



**BASTEI LÜBBE AG  
GROUP  
QUARTERLY REPORT  
1 APR - 31 DEC 2018**

## At a glance

	01/04/2018 - 31/12/2018	01/04/2017 - 31/12/2017	Change in %
<b>Financial figures in € million (IFRS)</b>			
Group turnover	72.2	112.7	-36.0%
Group turnover (continuing operations)	72.2	86.6	-16.6%
EBIT	2.1	-8.7	—
EBIT (continuing operations)	2.1	-0.7	—
Group result	0.3	-10.3	—
	<b>01/10/2018 - 31/12/2018</b>	<b>01/10/2017 - 31/12/2017</b>	
Group turnover	25.6	43.6	-41.1%
Group turnover (continuing operations)	25.6	32.1	-20.0%
EBIT	2.2	-8.5	—
EBIT (continuing operations)	2.2	-3.2	—
Group result	1.0	-8.3	—
	<b>31/12/2018</b>	<b>31/03/2018</b>	
Balance sheet total	87.1	101.5	-14.1%
Equity*	32.6	32.3	+0.1%
Equity ratio in %	37.4%	31.9%	+5.5 Pp
Net debt	22.4	30.1	-25.6%

\* Incl. equity capital shares of non-controlling shareholders



# Consolidated interim management report

## 1 General conditions

In the context of its 2018 autumn projection, the Federal Ministry for Economic Affairs and Energy expects the gross domestic product (GDP) to grow by 1.8% in the year 2018. The growth rate in the previous year, 2017, was at 2.2%.<sup>1</sup> Leading German research institutes attribute the downturn in the German economic activity primarily to the low demand for goods and services from foreign countries.<sup>2</sup> The Institute for German Economic Research (IW) based in Cologne expects the German economy to grow by a mere 1.5% in 2018. Economists consider the protectionist economic policy of the USA, uncertainties surrounding the upcoming Brexit and the Italian government leadership, coupled with the decline in production within the automotive sector, to be the main impediments to growth. These factors are also responsible for the dampening of corporate expectations.<sup>3</sup> As of December 2018, the mood in the boardrooms was subdued, based on the business climate index issued by the ifo institute. Accordingly, the barometer reached a level of 101.0 points in December 2018 compared to 102.0 points in the previous month of November.<sup>4</sup>

### Industry environment in the Bastei Lübbe AG business segments

According to the German Publishers and Booksellers Association, accumulated book revenue in the German **retail book-selling**, e-commerce, station bookshop, department store and electrical shop and chemist's shop markets remained at a gratifyingly stable level. In particular, the book trade enjoyed growth of about 3.4% in the traditionally strong fourth quarter of 2018 compared to the same quarter of the previous year. Based on the entire year's perspective for 2018, the sales trend in the book trade was stable across the five distribution channels and posted a positive rate of 0.1% compared to 2017. The consumers' propensity to spend also grew positively. Consumers paid on average 13.36 euros per book during the whole of 2018, amounting to 1.4% more than in the previous year of 2017.<sup>5</sup> A key event in this reporting period was the commitment of the German parliament (Bundestag) to maintaining fixed book prices. The members of parliament reaffirmed their positive stance unanimously in mid-December 2018 and asked the Federal Government not to honour the application of the monopoly commission to abolish price fixing.<sup>6</sup>

The turnover with **eBooks** grew dynamically within the first three quarters of 2018. The sales increased by 19% to 24.4 million copies and the turnover by 14.9% to 148.3 million euros compared to the same period in the previous year. The number of eBook buyers stood at 3.1 million by the end of the third quarter of 2018. In 2017 as a whole, 3.5 million customers opted for an eBook.<sup>7</sup> This underlines the significant growth momentum of the market and nourishes the hope that more eBook buyers will be registered in 2018 than in 2017.

The Games market in Germany is booming and it recorded an increase in turnover of 17% during the first six months of 2018, rising to more than 1.5 billion euros. Particularly strong growth drivers are virtual goods and bonus items as well as fees charged on online services.<sup>8</sup> The growing popularity of eSports – namely the playing of video, computer and console games competitively – should also go a long way towards boosting the growth trend and turnover.<sup>9</sup>

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<sup>1</sup> <https://www.bmwi.de/Redaktion/DE/Artikel/Wirtschaft/Projektionen-der-Bundesregierung/projektionen-der-bundesregierung-herbst-2018.html>

<sup>2</sup> [http://www.rwi-essen.de/media/content/pages/publikationen/rwi-konjunkturberichte/rwi-kb\\_3-2018\\_final.pdf](http://www.rwi-essen.de/media/content/pages/publikationen/rwi-konjunkturberichte/rwi-kb_3-2018_final.pdf)

<sup>3</sup> <https://www.iwkoeln.de/studien/iw-trends/beitrag/michael-groemling-schwaches-wachstum-bei-auffrischendem-gegenwind.html>

<sup>4</sup> <http://www.cesifo-group.de/de/ifoHome/facts/Survey-Results/Business-Climate.html>

<sup>5</sup> <https://www.boersenverein.de/1580243/>

<sup>6</sup> [https://www.boersenverein.de/de/portal/Presse/158382?presse\\_id=1569902](https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1569902)

<sup>7</sup> [https://www.boersenverein.de/de/portal/Presse/158382?presse\\_id=1551981](https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1551981)

<sup>8</sup> <https://www.game.de/blog/2018/08/15/deutscher-games-markt-waechst-im-ersten-halb-jahr-um-17-prozent/>

<sup>9</sup> <https://www.game.de/blog/2018/11/29/immer-mehr-deutsche-kennen-esports/>

## 2. Business Performance

### Earnings performance

Bastei Lübbe attained a group revenue of 72.2 million euros between April and December in the 2018/2019 financial year, compared to 112.7 million euros in the same period of the previous year. This means the turnover was less than last year's amount by approx. 36%. Adjusted by the discontinued "Retail" operation (BuchPartner), the turnover fell by about 17% in the course of the typical business and programme-related fluctuations in the "Book" (incl. e-Book) and "Games" segments. A positive Group-EBIT in the amount of 2.1 million euros was obtained in the reporting period after a negative EBIT of 8.7 million euros was realised in the previous year. Also adjusted by the discontinued "Retail" operations, the EBIT increased by 2.8 million euros to 2.1 million euros. Besides the turnover that fell as expected, non-recurrent expenses from the ongoing efficiency programme (approx. 1.7 million euros) and costs of adjusting the investment portfolio (approx. 0.3 million euros) also impact negatively on the EBIT during the reporting period.

The turnover in the "Book" segment (incl. e-Book) fell by 17.3% from 69.5 million euros to 57.8 million euros and this represents approximately the expected development in the reporting period. A major cause for this drop is the programme-related high basis for comparison. The LYX label with the successful author Mona Kasten was able to almost double the turnover in the reporting period and thus considerably compensate for temporary weaknesses in other programme areas. The EBIT segment fell from 1.9 million euros in the previous year to 1.3 million euros in the current financial year. The reason for this essentially lies in the facts mentioned above.

The turnover in the "Games" segment fell by 29.5% in comparison with the previous year and amounted to 6.7 million euros in the reporting period. Thanks to fewer amortisations, the EBIT increased by 3.8 million euros to -0.2 million euros. Extraordinary amortisations on intangible assets for the story-telling platform "oolipo" had led to the heavy loss of EBIT in the previous year.

Turnover in the "novel booklets and puzzle magazines" segment increased by 0.2 million euros to 7.7 million euros. The EBIT fell from 1.5 million euros in the previous year to 1.1 million euros in the current financial year.

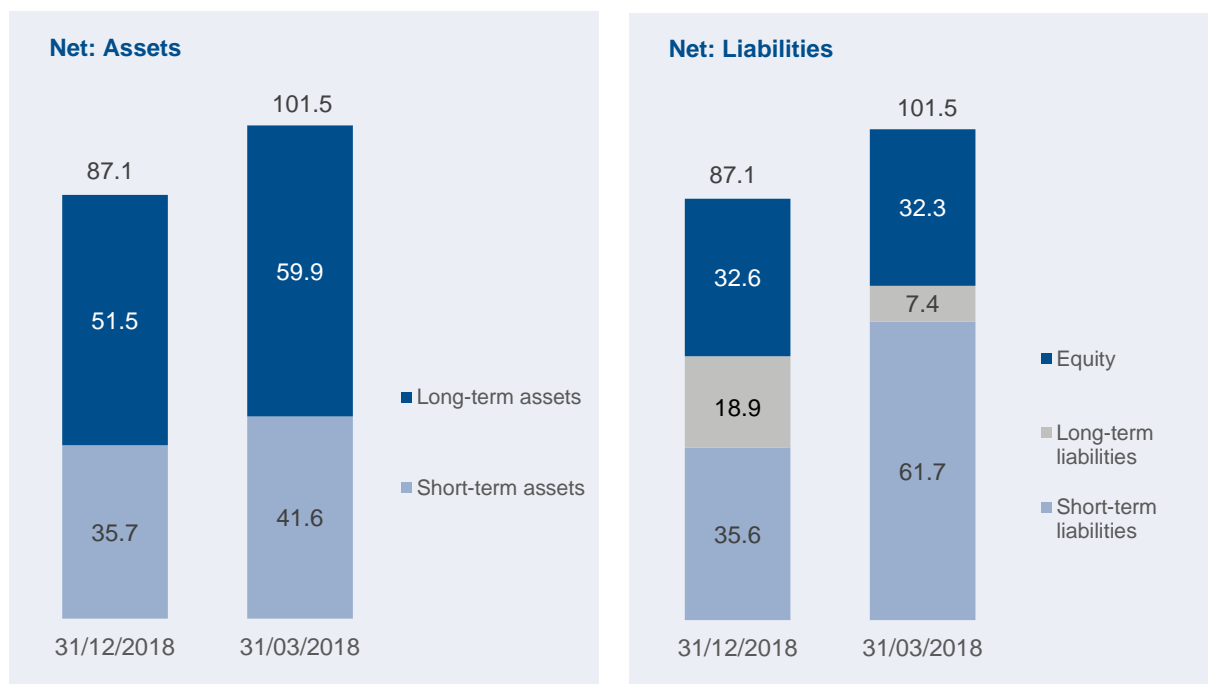
The cost of materials netted against the change in inventories of finished products and works in progress in the Group fell compared to the previous year by 25.8 million euros to 38.5 million euros, which corresponds to a net materials cost rate of 53.4% (previous year: 57.1%). After adjustment by the discontinued operation, the material usage ratio stood at 53.1% in the previous year. Personnel costs on the other hand fell by 1.1 million euros after adjustment by the discontinued operation due to savings made from the efficiency programme. The other operating expenses fell from 25.6 million euros to 15.8 million euros or by 5.1 million euros for the continuing business operations. It has to be taken into account that paid advertising subsidies amounting to 1.5 million euros will, with effect from this financial year, be deducted as sales deductions from sales revenue through the first-time application of IFRS 15.

The financial result amounted to -1.0 million euros (previous year: -1.3 million euros). The profit before tax (EBT) amounted to 1.1 million euros (previous year: -10.0 million euros). The consolidated net income attributable to the shareholders of the Bastei Lübbe AG Group for the period amounted to 0.2 million euros (previous year: -9.0 million euros). Earnings per share amounted to 0.01 euros as compared to -0.68 euros in the previous year. The 13,200,100 shares in circulation (unchanged from the previous year) were taken into account for the reporting period.

## Assets position

The assets position has changed considerably at the balance sheet date, compared to the previous date of the consolidated financial statements.

The group balance sheet total fell by 14.4 million euros, from 101.5 million euros to 87.1 million euros.



The reduction of long-term assets in the amount of 8.4 million euros essentially concerns the contraction in the portfolio of pre-paid royalties (-5.4 million euros). The short-term assets dropped by 5.9 million euros. The major reason for this fall is the amendment and broadening of an already existing factoring agreement. This external financing instrument will in future be reported as a real factoring instrument, whereby trade receivables have fallen by about 6.0 million euros. In contrast, cash and cash equivalents increased by 1.2 million euros.

Due to these results, the equity capital rose by 0.2 million euros. The increase in the long-term debts amounting to 11.5 million euros is a result of reclassification of liabilities towards credit institutions from short-term financial liabilities. Apart from this effect, short-term debts are also falling, particularly the financial liabilities, on account of the changeover to real factoring (see above).

The net indebtedness (liabilities towards credit institutions less cash and cash equivalents) has dropped by 7.7 million euros compared to the previous balance sheet closing date for consolidated financial statements and amounts to 22.4 million euros as of 31/12/2018.

### 3. Supplementary Report

The comprehensive programme launched in January 2018 for sustainable improvement of core business efficiency is running according to plan. The process to sell assets of oolipo AG as well as shares in the fully consolidated investments of BookRix GmbH & Co. KG and BEAM Shop GmbH has been concluded. The M&A process begun in August to clarify the strategic options for Daedalic Entertainment GmbH is ongoing.

With economic effect from 01 January 2019, another agreement for purchase of receivables (real factoring) was concluded; through this agreement, trade receivables with digital portals (eBook and audio) in volumes of up to about 5 million euros are also to be pre-financed in future.

There were no other events of particular importance for the assessment of the assets, financial and earnings position of the Bastei Lübbe AG Group after the close of the reporting period.

### 4. Opportunity and risk report

The risk situation of Bastei Lübbe AG and its opportunities have not changed significantly since the situation described in the 2017/2018 annual report.

### 5. Forecast

Compared to the statement in the 2017/2018 annual report, the Group's turnover is expected to reach about 90 million euros in the current financial year of 2018/2019 (95 million euros until now; previous year: 140 million euros). Account should be taken of the fact that, in comparison to the previous year, approximately 35 million euros of turnover will be missing in the 2018/2019 financial year due to the sale of the BuchPartner GmbH division.

Despite the expected expenses for the efficiency programme in the range of altogether 2 million euros, as well as those for the adjustment of the investment portfolio in the amount of about 0.5 million euros, a positive operating result (EBIT) is nevertheless expected in the current financial year.

The earnings figures for the first nine months are in the middle range of the internal scope of expectations. If the final quarter runs as planned, the executive board expects to achieve an EBIT result for the entire year of 2018/2019 which is at least at the lower end of the forecast range, namely 0.5 million to 2 million euros.

The current financial planning of the Bastei Lübbe Group is based on the assumption that the net indebtedness of about 25 million euros (until now at the previous year's level) should be below that of the previous year (30.1 million euros) by 31/03/2019.

Consolidated profit and loss account and consolidated statement of income for Bastei Lübbe AG, Cologne, for the period from 01 April 2018 to 31 December 2018.

	01/04 - 31/12/2018 KEUR	01/04 - 31/12/2017 KEUR
Sales revenue	72,183	112,721
Change in inventories of finished goods and work in progress	-3,718	-1,154
Other capitalised self-constructed assets	2,047	2,339
Other operating income	484	1,487
<b>Material expenses</b>		
a) Expenditure on raw materials and supplies and on purchased goods	-389	-15,810
b) Expenses for purchased services	-13,485	-19,467
c) Expenses for fees and depreciation of royalties	-20,930	-27,939
	<b>-34,804</b>	<b>-63,216</b>
<b>Personnel expenses</b>		
a) Wages and salaries	-13,192	-18,507
b) Social security contributions and expenses for pensions and support schemes	-1,977	-3,356
	<b>-15,169</b>	<b>-21,863</b>
Other operating expenses	-15,349	-25,592
Earnings from investments	356	391
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>6,030</b>	<b>5,113</b>
Amortisation of intangible assets and property, plant and equipment	-3,896	-13,300
Depreciation of financial investments	—	-549
<b>Earnings before interest and taxes (EBIT)</b>	<b>2,134</b>	<b>-8,736</b>
Financial result	-1,006	-1,264
<b>Earnings before taxes (EBT)</b>	<b>1,128</b>	<b>-10,000</b>
Taxes on income and earnings	-848	-313
<b>Results for the period</b>	<b>280</b>	<b>-10,313</b>
Other profit/loss	—	—
<b>Total earnings</b>	<b>280</b>	<b>-10,313</b>
of which is attributable to:		
shareholders of Bastei Lübbe AG	186	-9,041
Equity capital shares of non-controlling shareholders	94	-1,272
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	0.01	-0.68

Consolidated profit and loss account and consolidated statement of income for Bastei Lübbe AG, Cologne, for the period from 01 October 2018 to 31 December 2018.

	01/10 - 31/12/2018 KEUR	01/10 - 31/12/2017 KEUR
Sales revenue	25,685	43,617
Change in inventories of finished goods and work in progress	-2,048	-204
Other capitalised self-constructed assets	773	751
Other operating income	197	551
<b>Material expenses</b>		
a) Expenditure on raw materials and supplies and on purchased goods	-86	-7,159
b) Expenses for purchased services	-4,046	-6,492
c) Expenses for fees and depreciation of royalties	-8,061	-14,412
	<b>-12,193</b>	<b>-28,063</b>
<b>Personnel expenses</b>		
a) Wages and salaries	-3,884	-6,138
b) Social security contributions and expenses for pensions and support schemes	-580	-1,006
	<b>-4,464</b>	<b>-7,244</b>
Other operating expenses	-4,554	-10,204
Earnings from investments	6	7
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>3,402</b>	<b>-789</b>
Amortisation of intangible assets and property, plant and equipment	-1,229	-7,132
Depreciation of financial investments	—	-549
<b>Earnings before interest and taxes (EBIT)</b>	<b>2,173</b>	<b>-8,470</b>
Financial result	-511	-465
<b>Earnings before taxes (EBT)</b>	<b>1,662</b>	<b>-8,935</b>
Taxes on income and earnings	-657	628
<b>Results for the period</b>	<b>1,005</b>	<b>-8,307</b>
Other profit/loss	—	—
<b>Total earnings</b>	<b>1,005</b>	<b>-8,307</b>
of which is attributable to:		
shareholders of Bastei Lübbe AG	880	-8,263
Equity capital shares of non-controlling shareholders	125	-44
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	0.07	-0.63



## Consolidated Balance Sheet of Bastei Lübbe AG, Cologne, dated 31 December 2018

	31/12/2018 KEUR	31/03/2018 KEUR
<b>Long-term assets</b>		
Intangible assets	20,048	21,170
Inventory of pre-paid royalties	22,411	27,770
Tangible assets	1,678	1,956
Financial investments	2,892	3,580
Trade receivables	720	898
Deferred tax claims	3,709	4,536
	<b>51,458</b>	<b>59,910</b>
<b>Short-term assets</b>		
Inventories	14,693	18,478
Trade receivables	12,804	18,841
Financial assets	3,642	1,472
Income tax receivables	277	896
Other receivables and assets	2,126	974
Cash and cash equivalents	2,130	907
Assets from discontinued operations	—	7
	<b>35,672</b>	<b>41,575</b>
<b>Total assets</b>	<b>87,130</b>	<b>101,485</b>
<b>Equity</b>		
Share of equity attributable to parent company shareholders		
Subscribed capital	13,200	13,200
Capital reserves	26,804	26,804
Net profit/loss	-8,676	-8,863
	<b>31,328</b>	<b>31,141</b>
Equity capital shares of non-controlling shareholders	1,257	1,202
<b>Total equity</b>	<b>32,585</b>	<b>32,343</b>
<b>Long-term liabilities</b>		
Accruals	84	84
Deferred tax liabilities	1,279	1,175
Financial liabilities	16,868	5,114
Other liabilities	665	1,030
	<b>18,896</b>	<b>7,403</b>
<b>Short-term liabilities</b>		
Financial liabilities	9,928	33,069
Trade payables	15,310	19,310
Income tax liabilities	4	6
Accruals	8,954	7,235
Other liabilities	1,453	2,044
Debts from discontinued operations	—	75
	<b>35,649</b>	<b>61,739</b>
<b>Total debts</b>	<b>54,545</b>	<b>69,142</b>
<b>Total liabilities</b>	<b>87,130</b>	<b>101,485</b>

## Bastei Lübbe AG, Cologne, Segment reporting for the period from 01 April to 31 December 2018

(KEUR)	Book		Retail (discontinued)		Games		Non-book (discontinued)		Novel booklets and puzzle magazines		Total	
	04-12/ 2018	04-12/ 2017	04-12/ 2018	04-12/ 2017	04-12/ 2018	04-12/ 2017	04-12/ 2018	04-12/ 2017	04-12/ 2018	04-12/ 2017	04-12/ 2018	04-12/ 2017
Segment sales revenue	57,782	70,935	—	26,213	6,757	9,606	—	-70	7,671	7,518	72,210	114,202
Internal sales	1	1,427	—	0	26	54	—	0	0	0	27	1,481
External sales	57,781	69,508	—	26,213	6,731	9,552	—	-70	7,671	7,518	72,183	112,721
EBITDA	2,014	3,266	—	-1,970	2,828	2,429	—	-227	1,188	1,615	6,030	5,113
Amortisations	733	1,411	—	5,862	3,063	6,452	—	0	100	124	3,896	13,849
EBIT	1,281	1,855	—	-7,832	-235	-4,023	—	-227	1,088	1,491	2,134	-8,736
Financial result											-1,006	-1,264
Earnings before income taxes											1,128	-10,000
Taxes on income and earnings											-848	-313
Results for the period											280	-10,313

## Bastei Lübbe AG, Cologne, Segment reporting for the period from 01 October to 31 December 2018

(KEUR)	Book		Retail (discontinued)		Games		Non-book (discontinued)		Novel booklets and puzzle magazines		Total	
	10-12/ 2018	10-12/ 2017	10-12/ 2018	10-12/ 2017	10-12/ 2018	10-12/ 2017	10-12/ 2018	10-12/ 2017	10-12/ 2018	10-12/ 2017	10-12/ 2018	10-12/ 2017
Segment sales revenue	21,213	25,670	—	11,519	1,886	3,814	—	6	2,586	2,772	25,685	43,781
Internal sales	0	146	—	0	0	18	—	0	0	0	0	164
External sales	21,213	25,524	—	11,519	1,886	3,796	—	6	2,586	2,772	25,685	43,617
EBITDA	1,629	-2,234	—	-62	1,369	928	—	-2	404	581	3,402	-789
Amortisations	251	852	—	5,236	944	1,553	—	0	34	40	1,229	7,681
EBIT	1,378	-3,086	—	-5,298	425	-625	—	-2	370	541	2,173	-8,470
Financial result											-511	-465
Earnings before income taxes											1,662	-8,935
Taxes on income and earnings											-657	628
Results for the period											1,005	-8,307

## **Legal notice**

Published by

Bastei Lübbe AG

Schanzenstrasse 6-20

51063 Cologne, Germany

Tel.: +49 (0)221 82 00 28 50

Fax: +49 (0)221 82 00 18 50

E-mail: [investorrelations@luebbe.de](mailto:investorrelations@luebbe.de)

## **Contact**

The Group quarterly report for Bastei Lübbe AG

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