15th May 2020 and with financial effect as of 1 June 2020 (see No. 6).

On 3 July 2020, the lenders declared that they will not derive any rights from non-compliance with the financial indicators as of 31 March 2020, in particular, they will not make use of any existing right of termination. No additional costs arise from the declaration. The financial indicators were also renegotiated.

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, 6 July 2020

Bastei Lübbe AG
Executive Board

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

SUPPLEMENTARY INFORMATION

Luca Di Fulvio

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Responsibility Statement

Statement of the Executive Board

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

Cologne, 6 July 2020

Bastei Lübbe AG
The Executive Board

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

Independent Auditor's Report

To Bastei Lübbe AG, Cologne

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

Audit opinions

We have audited the consolidated financial statements of **Bastei Lübbe AG, Cologne**, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 March 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 April 2019 to 31 March 2020, and consolidated notes to the financial statements, including a summary of material accounting methods.

In addition, we have audited the combined management report and group management report (hereinafter referred as "combined management report") of Bastei Lübbe AG, Cologne for the financial year from 1 April 2019 to 31 March 2020. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) and the declarations of conformity in accordance with section 161 German Public Limited Companies Act (AktG [Aktiengesetz]), also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d HGB and the declarations of conformity in accordance with section 161 AktG, also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the summarized management report.

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

Basis for the audit opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the Financial Year from 1 April 2019 to March 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon, we do not provide a separate audit opinion on those matters.

In our view, the matter of most significance in our audit was

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

Valuation of pre-paid royalties

a) Risk for the financial statements

As of the reporting date, the consolidated balance sheet shows pre-paid royalties (i.e. author’s advances) with a total book value of EUR 15.3 Million. In addition to scheduled depreciation, which was largely unchanged, the legal representatives recognized an impairment loss of EUR 1.9 Million as a result of impairment tests (performed over the course of the year and on the reporting date).

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

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

b) Audit procedures and conclusions

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

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

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

Other Information

The legal representatives and the supervisory board, respectively, are responsible for other information. The other information comprises:

- the corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d HGB and the declarations of conformity in accordance with section 161 AktG, also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the summarized management report;
- the supervisory board report,
- the other parts of the Annual Report, with the exception of the audited consolidated financial statements and the components of the summarized management report which were subjected to substantive review, as well as our auditor's opinion; and
- the confirmation pursuant to section 297 (2) Sentence 4 HGB concerning the consolidated financial statements and the confirmation pursuant to section 315 (1) Sentence 5 HGB for the summarized management report.

The supervisory board is responsible for their report. The legal representatives and the supervisory board are responsible for the declaration in accordance with section 161 AktG as part of the corporate governance declaration contained in section "Corporate Governance" of the combined management report. Further other information is within the responsibilities of the legal representatives.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Group.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal represenatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the shareholders on 18 September 2019. We were engaged by the Supervisory Board on 10 January 2020. We have been acting as the auditor of the consolidated financial statements for Bastei Lübbe AG, Cologne, since the 2016/17 Financial Year.

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

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Mr. Christian Janßen.

Cologne, 7 July 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Marcus Lauten
Wirtschaftsprüfer
[German Public Auditor]

Dr. Christian Janßen
Wirtschaftsprüfer
[German Public Auditor]

Financial Calendar 2020/2021

Datum	Ereignis
13 August 2020	Quarterly Statement (Q1)
15 September 2020	Annual General Meeting
12 November 2020	Semi-annual report as of 30 September 2020 (HY1)
11 February 2021	Quarterly Statement (Q3)

Legal Notice

For reasons of better readability, the simultaneous use of the language forms male, female and diverse (m/f/d) is largely omitted. All job and personal designations apply equally to all genders.

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

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