



At a glance

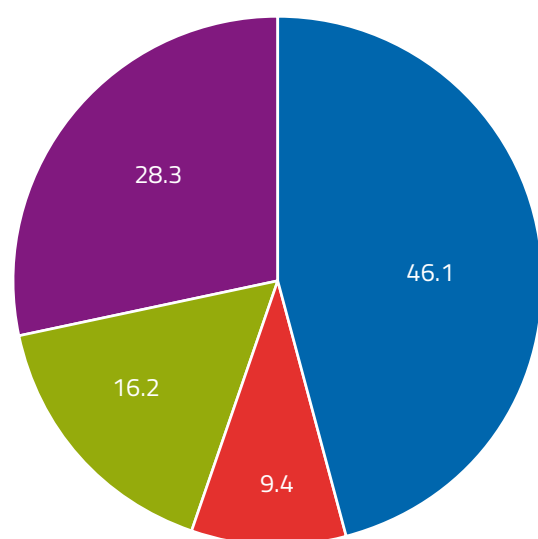
Key figures (IFRS)	2015/2016	2014/2015	Change in %
Business development in € million			
Group turnover	104.9	110.2	-4.8%
EBITDA	6.7	10.4	-35.3%
EBITDA margin in %	6.4	9.5	-32.0
Consolidated earnings	-0.3	3.0	-109.4%
Financial and assets position in € million			
Balance sheet total	111.8	117.2	-4.6%
Equity	49.7	53.4	-7.0%
Equity ratio in %	44.4	45.6	2.5
Share-related indicators in €			
Earnings per share (in €) *	-0.04	0.25	-116.0%
Dividend per share (in €) **	0.10	0.30	-66.7%
Year-end price (in €)	7.31	7.90	-7.5%
Number of employees as of 31 March	413	420	-23.1%

* Incl. equity capital shares of non-controlling shareholders

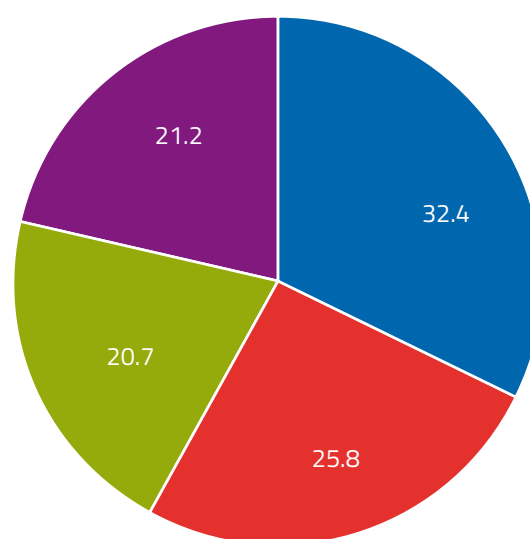
** See consolidated financial statement, Note No. 15 for calculation

*** Proposal, given that the Annual General Meeting has yet to decide on the dividends

Turnover 2015/16 by segment in %



EBITDA 2015/16 by segment in %



■ Book ■ digital ■ non-book ■ novel booklets and puzzle magazines

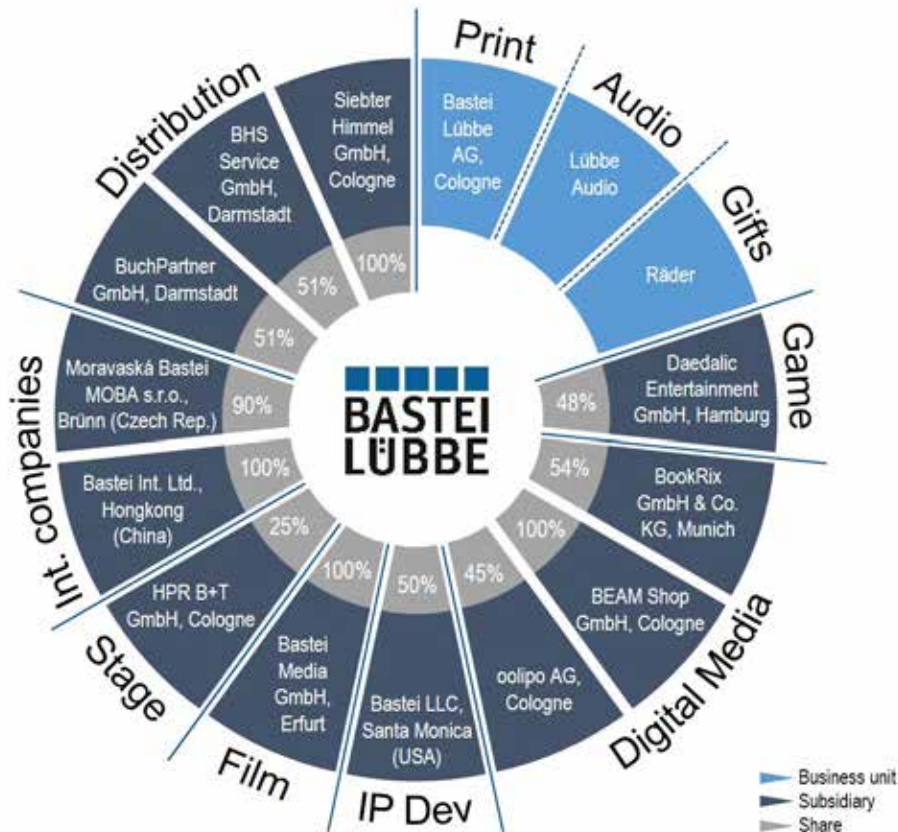
Bastei Lübbe AG is a media company in the form of a publishing house. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, eBooks and other digital products in the genres of fiction and popular science, as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe furthermore include the licensing of rights and the development, production and sale of gifts and decorations.

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

In agreement with the auditing company KPMG, we have amended the group of consolidated companies as of 31 March 2015. KPMG had come to the conclusion that Bastei Lübbe has control of the British company

Blue Sky Tech Ventures in the sense of IFRS 10 according to two prior audits conducted without objection.

For this reason, the companies shall be fully consolidated as before, despite the sale of 55 per cent of shares in oolipo AG as at 31 March 2015 and 3 per cent of shares in Daedalic Entertainment GmbH as at 17 September 2015, and the re-evaluation of the shares conducted in each case as a result of the sale shall be reversed. As fully-consolidated companies, Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH shall be included in the consolidated annual financial statement. In the financial year 2015/16, Bastei Lübbe achieved turnover of € 104.9 million and stands in particular for the innovation and development of new forms of entertainment. Customers both in Germany and also increasingly world-wide have been fans of our products for many years.



* NB: The subsidiaries Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH shall be fully consolidated. The investment company Blue Sky Tech Ventures Ltd. shall also be fully consolidated on the grounds of control in the sense of IFRS 10 based on the authority to give directives and reservation of approval which Bastei Lübbe has secured with the sale of 55 per cent of shares in oolipo AG and 3 per cent of shares in Daedalic Entertainment GmbH. The companies Bastei Media GmbH, Siebter Himmel GmbH, HPR Bild & Ton GmbH, Bastei International Limited, Bastei LLC and the Czech company Moravská Bastei MOBA shall not be consolidated.

The corporate divisions of Bastei Lübbe AG

Books

The book segment is the core of Bastei Lübbe's business and includes all printed products. The products are distributed under the labels "Bastei Lübbe Hardcover", "Bastei Lübbe Taschenbuch", "Eichborn", "Quadriga". The portfolio also includes the children's and young adults' brands Baumhaus and Boje as well as the all-age imprint ONE.

Unlike other traditional publishers, Bastei Lübbe not only purchases the rights to the content but also develops its own content, to which the Company holds all world and territorial rights.

in EUR million	2015/16	2014/15
Turnover	48.3	56.5
EBITDA	2.2	1.1



Novel booklets and puzzle magazines

The novel booklet and puzzle magazine segment includes novel booklets such as the cult series "Jerry Cotton" and "John Sinclair" as well as puzzle magazines such as "Mein großer Rätselspaß", "Kreuzwort Nr. 1", "Rätsel Sterne".

The first novel booklets were developed by Bastei Lübbe more than 60 years ago. The novel booklet and puzzle magazines sector continues to represent constant and solid business today.

in EUR million	2015/16	2014/15
Turnover	9.8	10.5
EBITDA	1.7	1.9



Non-book

The gifts and home accessories which are distributed under the "Räder" label are listed in the non-book segment. Synergies between book products and book-related products are to be created through the "non-book" business segment. Until the sale in September 2015, the "non-book" segment also included the 50 per cent participation in Präsentia Promotion International GmbH.

in EUR million	2015/16	2014/15
Turnover	17.0	14.5
EBITDA	1.4	1.9



Digital

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

in EUR million	2015/16	2014/15
Turnover	29.7	28.8
EBITDA	1.4	5.5



The basic values of Bastei Lübbe

Innovation and tradition

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

Creative drive

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

Quality

We set standards. We entertain our readers very well indeed. Since we understand what our customers want,

we fulfil their wishes to the very best of our abilities. Our authors know too that we're not just competent but also work passionately to ensure that they are successful. We work efficiently to meet the challenges of the market, and can therefore deliver high quality at a fair price to dealers and readers.

Partnership

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

This sense of responsibility is not limited to our own individual duties, but rather involves the entire Company.

Contents

10	To Our Shareholders
10	Letter from the Executive Board to the Shareholders
16	Bastei Lübbe on the capital market
20	Group management report
20	Bastei Lübbe
22	Goals and strategies
25	Corporate steering
26	Overall and industry economic conditions
31	The earnings, assets and financial position
33	Employees
34	Social commitment
35	Responsibility across the value chain
35	Supplementary report
41	Risk and opportunity report
47	Forecast
52	Remuneration report
55	Other disclosures under section 314(4) of the German Commercial Code (HGB)
60	Corporate Governance
60	Supervisory Board report
65	Corporate governance report
66	Declaration on management in accordance with Section 289a of the Commercial Code
72	Consolidated financial statements as per 31 March 2016
80	Consolidated notes as of 31 March 2016
138	Supplementary information
138	Responsibility statement
138	Auditor's opinion
139	Business calendar 2016/2017
139	Imprint

To Our Shareholders



Letter from the Executive Board to the Shareholders

Dear Shareholders,

Bastei Lübbe possesses a clear set of values, which is based on four pillars: tradition (and innovation), creative drive, quality and partnership. These are not empty words for us - rather, they are the measuring stick and ideal for our company's actions.

Creative drive means "we want to achieve something". This means that we pursue innovative ideas with passion in order to develop successful products which at the same shape the overall market.

In order to achieve, we need to take the initiative. And that is what we are doing. So as to be able to continue to grow in the future and to shape development in the digital and physical media market, Bastei Lübbe possesses innovative participations, in particular in the fast-growing digital media market.

With regards to the accounting appraisal of our participations, it recently came to uncertainties which can be traced back to the amended assessment of the auditing company KPMG regarding the connection between Bastei Lübbe and the British investor Blue Sky Tech Ventures Limited, which has its headquarters in London.

Although two previous audits had been conducted without objections, KPMG suddenly and unexpectedly came to the conclusion that Bastei Lübbe possesses power of disposal over the British company Blue Sky Tech Ventures in the sense of IFRS 10. Since Bastei Lübbe does not hold any shares in Blue Sky, the argumentation of KPMG is based on the authority to give directives and reservation of approval which Bastei Lübbe granted itself with respect to Blue Sky in the context of the sales of oolipo and Daedalic shares. In order to avoid the withdrawal of the auditor's certificate and a long legal dispute with KPMG, we have decided, for the good of the company, to amend the group of consolidated companies and the consolidated annual financial statement retroactively for the financial year 2015/2016.

Given the amendment to the group of consolidation companies, the participations in oolipo and Daedlic shall be re-evaluated retrospectively according to the historical cost principle. The consolidated profit of Bastei Lübbe in the financial years 2014/2015 and 2015/2016 was reduced by € 7.2 million and € 7.9 million respectively solely from the loss of profits caused by the sale and re-evaluation within the context of the transitional consolidation.

Of course, the new size of the group of consolidated companies initially places a strain on the figures. However, we would emphatically refer you to the intrinsic value of the participations. The British investor Blue Sky Tech Ventures is still attempting to sell on the shares it holds in oolipo. In addition, the core business of Bastei Lübbe AG in the financial year 2015/2016 developed satisfactorily, which we will explain in more detail below.

"Transition year" - this is what we called the fiscal year 2014/2015 at the time. As an interim stage on the way from one of the biggest German general interest publishers to becoming an international, digital media publishing house. The changes made in recent years are starting to show initial success. A journey of this kind can't be made overnight.

There's no question that our publishing house has not yet reached its goal, but we are determined and on the right path. Yet on the one hand, everyone knows that a change takes time. On the other hand, you may rest assured that, even during this period of upheaval, it is and remains our aim to offer our customers premium content, even in the future, to be a reliable employer to our employees and to offer you, dear shareholders, the sustainable values of a prospering company. This will be possible if we recognise the challenges and opportunities of an increasingly digitalised society and of a correspondingly changing publishing industry - and above all use them. How we approach this journey in detail is what we would like to show you below.

Shift from publishing house to digital media company

Challenges are the key word. Usually, the mention of challenges means obstacles and uncertainties. In contrast, Bastei Lübbe understands challenges as stimuli. Thus, in fact, the biggest challenge for the publishing industry is in rapidly progressing digitalisation - but this is also the biggest opportunity. Having the internet in one's pocket in the form of mobile devices and e-book readers, tablet PCs and particularly smartphones allows the customer now to access books, games, films and series everywhere and anytime. Reader habits change due to content edited as multimedia - at the same time, customers can write reviews on books and games immediately or make contact with other users in order to exchange views on products. Bastei Lübbe would like to use this opportunity with soul and understanding, always utilising the over 60-year-long history of the traditional publishing house from the home of the invention of the modern printing press as a compass for corporate activities.

How successful this guide can be is evident from the new "digital" segment which includes Bastei Lübbe AG's digital revenues (eBooks and audios), as well as the participations in Daedalic Entertainment GmbH, oolipo AG, BEAM Shop GmbH and BookRix GmbH & Co. KG. We are seeing the increases in turnover in this segment as proof of the success of our digital strategy, particularly as the turnover share with digital products and content was already at 28.3 per cent at the end of the financial year 2015/2016, following 26.1 per cent the previous year. In particular we are looking forward to the development of our participation in the self-publishing platform BookRix, which has doubled turnover and thus has already allowed us to break even. This shows that our compass is pointing us in the right direction.

The route adopted for Daedalic Entertainment is also proving itself to be a very good choice. Already last

year we succeeded in taking control of this digital games developer, a leader in the field of narrative adventure games which was started merely as a PC game developer but which is now in the position to program games for all relevant consoles (PlayStation and Xbox) as well as for tablet-PCs and smartphones. The development of turnover and results figures has been positive on the whole. In the fiscal year 2015/2016, it became our task to further development the area of growth. We want to tackle the financing of this ambitious growth programme with the support of the external investors at oolipo along with self-funding from Daedalic Entertainment GmbH, thereby minimising the risks for all involved.

Daedalic is planning a significant expansion of its business in the next few years into the area of development and marketing of adventure games. The development of adventure games fits into the publishing house's portfolio excellently. At the heart of this special genre of computer games is an elaborate narrative plot around which the entire game revolves. It is obvious that Bastei Lübbe has the opportunity here to put publishing content into play through intensive use of crossmedia, thus not only via the oolipo platform, but simultaneously via Daedalic in the form of games software. For example, we are working on recreating and marketing the global bestseller, "Die Säulen der Erde" by successful Bastei Lübbe author Ken Follett in Autumn 2017. By using this innovative evaluation strategy, we hope to achieve high levels of synergy. We expect a multiplication of the marketing effect from the "book/print product" and "computer game" channels, who are both based on the high quality content of the novel "Die Säulen der Erde" - customers who like books will also choose to buy the game and vice versa. In October 2015 at the Frankfurt Book Fair and together with Ken Follett, we were able to give the public a first glimpse of the game. The positive feedback encouraged us to develop more games. In addition, we already made contacts in the previous

fiscal year predominantly with American film production companies and negotiated contracts in order to continue to be able to produce games with renowned titles and content. This for instance includes game ideas for the film "Lord of the Rings" and the series "Firefly".

With the onward march of digitalisation, the reception habits of our customers are changing massively. They now have the opportunity to access almost any digital content at all times, from anywhere in the world. As well as the stationary marketing channels, the internet is quickly gaining ever more significance as a distribution channel. Bastei Lübbe looks to be particularly well-placed in this sector. The beta version of the oolipo app has been available in the Apple Store since August 2016. With short, serial-based content, we are meeting the demands and altered reading habits of our customers. With the oolipo offering, Bastei Lübbe is in the position to unite the high-quality entertainment literature our customers are accustomed to with the advantages of the medium of smartphones and/or tablet PCs. As well as texts, readers will be able to play video and audio content in the near future. This promises a completely new way to read and literally brings you into the story. This increases reading enjoyment and reading time for the customer, which should ultimately result in them buying more issues in the series. Meanwhile, three further investors are participating in oolipo at prices significantly above the asset value. This confirms the intrinsic value of oolipo and substantiates the approach of Bastei Lübbe.

Solid core business despite lack of blockbuster titles

Even if the digital segment, especially the topic of computer games, is drawing special attention to itself since the idea of the multimedia group Bastei Lübbe can be best represented by this, we are also satisfied with the development in our core business of publishing digital and physical books – on track, so to say. Despite the lack of blockbuster titles, the department for adult literature has made solid developments. Admittedly, in the reporting year we were not successful in coming up

with such surprise successes such as "Er ist wieder da" by Timur Vermes and "Bob, der Streuner" by James Bowen. Yet we were in the position to once again place successful titles on the market together with our talented authors Rebecca Gablé and Sebastian Fitzek. In order to be able to guarantee something similar in the future and to continue to be successful in our core business, we have additionally expanded our "Own IP department". With their help, we are distributing digital and physical content on a national and international scale.

Growing with participations in digital companies

Digital content was precisely the focus of our activity over the past year, above all the participations formed in this context. An important building block in the course to becoming a digital media publishing house is our streaming platform, oolipo, which among other things was expanded perfectly as a distribution channel by the acquisition of the beam-ebooks.de online shop in the previous year. Bastei Lübbe thus also complies with our customers' changing habits of reception: We are creating core services for mixed media stories, i.e. for digital content which makes use of several media; in other words, cross-medially produced. This type of storytelling is thus perfect for mobile devices. The launch of the new streaming service will occur simultaneously in the UK and the DACH region (Germany, Austria, Switzerland), in both German and English, in autumn 2016. We are so convinced of the profitability of this innovative distribution channel that it will not be limited in the future to the regions mentioned: In the following years we would also like to offer content in Portuguese, Spanish and Mandarin - the markets in Latin America and China appear ultimately extremely attractive by virtue of their high potential for growth.

Non-book (Räder)

The fact that the digital industry is not the only one on the path to success is made evident by the gifts and home accessories marketed under the Räder brand which can

be found in the “non-book” segment of Bastei Lübbe AG. Räder has been one of the few vendors in the overall weak sector for home and dining accessories and high-quality gift items to demonstrate a positive performance in the past financial year. We were able to achieve extraordinary growth through both a new spring and Easter collection and an extremely satisfactory Christmas business. The constant expansion of export activities is a major success factor. In this regard, Räder generated an increase in turnover of 44% over the past fiscal year, whereby the biggest increases were made in France and Belgium. In other exciting news: Räder was able to secure Douglas as a new client.

The fact that a common path is also accompanied by farewells is shown in the participation in Präsenta Promotion International GmbH. We have parted ways after the strategy of distributing Räder and/or Bastei Lübbe products via Präsenta was not realised to the extent that we would have liked. Yet there is cooperation with Präsenta Promotion International GmbH, particularly for products by Bastei Lübbe AG.

With bestseller authors and newcomers

The collaboration with Ken Follett is a cooperation of a special kind. After we were successful in signing a multimedia contract with him in the previous fiscal year - thus Bastei Lübbe will certainly take on a pioneering role in the industry - in December 2015, we have reached an agreement with him about another extension of the collaboration. Accordingly, two further novels by Follett will be published by Bastei Lübbe in 2020 and 2023.

Our digital strategy will be rounded off with the self-publishing platform BookRix. It allows Bastei Lübbe to have quick access to digitally tested content by already successful authors. We succeeded in this with Poppy Anderson, for instance, a very successful self-publisher in the digital field, with whom we also are developing physical products – something which we are very happy about. The same goes for author duo B.C. Schiller (Babara and Christian Schiller), though initially for just one book.

However, we would like to consider BookRix not only

as a platform for already renowned authors. We also understand BookRix to be a crucible for new talent, giving newcomers the opportunity to publish their e-book on a notable self-publishing platform and thus to sound out opinion. Global development shows that numerous talented and successful authors complete their first publications via a self-publishing platform instead of choosing to go to a traditional publisher. With BookRix, Bastei Lübbe is giving authors flexible access to the book market with an innovative publication channel. A self-publishing platform offers us the opportunity to recognise promising talent early on and to sign contracts where appropriate.

Forward-looking company with strong traditional roots

As you can see, we are navigating an extremely exciting market. However, as one of the largest German general interest publishers, we are not only dedicated to topics of the future such as digitalisation, but also feel an obligation to the printed word. Thus for us, as a publishing house with an over 60-year-long history of independence and honesty, it is just as important to provide the traditional book and novel market with high quality and literary content as it is to do so for the emerging digital market. Ultimately the development of the value chain in the publishing sector is unthinkable without the in-store trade. This context should also be kept in mind regarding the majority shares in the wholesale book firm “BuchPartner GmbH” occurring after the balance sheet date 2015/2016. The market leader in the food retail industry with around 220 employees and 800 service employees currently serves around 4,000 markets and supplies over 2,500 customers in the field of action. BuchPartner’s circle of customers include almost all of the top level trade groups, including the Edeka group (Edeka and Marktkauf), the REWE group (REWE and Penny), Kaufland, Familia, HIT, Saturn, Media Markt, Metro and Real. The specialised markets represent without doubt the physically biggest area for growth in our industry. With our involvement with BuchPartner we are now laying the groundwork in order to be able to participate in the future.

We also see the acquisition of the LZX label from the publishing company Egmont in May 2016 as an investment in the future. LYX stands for successful romance titles which are extremely popular amongst younger readers, thereby providing Lübbe, which is already the market leader in thrillers and historical books, with an appropriate addition to its existing portfolio.

With both participations, we underline very clearly that we are aware of our roots as a publisher without cutting ourselves off from the future: as a traditional publishing house that is looking forward. With the help of the mix of digital and analogue distribution channels we are improving our competitive situation significantly – a competitive situation which is based on high exploitation potential of our own content, but also simultaneously on the fact that we discover new authors and form ties between them and our publishing house.

Slight decline in sales revenues, profit and margin

Let us return to the “transition year” mentioned at the beginning. Overall we are looking at this whilst also casting our eyes back to the fiscal year 2015/2016, which meant upheaval not least in a personal sense. Two board members left Bastei Lübbe within this time period – in one case for health reasons, in the other due to differing points of view on the strategic orientation of the group – with responsibility for their digital and content departments being taken over by the remaining board members.

In the reporting year, Bastei Lübbe generated sales revenues amounting to € 104.9 million following € 110.2 million in the previous year. Daedalic Entertainment GmbH contributed € 7.8 million to this total, oolipo € 0.3 million, BookRix GmbH & Co. KG € 2.4 million and BEAM Shop GmbH € 0.1 million.

Revenue developed as follows at segment level: “Books” slightly less than planned: €48.3 million (previous year: €56.5 million); “non-books” more than planned: €17.0 million (previous year: €14.5 million); “novel booklets and puzzle magazines” slightly less than

planned: €9.8 million (previous year: € 10.5 million) and “digital” slightly better than planned at € 29.7 million (previous year: €28.8 million). The decline in turnover in the “books” revenue is in turn due to the bestseller “Edge of Eternity” by Ken Follett having generated very high sales figures in the Christmas period of the financial year 2014/2015. In addition, Dan Brown also contributed to revenues in the previous year. The blockbusters of the 2015/2016 fiscal year, the new novels by Rebecca Gablé and Sebastian Fitzek, have not been able to achieve these high revenue levels, as was expected. The increase in turnover in “non-books” is based partly on the fact that the Räder division developed very positively. Revenue in the “novel booklets and puzzle magazines” segment is hovering around the previous year’s level.

By the end of March, Bastei Lübbe registered a result of € 6.7 million before interest, income tax and depreciations (EBITDA). In the previous year, this indicator was € 10.4 million. The result for the period was -€ 0.3 million, following € 3.0 million in the previous year. -€ 0.5 million of which, following € 3.4 million in the previous year, is for the shareholders of Bastei Lübbe AG. Correspondingly, a result can be calculated in the reporting period per share of -€ 0.04 versus € 0.25 in the fiscal year 2014/2015.

Despite the temporarily regressive profit performance, we are not dissatisfied with the performance in the past financial year. We are happy to have developed the acquisitions of Daedlic and oolipo successfully, and are very optimistic about doing this in the future - especially since the publishing house now has even more options to provide for sustainable growth in the future with the majority participation in BuchPartner.

This has already become visible in the financial year that has just begun, even if it is coming at intervals. The participation in BuchPartner GmbH will therefore be fully consolidated in the financial year 2016/2017. This has an influence on the turnover and the EBITDA. In addition, oolipo will be launched - start-up losses will occur here during the first financial year, and this will also have an influence on EBITDA. Basically, the digital field

will continue to develop in 2016/2017; this also applies to Daedalic Entertainment, one of the leading global providers of adventure games, as well as to oolipo. That Bastei Lübbe will not neglect the print business will partly be ensured by the recently acquired LYX label, with which the company is further investing in content that will be marketed both physically and digitally.

In total, Bastei Lübbe expects a considerable rise in turnover of € 150 to € 160 million in the fiscal year 2016/2017. Revenues should then again increase significantly to € 190 - 200 million in the financial year 2018/2019. This results on the one hand from the aforementioned consolidation of BuchPartner GmbH, but also from the significant increase in turnover in the books

segment in the financial years 2017/2018 and 2018/2019. Essentially driven on by the core business sector, EBITDA for the financial year 2016/2017 will be significantly above that of the previous financial year and will continue to increase in the following two financial years. The Executive Board anticipates positive overall developments for the current and upcoming financial years.

Even if the shift from general interests publisher to digital media company is not a sprint but a long-distance run, we are convinced that we have created the right conditions to successfully make it to the finish line. We will continue to strive for this transformation into a digital media company with passion and reason. We are looking forward to making this journey with you.

Cologne, 14 October 2016

Bastei Lübbe AG

The Executive Board



Klaus Kluge
Board Programme, Sales and Marketing



Thomas Schierack
Chairman



Bastei Lübbe on the capital market

The price development of Bastei Lübbe's shares

The price development of the German leading index was accompanied by high fluctuations in the stock market year 2015. In this way, the capital market situation was influenced by multiple global geopolitical hot spots and by political risks within the Eurozone. After the DAX rose to an all-time high of 12,396 points by mid April 2015, it suffered a loss, peaking at more than 3,000 points or almost 25% of its value in the second and third quarter. In the second quarter of 2015, the (temporary) turnaround in interest rates in government bonds and the Greece drama caused prices to sink. Despite the agreement to new European aid for Greece in mid July 2015, the hoped for stabilisation did not occur in the stock market. In the third quarter, weak figures from emerging markets, further drops in the prices of raw material and growing fears about a new global recession led to an increasing uncertainty amongst investors. In addition, the DAX was also under strain due to the VW exhaust scandal. In the third quarter alone, the German leading index sustained a loss of around 12.6% and thus recorded the weakest quarter in four years. Over the course of the year, the DAX did however make a profit of around 8.8%.

Even Bastei Lübbe AG's stock was not able to escape the fluctuations. After it increased in value by 5.9% in the year before, it lost about 6.9% in the reporting year 2015/2016. The share certificates began trading with a price of € 7.85 and, after an annual peak on 13 April 2015 of € 8.63, suffered from profit-taking. Their lowest point was recorded on 20 January 2016 at € 6.51. The notation went under the line on 31 March 2016 with a closing price of € 7.31 on leaving trade (all information based on Xetra rates). The average daily trade volume of Bastei Lübbe shares (Xetra and Frankfurt Stock Exchange floor trading) in the 2015/2016 financial year ran to 17,311 shares (previous year: 27,465 shares). Based on 13,300,000 shares and a closing price of € 7.31, Bastei Lübbe AG's market capitalisation stood at approx. € 97.2 million as at 31 March 2016 (previous year: € 105.1 million at a closing price of € 7.90). Oddo Seydler Bank AG as the designated sponsor set binding buying and selling rates

on Xetra and created a narrow price range.

Analyst research

According to their studies, which regularly delve into business development and Bastei Lübbe AG's perspectives, the renowned research firms Oddo Seydler Bank AG, DZ Bank AG, Solventis Wertpapierhandelsbank and Warburg Research are confident that Bastei Lübbe's stock has a strong potential in terms of price. They recommend selling the shares altogether, with a stock target of up to € 10.40. This corresponds to a stock potential of up to 72 per cent (closing price as at 31 August 2016: €6.05). The full research studies are available on Bastei Lübbe AG's homepage at <http://www.luebbe.de/investor-relations/die-aktie/research>.

Shareholding structure

The shareholder structure changed during the reporting year and was as follows as at 30 September 2016: The largest shareholder of Bastei Lübbe AG is Birgit Lübbe with a share of 33.09%. Allianz SE holds 9.77% of shares in the company. The Roggen family holds 9.02% and Larissa Juliana Zang 3.01% of shares in the company. On 21 July 2016, Lazard Feres Gestion S.A.S acquired 3.07% of shares in Bastei Lübbe AG. Natixis Asset Management, Paris, has been involved in the company since 8 September 2016 with a 3.04% participation. The Executive Board and the Supervisory Board have a 2.51% stake in the share capital. 36.49% of shares are in free float. Lübbe Beteiligungs-GmbH has not held any shares in Bastei Lübbe AG since 16 April 2015.

Investor relations

Bastei Lübbe AG communicates regularly and intensively with institutional investors, analysts, private investors and the editing staff of financial and economic media about the development and the perspectives of society. Additionally, in the fiscal year 2015/2016, Bastei Lübbe participated in the German Equity Forum, the Solventis Shares Forum, the Oddo Nextcap Forum 2015, the Prior

Capital Market Conference, the Munich Capital Market Conference, the Berenberg European Conference 2015, the Small & MidCap Conference by Oddo Seydler Bank AG and various roadshows in London, Frankfurt, Munich and Paris. The quarterly reports were accompanied by telephone conferences organised by the company.

The Executive Board presented business performance during the 2014/15 reporting year on 1 July 2015 at the second financial statement press conference. Besides a presentation of the 2014/2015 annual financial statements, investors, analysts and journalists had the opportunity to obtain first-hand information about Bastei Lübbe's further strategic development.

The second ordinary general meeting of Bastei Lübbe AG took place on 16 September 2015 in Cologne. The Executive Board informed shareholders and their representatives in detail about business development, performance and the statement of accounts for 2014/14. Performance for the first quarter of 2015/2016 as well as the future prospects for Bastei Lübbe were also presented. Around 55% of the share capital was represented at the stockholders' meeting. Large majorities of shareholders concurred with the suggestions of the administration on all the agenda items, thereby pronouncing themselves for the work of the Executive Board. The detailed agenda items as well as the voting results can be downloaded from the Investor Relations section of the Company website.

Shares in Bastei Lübbe AG belong to the strictly regulated Prime Standard sector of the Frankfurt Stock Exchange. Correspondingly, Bastei Lübbe AG fulfils all important publicity and transparency standards and provides detailed and timely information on important results which are published adhoc or as press releases. In the current fiscal year, too, Bastei Lübbe AG will continue our goal-orientated communication and open dialogue with the capital market participants. In addition to the planned roadshows and conferences, the third financial state press conference on 29 June 2016 was on the agenda. Investors can obtain further information from the Investor Relations section of the homepage at <http://www.luebbe.com/investor-relations/startseite-investor-relations>

Dividend proposal for the 2015/2016 financial year

Bastei Lübbe AG would like to have their shareholders continue to participate in the positive business performance of the past fiscal year in this year as well. The Executive Board and the Supervisory Board will propose at the Annual General Meeting on 30 November 2016 that a dividend of € 0.10 per share be paid out. With this reduced dividend, we are taking two things into account at once: on the one hand our strategic aspiration of continuously and fairly offering our shareholders a share in our success as a value-oriented company, and on the other hand the aim of pushing forward and starting our big, promising projects with targeted investments. Taking the company's own shares that are not entitled to dividend payments into the equation, this represents a payout of € 1,320,010.00. The Bastei Lübbe AG 2015/2016 annual financial statements under commercial law, on which the resolution on the dividends to be paid out is to be based, show a net profit of € 2,510,695.77. The remaining amount of € 1,190,685.77 will be carried forward to the next accounting period.

It continues to be Bastei Lübbe AG's goal to have a continuity-orientated, shareholder-friendly dividend policy which provides for 40%-50% of distributable net income to be paid out to shareholders. This is contingent on such dividend payouts being compatible with long-term, sustainable business development.

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

Group management report



Bastei Lübbe

The consolidated annual financial statement of Bastei Lübbe AG, compiled on 13 June 2016 and audited with the same date, was amended as at 14 October 2016. The amendments are described in detail in this company report and relate to amendments in the descriptions of the asset, finance and revenue position of the company, and to amended statements in the overall financial and sector-related framework conditions as well as such in the forecast report.

Bastei Lübbe is a media company in the form of a trade book publisher. Within the scope of its business activities, Bastei Lübbe publishes books, audio books, eBooks, games and other digital products in the genres of fiction and popular science, as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe furthermore include the licensing of rights and the development, production and sale of gifts and decorations and the operation of digital platforms.

Unlike a traditional publishing house, Bastei Lübbe represents the entire value chain. This means that content and rights are not just bought, but are developed in-house in cooperation with several authors. One advantage is that Bastei Lübbe owns all language and territorial rights to the content. On the sales side, Bastei Lübbe works with trade partners and various platforms, just like all other traditional publishing houses. Rights not commercialised by ourselves are sold abroad, for example through licence sales. In addition, Bastei Lübbe aims to sell content via its own platform.

Bastei Lübbe's core market is Germany, Austria and Switzerland. The company has been expanding its international business activities over the last few years. These means that not only German titles are developed and sold, but also titles in English and Mandarin. Depending on the legal situation, the titles are then distributed in German-speaking countries and worldwide.

Bastei Lübbe's main locations are Cologne, Munich, Hamburg and Bochum.

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

The **"books"** segment includes all printed products of Bastei Lübbe AG which are marketed under various labels, including as hardbacks, paperbacks and pocket books.

Hardback titles from the previous fiscal year to be mentioned in particular here include "Das Joshua-Profil" by Sebastian Fitzek, "Der Palast der Meere" by Rebecca Gablé, and the tenth volume of "Gregs Tagebuch" by Jeff Kinney.

The investment in BookRix GmbH & Co. KG has developed very satisfactorily. In 2017, the promising self-publishing author Poppy J. Anderson made the "jump" into the paperback programme. B.C. Schiller already succeeded in doing this in the reporting year.

BookRix is a leading digital distributor of self-publishing titles in Germany, with around 12,000 eBooks on sale, and furthermore operates the largest independent online platform for self-publishing on the German-language Internet. The Company sells eBooks by its authors in a network of more than 60 shops. The advantage for the author is that he/she has to work with just one central partner for sales and billing. One particular strength of BookRix is its sales-promotional marketing activities that are specially tailored towards eBooks and self-publishing.

The **"novel booklets and puzzle magazines"** segment includes printed novel booklets and puzzle magazines.

The Company's unbroken tradition over the last 60 years in the novel booklet sector has been successful yet again in the 2015/16 fiscal year. Thus with a current total of 37 regularly released series, the range of products has once again been enlarged compared to the 2014/15 fiscal year.

The comprehensive range of various series such as "Der Bergdoktor", "Doktor Stefan Frank", "Hedwig Courths-Mahler", "Jerry Cotton", "Geisterjäger John Sinclair" and the westerns of star author G.F. Unger, with a yearly circulation in the millions, was continuously expanded and added to with new series as well as a spread of special editions. It is precisely the use of special editions that offers opportunities

to reach out to new groups of readers and to generate turnover in a relatively clearly structured market in the long term.

The 2015/16 fiscal year was characterised by relatively steady sales and targeted widening of the range on offer with new series, leading to a slight increase in turnover on a market generally considered to be well-established. This successful strategy is indicative of the future direction, and will be continued with a new range of novel booklet series in the 2016/17 financial year.

The puzzle magazines are published under the "PMV" label. PMV published 34 puzzle magazines through Bastei Lübbe AG in the 2015/2016 financial year (+10.4% compared to last year). The sales and distribution of these puzzle magazines were conducted through the national Grosso and station bookshops, in German-speaking foreign markets as well as seasonally in the European holiday destination areas.

Ten new objects were launched in the past fiscal year; the content of these objects is optimised continually and reorientated towards current market conditions. At the beginning of the 2015/2016 fiscal year, covers were extensively redesigned across the entire portfolio. The quantity and quality of the portfolio and the editions sold have continuously secured PMV its place in the top five entertainment puzzle magazine publishers in the German-speaking area.

With the aim of securing and expanding this market position, a comprehensive and long-term licence agreement was secured with Heinrich Bauer Verlag KG. This particularly includes the use of successful brands from the "women" and "programme" segments for puzzle magazines. Until now two puzzle magazines were launched as publications by PMV with "new post puzzles" and "TV listening and watching puzzles". More titles are already in the works.

Some of the most successful magazines are "Kreuzwort Nr. 1", "Kreuzwort Krone", "Mein großer Rätselspaß", "100 Rätsel" and "Kreuzwort Riesen".

Furthermore, the collaboration with the puzzle maker and sudoku expert Stefan Heine that was started in the

2014/2015 fiscal year would be intensified and the portfolio of small sudoku books would be scrupulously expanded.

The development in the circulation of general interest magazines in the first quarter of 2016 reflects a negative picture compared to last year (source: IVW 1/2016). Apart from a few exceptions, all leading titles had to report a decline in circulation numbers. In the transregional newspapers segment, the declines in volumes of individual sales and subscriptions have predominantly continued – the Sunday newspapers in particular are registering heavy declines.

Judged against the downward trend on the press market as a whole, the novel booklet and puzzle market can be characterised as being relatively stable. Just as before, the entire RCR range of products represents a good 10% of the magazine profits in retail. Comparing 2015/Q4 to 2014/Q4, turnover from puzzles across the sector and turnover from novel booklets was able to increase by 4.8% and 5.1% respectively (source: PresseGrosso DataWarehouse, turnover in € Sales Price). Overall this was based on for one thing on a considerable increase in sequels (puzzles +9.8%, novel booklets +16.7%), resulting from an increased output of titles or a shorter interval between issues, and – particularly in the novel booklet segment – a rise in copy prices.

Just as before, again and again across the entire RCR segment new market participants are forcing their way onto the magazine shelves which are already overfull, so that the turnover is split across a continuously increasing number of titles.

The **"non-book"** segment - following the sale of shares in Präsenza Promotion International GmbH - covers gift and decoration items which are marketed under the Räder label.

Räder has been one of the few vendors in the high-quality home and dining accessories sector to demonstrate an anti-cyclical, positive performance in the past financial year. Significant success factors include both the realigned and more female-focused spring and autumn collections, as well as the establishment of national and increasingly international sales channels. Räder was able to increase

its turnover in the reporting year with exports. This means that today, Räder has parts of its collection available at Harrods, Printemps, John Lewis or Loft. Even the three large key companies in the book trade (Thalia, Mayersche, Hugendubel) are starting to show positive growth again following interim declines in sales.

The **“digital”** section includes the digital turnover of Bastei Lübbe AG (eBooks and audio) as well as that of the fully-consolidated companies Daedalic Entertainment GmbH, oolipo AG, BookRix GmbH & Co. KG and BEAM Shop GmbH. Bastei Lübbe has invested in the digital market at an early stage. This applies not just to eBooks, but also to the field of audio. Ultimately, we acquired a majority participation in Daedalic Entertainment GmbH and in BookRix GmbH & Co. KG in the financial year 2014/2015. Daedalic Entertainment GmbH, with offices in Hamburg and Dusseldorf, is considered to be one of the best game developers and publishers in Europe for narrative adventure games and is in the top 3 in the industry's global market. Daedalic Entertainment GmbH develops and markets high-quality cross-platform computer and video games for the adventure genre worldwide. The focus is thus on producing outstanding entertainment software with a strong narrative character. The company has around 125 employees and, through the Daedalic Writer's Room, has at its disposal a team of writers that is unique in the global games industry. In recent years, Daedalic Entertainment GmbH has won the German Developer Prize (Deutscher Entwicklerpreis) – including “Studio of the Year” – a total of 21 times, and has been awarded the German Computer Game Prize six times. Daedalic Entertainment GmbH develops products such as games which are based on bestsellers from Bastei Lübbe. A prominent example is the recreation of Ken Follett's “Die Säulen der Erde” as a computer game. In addition, some games which are written by their own authors are being independently developed.

oolipo AG (originally BEAM GmbH) is currently being expanded into a worldwide platform for streaming digital series content for readers and listeners. In August 2016, we launched the beta version in the Apple App Store.

Die BookRix GmbH & Co. KG has made very satisfactory commercial developments. Turnover has almost doubled. In addition BookRix GmbH & Co. KG has generated annual

net profits. It is also satisfying that Poppy Anderson, a very successful digital self-publisher, has also signed a contract for physical books with the publishing house.

BEAM Shop GmbH is an online shop for eBooks with content by Bastei Lübbe and other publishers and 100% subsidiaries of Bastei Lübbe AG. The online business of BEAM AG (now oolipo AG) has been completely transferred to BEAM Shop GmbH. A complete relaunch and an increase in popular, German mainstream content is planned for the end of 2016. Direct access to market data from across the publishing industry is also promising alongside attractive target group-oriented subscription models with prominent positioning and promotion opportunities.

Subsidiaries to be consolidated “at equity” into the three segments

Our share in PräSENTA Promotion International GmbH was sold with a purchase agreement date of 7 September 2015. In this respect, “at equity” will no longer be a consideration. Until this point in time, PräSENTA Promotion International GmbH was a joint venture company, and was allocated to the “non-books” segment and valued in the consolidated balance sheet in accordance with the “at equity” method.

Subsidiaries which were not consolidated

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

of the competent court in Delaware. These companies are important neither individually nor together for the net assets, financial position and results of operations of Bastei Lübbe.

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

Goals and strategies

Having started out as a German-language trade book publisher, Bastei Lübbe is well on its way to becoming an international media company.

The exploitation chain of content, be it for readers, listeners or gamers, appears as follows:



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

Development of own material

In contrast with other publishing houses, Bastei Lübbe has already been concentrating on the development of its own content in the novel booklet sector for several decades. This focus has been carried over into the book sector in recent years. In this regard, one of Bastei Lübbe’s priorities is to develop national and international series content. To this end, the joint venture Bastei LLC

was founded in the USA with the Imperative company. The shareholding in BookRix GmbH & Co. KG and in Daedalic Entertainment GmbH also resulted in Bastei Lübbe gaining authors and new content.

Further development of own sales/ streaming platform

Aside from developing its own content, Bastei Lübbe has also decided to explore in-house and new avenues in the exploitation of content. To this end, the beam-ebooks.de online shop platform was acquired in October 2014. BEAM is a platform based in Germany, which distributes digital content.

In addition, oolipo AG was founded. oolipo develops software and should become a worldwide, leading digital streaming platform for series content for readers and listeners. The Company’s own nationally- and internationally-developed series content will be marketed worldwide through oolipo. Furthermore, oolipo will distribute content which is created by authors from our country and abroad. oolipo will be launched in a German-language and English-language version in the relevant countries in 2016.

By acquiring the beam-ebooks.de online shop

platform in September 2014, the expansion of oolipo as well as taking up a majority share in the BookRix GmbH & Co. KG self-publishing platform in May 2014, Bastei Lübbe has positioned itself well for taking advantage of the increasing reader demand for e-books, and will be able to react quickly to new trends.

Internationalisation

The goal of internationalisation embraces the group's entire value chain. In addition to producing international content ourselves, another focal point is the national and international acquisition of comprehensive rights, where possible global rights, particularly for digital international exploitation.

Bastei Lübbe is already developing content not just in German, but also in English. We also plan to add Portuguese, Spanish and Mandarin to this offer. The English and Mandarin products are to be further developed in cooperation with partners in the USA and China.

Bastei Lübbe has already come one step closer to achieving this goal in the previous fiscal year. In September 2014, Bastei Lübbe and Imperative Entertainment, a multi-platform entertainment studio based in the USA, founded together the joint venture "Bastei LLC". The goal of this joint venture is to combine the publishing expertise of Bastei Lübbe, especially in the print and digital sectors, and the company's powerful innovative ability regarding new media with the experience of Imperative Entertainment in the international film and entertainment business, developing promising material together in the future and marketing that material internationally in English and other languages.

Intensive talks will also be held with potential Chinese partners. Bastei Lübbe plans to cooperate with Chinese

publishing houses in content development as well as in digital and physical sales and marketing. At the end of the financial year, a cooperation agreement was concluded here with the Chinese publisher Jing Dian Bo Wei.

Bastei Lübbe content will be distributed worldwide via a variety of channels. Domestic sales will be handled by Bastei Lübbe itself and international sales likewise or via partners. Another possibility for the commercialisation of content is the sale of international licences.

In this respect, Bastei Lübbe's clear strategy for the next few years is to continue to exploit even more international digital content worldwide.

Expansion of product portfolio of Daedalic

Growth on the games market continues to rise. Like before, there is great activity in the market for video games. The major game developers have shown that there is a clear trend towards fewer but bigger titles which can then be marketed better. This is the path that Daedalic will also take. Technically, Daedalic has already been positioned for years just like the major competitors worldwide. In terms of both personnel and technology, Daedalic has the means to develop a game within a budget of € 1 million, but also within a budget of between € 5-8 million. Together with Bastei Lübbe, the first meetings in the USA have already taken place in particular with film producing companies that hold the licences for series brands to be marketed worldwide. Alongside the traditional development of games, Daedalic wants to acquire top licences in the future, developing and marketing them as games. If possible, Bastei Lübbe will develop and market the respective e-book series on the basis of these brands at the same time. We expect our turnover to multiply in the next few years with Daedalic alone.

Corporate steering

Executive bodies

As a public limited company under German law, Bastei Lübbe AG has a dual management and supervisory structure consisting of a Supervisory Board and an Executive Board. In August 2015, Bastei Lübbe AG and board member Jörg Plathner parted ways. In addition, board member Felix Rudloff resigned his post with effect from 31 December 2015. The Executive Board thus consists of two members: Thomas Schierack (CEO) and Klaus Kluge (board member). The Executive Board reports regularly to the Supervisory Board. The reports mainly deal with business policies and strategies, current business activities and potential acquisitions. The Supervisory Board is informed of all events that could have a serious impact on the future of Bastei Lübbe AG.

The Supervisory Board appoints the members of the Executive Board and monitors and advises the Executive Board on Company management. The three members of the Supervisory Board represent the shareholders. Shareholder representatives are selected at the Annual General Meeting. On 26 and 29 July, three members of the Supervisory Board, Dr Friedrich Wehrle (Chair of the Supervisory Board), Prof. Dr Michael Nelles (Deputy Chair of the Supervisory Board) and Prof. Dr Gordian Hasselblatt, tendered their resignations to take effect at the close of the coming ordinary Annual General Meeting. At the proposal of the Supervisory Board, the vacant posts are to be taken up by Mr Robert Stein, Prof. Dr Friedrich L. Ekey and Dr Mirko Alexander Caspar. It is planned that Mr Stein will take over as chairman.

The internal corporate governance system

The paramount objective of Bastei Lübbe is to continually increase the value of the Company through growth

and concentration on fields of business that offer the best chances of development, and an improvement in profitability.

The Executive Board and Supervisory Board take various corporate steering measures. The basis of the strategic company planning is an annually-updated three-year plan with profit and loss calculations, investments and liquidity. For the fiscal year that follows immediately, as well as a top-down target definition, the turnover planning is also calculated bottom-up, in detail and with product orientation in mind. Budget planning for the following fiscal year is derived on the basis of the final planning. Company steering is based on a monthly target/performance comparison with regard to overall turnover, segment turnover and balance sheets.

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

- development of turnover
- development of EBITDA/EBIT at group level
- turnover and EBITDA/EBIT of the segments

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

General economic and industry-related General conditions

Macroeconomic conditions

After repeatedly reduced growth predictions for the global economy in 2014, in 2015 the world economy also grew more slowly than the International Monetary Fund (IMF) had expected at the beginning of the year: 3.1% as opposed to 3.5%. While the moderate recovery in the industrial nations continued, the emerging and developing countries subsequently recorded a decline in growth rates. In the developed economies of the Eurozone, growth rates have stabilised, and a robust recovery was apparent in the USA. In contrast, economic development in China slowed far more dramatically than predicted. The uncertainty about the future growth of the Chinese economy influenced cyclical developments on an international scale due to weaker trade, lower raw material prices and the rise in the volatility of the financial markets. In addition, already volatile capital markets were affected by the negotiations on the debt status of Greece and by the sharp decline in Chinese stock markets.^{1 2 3}

The growth rates of individual regions continue to vary widely. According to the Leibniz Institute for Economic Research, the economic climate worsened in all regions apart from in Oceania, Asia and Latin America, after expectations last year had risen again. The sharp decline in oil prices appears to have no positive cyclical effect on average. The ifo index, too, fell from 89.6 to 87.8 points in the first quarter of 2016 due to gloomy economic expectations. Admittedly the situation analyses brightened up slightly, however expectations are less positive than in the previous quarter. The growth of the

global economy thus continues to lack dynamism.⁴

The situation in emerging and developing countries is very heterogeneous and is affected by economic challenges in many cases. With a gain in gross domestic product (GDP) from only 6.9% to 7.3% in the previous year, China once again had slower growth than expected. The reason for this is the nationally decreed transition of the population to a balanced growth of industrial production and range of services offered.⁵ The IMF also decreases its forecasts for financial development in China in 2016 and 2017 to 6.3 per cent and 6.0 per cent respectively. After the weakest growth in developing and emerging countries since the 2008 financial crisis at 4.0% in the past year, the International Monetary Fund is calculating robust growth rates for the next two years at 4.3% and 4.6%.⁶

The moderate growth rates in the Eurozone have continued to stabilise themselves. The economists of the IMF calculated growth of 1.5% in the Eurozone in the past year. The systematic risks continue to decrease due to a financing programme for Greece, and so the impact on the volatility on the financial markets remained limited. Although the unemployment rates in countries such as Spain remained high, the number of people without jobs in the Eurozone fell in the 2015 fiscal year again, which proves that economic development is positive.⁷

According to the IMF, Germany registered an increase in economic performance of 1.7 per cent in 2015.⁸ Private consumption and public expenditure have driven the German economy, supported by the situation on the job

¹ <http://www.imf.org/external/pubs/ft/weo/2015/update/01/>

² <http://www.imf.org/external/pubs/ft/weo/2015/02/pdf/text.pdf>

³ <http://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf>

⁴ https://www.cesifo-group.de/de/ifoHome/presse/Pressemitteilungen/Pressemitteilungen-Archiv/2016/Q1/press_20150211_wes-welt-q1-2016.html

⁵ <http://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf>

⁶ <http://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf>

market, with relief coming from lower energy prices and low interest rates. The job market situation continued to be stable with a decline in unemployment rates to an average of 6.4%. In this way, the constant rise in employment over the last ten years continued.⁹

The inflation rate in 2015 decreased to just 0.3 per cent compared to the previous year.¹⁰ The German economy has started the new year strongly. According to the Federal Statistics Office (Destatis), the gross domestic product (GDP) grew in the first quarter of 2016 – adjusted for price, season and calendar – by 0.7% compared with the fourth quarter of 2015.¹¹

The USA also reported a lasting positive economic performance for 2015. According to the IMF, the GDP of the world's largest economy grew by about 2.5%. At 0.1 per cent, the inflation rate, on the other hand, is significantly below the previous year's value.¹² Growth in the United States remains robust, supported by continued advantageous financial conditions and recovering job and housing markets. The strength of the dollar, however, is slowing trade, and, in addition, low oil prices are affecting equipment investments predominantly in the the mining industry. Due to possible increases in the leading interest rate, experts from the IMF expect a development in economic performance in 2016 at the level of the previous year.¹³

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

The book market in Germany exhibited stable market figures in 2015 despite the massive competition in

media that has persisted for the last ten years. In total, the industry – stationary book trade, train station book trade, E-Commerce and department stores – registered a decrease in turnover of 1.4 per cent to € 9.2 billion. The online sector of the stationary book trade grew significantly with 6 per cent, but was not able to compensate for the decrease in turnover from the physical book trade. The average retail price of titles sold has also been on the decrease for two years now.¹⁴ In Austria, turnover developed a minus of 1.1% less in deficit than the previous year. The decrease in Switzerland, on the other hand, was even more significant than in 2014 at 5.7 per cent.¹⁵ As was also the case in the previous year, the low number of strong bestsellers was the cause for this negative trend.¹⁶

According to the Börsenverein des Deutschen Buchhandels [Capital Market Group of German Booksellers], German publishing houses need to constantly innovate. The definition of innovation here stretches from the aim of creating books with new and interesting content, to striving to offer more online services, to finding better channels to potential new customers, or even optimising working processes without sacrificing product quality.¹⁷

The Börsenverein des Deutschen Buchhandels describes the book market in Germany as exemplary in terms of its structure. For example, publishing houses and bookshops have shown that they are using situations of radical change to find new channels and invest smartly. With the multi-channel strategy of bookshops and an active culture of innovation at publishing houses, the

⁷ <http://www.imf.org/external/pubs/ft/weo/2015/02/pdf/text.pdf>

⁸ https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/02/PD16_044_811.html

⁹ https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/01/PD16_001_13321.html

¹⁰ https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/01/PD16_002_611.html

¹¹ https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2016/05/PD16_171_811.html

¹² <http://de.statista.com/statistik/daten/studie/165718/umfrage/inflationsrate-in-den-usa/>

¹³ <http://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf>

¹⁴ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1162213

¹⁵ http://www.boersenblatt.net/artikel-branchen-monitor_buch_2015.1082028.html

¹⁶ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1080886

¹⁷ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1162213

industry has set itself up strongly for the future.¹⁸

The developments in the book market are increasingly characterised by the advance in digitalisation. Accordingly, Bastei Lübbe AG has been allocating the areas of eBooks, audio and gaming to the new Digital segment since the financial year 2015/2016.

The establishment of eBooks has ensured a shift in market share in favour of electronic books – albeit at a low level. The eBook business on Germany has made great leaps in terms of turnover in the past five years. Since then, early adopters have migrated to digital books. Now the switch from print to digital is slowing amongst the remaining readers - the market has reached temporary saturation. Yet, in the eBook segment, big development opportunities due to technical possibilities continue to emerge. Thus tracking software in eBooks allows information to be collected on readers' behaviour.¹⁹

According to the Börsenverein des Deutschen Buchhandels, the demand for eBooks rose by around 9 per cent last year. Since the average price of an eBook has decreased, turnover only rose by around 4.7 per cent, following 7.6 per cent in 2014. The electronic book has firmly established itself as a part of the book market: last year, the number of eBook buyers remained stable compared to the previous year at 3.9 million. The average number of titles purchased per buyer increased in 2015 to around 7 eBooks per year compared to 6.4 eBooks in 2014. The share of fiction in eBook turnover continues to increase from around 84 per cent in 2014 to around 86 per cent in 2015. It is above all women who are developing a preference for eBooks: In 2015, a good 63 per cent of eBook buyers were women, an increase

on 2011 from just 48 per cent. The proportion of female buyers of eBooks has now risen to be higher than on the book market overall (59 per cent).^{20 21}

86.0% of eBook turnover is in the fiction sector (novels and crime fiction). Guidebooks as well as children's and young adults' books account for around 4.0% each. Non-fiction/lexicons account for around 5.0 per cent.²² According to the Börsenverein des Deutschen Buchhandels, the sales share of eBooks on the German popular market rose by 4.7% in 2015. In 2014, the rate of increase was still 7.6%.²³

The outlined reorganisation of the sector will have a major impact on business volume and the most important source of profit for Bastei Lübbe. The "digital" segment generated around 26% of the entire group turnover of Bastei Lübbe AG in 2015/2016. In this light, Bastei Lübbe wants to further develop this digital sector. Bastei Lübbe's focus includes its streaming portal "oolipo", with its attractive multimedia reading content, and its eBook shop "beam-ebooks.de", in order to participate in the expected growth in the digital sector.²⁴

The games industry, which is also relevant for Bastei Lübbe, saw further growth in the reporting year. The entire market for computer and video games increased by 4.5% to € 2.81 billion. According to the Bundesverband Interaktive Unterhaltungssoftware [Federal Association of Interactive Entertainment Software], computer and video games have been the most dynamic culture and media market in Germany for years, and the market has continued to grow confidently in 2015, too. Turnover from subscriptions in the computer and games segment also grew again in Germany in 2015. Whilst € 139 million of turnover was achieved from subscriptions in 2014,

¹⁸ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1162213

¹⁹ <https://outlook.pwc.de/outlooks/2015-2019/?action=export>

²⁰ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1100374

²¹ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1162213

²² http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1100374

²³ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1100374

²⁴ https://www.luebbe.com/web/downloads/module/download/2478250/BL_HJ_Bi_2015.pdf

AT THE FRANKFURT BOOK FAIR 2015, BASTEI LÜBBE PRESENTED THE OFFICIAL VIDEO GAME OF KEN FOLLETT'S WORLDWIDE BESTSELLER "THE PILLARS OF THE EARTH".

this figure had already risen to € 145 million by 2015. This corresponds to an increase of 5 per cent annually. Turnover has risen particularly sharply with virtual goods and additional content. Thus the market segment rose by 18 per cent compared to 2014 to € 562 million. As a result, the turnover threshold of half a billion euros was broken in Germany for the first time. Download purchases have become the most popular alternative to purchases on data carriers amongst German consumers of computer and console games. In 2015, around 33 per cent of titles for PC and consoles were purchased as downloads, compared to 32 per cent the year before. A slight positive can also be registered in terms of turnover with an increase of 2 per cent. Digital distribution offers great opportunities for further growth. For example, new target groups can be opened up and even smaller developer studios have the chance to establish huge, global fan-bases through this easier method of self-marketing.²⁵

Similarly to the previous year, computer and video games also received applause at the 2015 Frankfurt Book Fair. Thus, at the Frankfurt Book Fair, Bastei Lübbe presented the first official video game to be based on a novel by the worldwide bestselling author, Ken Follett. The game of "Die Säulen der Erde" is expect to go on sale in 2017. It is being developed by Daedalic Entertainment, an investment of Bastei Lübbe AG. Ken Follett was a guest at the Frankfurt Book Fair and spoke

about this adaptation of his bestseller. The historical novel published in 1989 is one of the most sold books worldwide with 25 million copies and has already been made into a film, TV series, audio book and board game. As in 2014, a delegation of the games industry also visited the Frankfurt Book Fair last year. The delegation's trip offered players in the computer and video games industry the opportunity to establish personal contacts with international decision-makers in the industry and compare notes on possible joint ventures, potential customers and new sales areas. In August 2015, a delegation of publishers used the world's biggest event for computer and video games, the gamescom in Cologne, of which BIU is the technical and conceptional sponsor, to gather information. This is yet more evidence that Bastei Lübbe is on the right track with its strategy of making sustainable investments in this area.²⁶

According to a study of the Gesellschaft für Konsumforschung (GfK) [Association for Consumer Research], around 1.4 million Germans used subscription and **streaming services for books** in the first half of 2015. Turnover was around € 30 million. On this still young market for digital reading flat-rates, consumers pay around one third of the price of an individual eBook. According to GfK, the streaming of not just books but also films and music is very much favoured by the users. Users of this model are heavily focused on borrowing.

²⁵ http://www.biu-online.de/wp-content/uploads/2016/07/BIU_Jahresreport_2016.pdf

²⁶ https://de.book-fair.com/fbf/journalists/press_releases/fbf/detail.aspx?PageRequestId=b8a90512-5e69-41f2-8f37-ac4e38df804d&c20f0587-85d5-44d3-a9a4-eb75d0c6143b=81fbd086-507e-4545-a806-d7da5b228e15

More than half of subscribers ceased to purchase printed or electronic books in this period, instead using paid subscriptions only. Services such as oolipo take account of this behaviour in particular through their orientation towards short-format content.²⁷ The industry's book streaming segment itself is being given a boost thanks to short-format, multimedia and attractive reading content, as well as exclusive content, series and comics. In this sector, content is presented on tablets and smartphones and not on an eReader as with a classic eBook.²⁸ According to a study by the American market research company Codex and the industry journal Buchbranche, 78 per cent of book buyers surveyed own a smartphone, but only 14 per cent actually use one to read books. This figure should increase in the coming years since 30 per cent of 18-24 year-olds already use their smartphones for reading.²⁹ The formats of streaming portals for short-format content are also suited to consumption during travel. Travel and transport companies are currently testing a book streaming service on trains, aeroplanes and buses.³⁰ The trend towards short-format contents is also evident in the area of classic audio streaming.³¹

Judged against the downward trend on the press market as a whole, the **novel booklet and puzzle market** can be characterised as being relatively stable. Just as before, the entire RCR range of products represents a good 10% of the magazine profits in retail. Comparing 2015/Q4 to 2014/Q4, turnover from puzzles across the sector and turnover from novel booklets was able to increase by 4.8% and 5.1% respectively (source:

Pressegrosso DataWarehouse, turnover in € Sales Price). Overall this was based for one thing on a considerable increase in sequels (puzzles +9.8%, novel booklets +16.7%), resulting from an increased output of titles or a shorter interval between issues, and – particularly in the novel booklet segment – a rise in copy prices.

Ever more new market participants continue to hit the already tightly-packed shelves across the entire RCR segment, meaning that turnover has to be shared among ever greater numbers of titles.

The gifts and home accessories which are distributed under the "Räder" label are listed in the **"non-book** segment.

Räder has been one of the few vendors in the high-quality home and dining accessories sector to demonstrate a positive performance in the past financial year. We were able to achieve extraordinary growth through both the creation of a new spring and Easter collection and a booming Christmas business. A considerable success factor is the continuous expansion of export activities; in this regard alone, Räder generated an increase in turnover of 44% over the past fiscal year, whereby the biggest increases were made in France and Belgium. Even the three large key companies in the book trade (Thalia, Mayersche and Hugendubel) are starting to show positive growth again following interim declines in sales. The biggest growth in turnover was clearly made by Thalia with a rise of 54% compared to the year before. In other exciting news: Räder was able to secure Douglas as a major new client.

²⁷ <http://www.gfk.com/de/insights/press-release/14-millionen-deutsche-nutzen-digitale-bezahl-abonnements-fuer-buecher/>

²⁸ <https://www.buchreport.de/2016/05/25/neuer-schub-fuer-den-digitalen-comic/>

²⁹ <https://www.buchreport.de/2016/04/04/erster-entdeckungsreiseuehrer/>

³⁰ <https://www.buchreport.de/2016/05/09/books-im-bus/>

³¹ <https://www.buchreport.de/2016/04/11/neue-kanale-fuer-kurzformate/>

The earnings, assets and financial position

General statement by the Executive Board

Due to the loss of profit from the transitional consolidation and re-evaluation conducted in the course of the retroactive amendment to the group of consolidated companies and consolidated annual financial statement, the consolidated profit of Bastei Lübbe in the financial years 2014/2015 and 2015/2016 decreased by a total of € 7.2 and € 7.9 million respectively - € 15.1 million in total. The financial year 2015/2016 was still satisfactory overall for Bastei Lübbe, however, though was also characterised by unplanned expenditure. Both turnover and EBITDA decreased compared to the previous year and were below the planned level - beyond corrections to the participation evaluation.

For the first time, Bastei Lübbe has been allocating the areas of eBooks, audio and gaming to the new digital segment since the financial year 2015/2016. Due to the altered segment structure, the values of segment reporting from the previous year were adjusted.

Moreover, the asset values and debts of oolipo AG are now henceforth included in the balance sheet values of the previous year due to the retroactive amendment to the group of consolidated companies.

Financial performance

Sales revenue fell in the financial year from € 110.2 million in the year before to € 104.9 million. In terms of group revenue, Bastei Lübbe AG accounts for €94.7 million (€102.8 million in the previous year) and its subsidiaries as follows: Daedalic Entertainment GmbH €7.8 million (after €6.0 million in the previous year), oolipo AG €0.3 million (€0.2 million in the previous year), BookRix GmbH & Co, KG €2.4 million (after €1.2 million in the previous year) and BEAM Shop GmbH, founded in September 2015, €0.1 million.

Revenue developed as follows at segment level: "Books" weaker than expected €48.3 million (previous year: € 56.5 million); "digital" slightly better than expected: €29.7 million (previous year: € 28.8 million; "non-books"

more than planned: €17.0 million (previous year: €14.5 million); "novel booklets and puzzle magazines" slightly less than planned: €9.8 million (previous year: €10.5 million). Above all, the decline in turnover in the "books" segment can be explained by a general decline in physical revenues across Germany, yet also is owed to the fact that hardcovers in particular generated higher revenues in the Christmas trade in the 2014/2015 fiscal year than in the 2015/2016 fiscal year. The increase in turnover in the "non-books" segment is above all a result of the positive development of Räder. Revenue in the "novel booklets and puzzle magazines" segment is hovering around the previous year's level.

Compared to the previous year, **material costs** have fallen from €53.1 million to €46.9 million. This can be traced back to expenses for purchased services, which fell from € 28.9 million in the previous year to € 26.6 million and the expenses for royalties and amortisation of author royalties fell from € 23.8 million to € 19.8 million. The reason for the lower royalty costs is the lower turnover and special depreciations on author royalties that are significantly lower than the previous financial year.

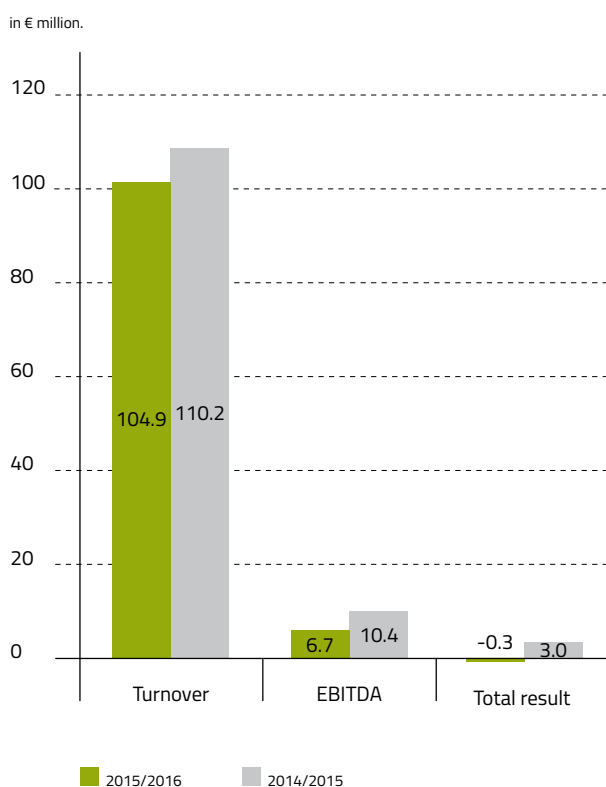
Compared to the previous year, **personnel costs** increased from €21.8 million to €24.0 million.

Other operating expenditure rose from €27.0 million in the previous year to €29.0 million. This increase was a result in particular of the deconsolidation loss ensuing from the sale of shares in Präsenta Promotion International GmbH.

EBITDA developed worse than expected - beyond the corrections to the participation evaluation - and sits at € 6.7 million in the group after the evaluation correction, following € 10.4 million the previous year. Here, the "books" segment contributed € 2.2 million (previous year: € 1.1 million), the "digital" segment € 1.4 million (previous year: €5.5 million); the "non-books" segment generated €1.4 million (previous year: €1.9 million); and the "novel booklets and puzzle magazines" segment generated €1.7 million (previous year: €1.9 million). EBITDA in the "book"

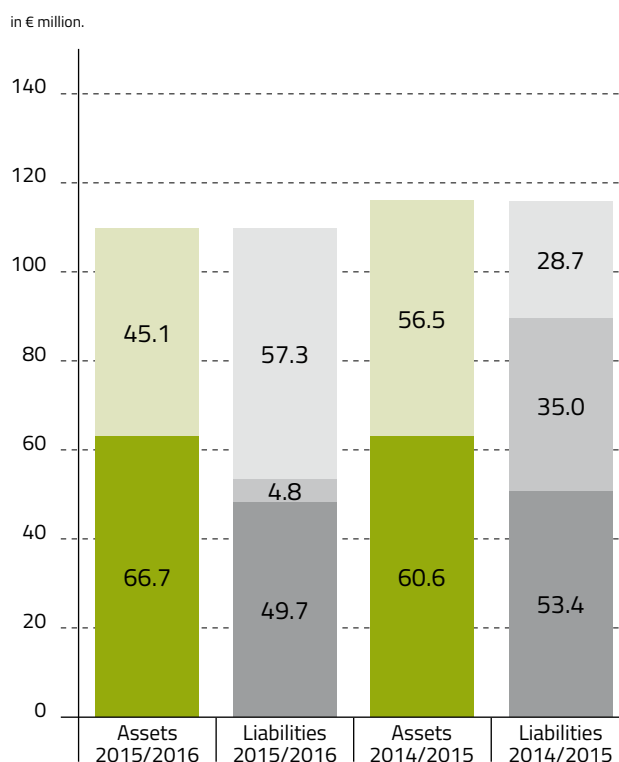
segment developed satisfactorily. EBITDA in the “novel booklets and puzzle magazines” segment and the “non-book” segment decreased slightly. In the “non-books” segment, the decline can be traced back to the loss from the sale of Präsenta Promotion International GmbH. The decline in the “digital” segment is essentially down to a decrease in turnover in the Audio and Bastei Entertainment segment, severance payments for management board members, and increased VAT resulting from the change to the statutory provisions. Hence, the turnover achieved from Luxembourg (Amazon, Apple etc.) has been subject to VAT of 19 per cent, not 3 per cent, since 1 January 2015.

All profit figures of the Bastei Lübbe Group are influenced by unplanned expenditure - beyond the corrections to the participation evaluation. This includes, amongst others, deconsolidation loss from Präsenta Promotion International GmbH, and expenses for compensation etc., of the withdrawn members of the Executive Board at a total of approx. €2.7 million). Overall, the profit for the period following the evaluation correction was -€ 0.3 million following € 3.0 million the previous year.



Assets position

The balance sheet total of Bastei Lübbe AG, compared to 31 March 2015, dropped by €5.4 million from €117.2 million to €111.8 million.



■ Long term assets ■ short term assets
■ Equity ■ Long term debts ■ short term debts

The **long term assets** amount to €66.7 million, compared to €60.6 million as of 31 March 2015. This increase is essentially down to investments in self-created computer games and in the streaming platform oolipo, as well as increased author royalties.

Current assets amounted to €45.1 million as at the cut-off date of 31 September 2015, following €56.5 million as at 31 March 2016. Inventories rose by €0.6 million to €20.3 million from €19.7 million, with trade receivables rising by €1.4 million to €18.3 million (following €16.9 million as at 31 March 2015), and financial assets were €0.7 million lower than they were as at 31 March 2015 (€5.3 million) at €4.6 million as

at 31 March 2016. Moreover, instruments of payment decreased by €13.1 million from €13.7 million as at 31 March 2015, to €0.6 million.

Equity, including own capital contributions of minority shareholders, totalled €49.7 million, following €53.4 million as at 31 March 2015. This decrease is the result of dividend payouts totalling approx. € 4 million. The equity ratio now stands at 44.4 per cent compared to 45.6 per cent in the previous year.

Debts have been reduced compared to the previous year by € 1.7 million from € 63.8 million to € 62.1 million. In addition, the bond of €30.0 million had to be annexed as per 31 March 2016 due to the repayment date (26 October 2016) into the short term debts, so that the remaining **long term debts** at €4.8 million as per 31 March 2016 are €30.2 million below those as per 31 March 2015 (€35.0 million). Due to the above mentioned annex of the bond, the short term debts at €57.3 million as per 31 March 2016 are considerably higher than those as per 31 March 2015 (€28.7 million).

Financial situation/liquidity/financing

Due to the high level of funds tied up in working capital, continued high investments, in particular in intangible

assets, and dividend payouts to shareholders, financial resources decreased significantly during the first half of the financial year 2015/2016. As per 31 March 2016, this was €0.6 million (previous year: €13.7 million) and includes cash assets and short term bank deposits.

In addition to equity, Bastei Lübbe has thus far been predominantly financed by a loan of a nominal € 30 million, which remains payable by October 2016. As early as October 2015, Bastei Lübbe had agreed on a consortium loan agreement with a total volume of €33 million with a notable bank consortium, which has since been increased to €53 million due to the acquisition of BuchPartner GmbH and LYX and the pre-financing of book titles from renowned authors. The consortium loan has a term of six years and should be used partly for paying back the bond and to ensure continued liquidity for Bastei Lübbe.

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

Employees

As of the end of the fiscal year, the Bastei Lübbe had 413 employees (excluding trainees, unpaid interns), compared to 420 employees in the 2014/2015 fiscal year. The employees of the subsidiaries Daedalic, oolipo, BEAM Shop and BookRix have been taken into account here.

Employee survey

An employee survey for the publishing sector was carried out in 2015 to gauge employee satisfaction and to identify potential for improvement. 93.6% of employees participated in the survey, which has exceeded the participation in the last survey in 2012. Improvements have been achieved in virtually all queried categories,

from satisfaction to identification and motivation, right through to leadership. The results of the employee survey were published throughout the publishing company. The results for individual teams were only disclosed and discussed within the respective teams in order to be able to specify effective measures for improvement.

Further training

Bastei Lübbe's employees form the foundation for success. We offer our employees a variety of educational and further training opportunities. Individual requirements for professional further training are determined during the course of annual meetings

held between the employee and manager as well as in consultation with the specialist departments, any wishes and requirements are consolidated and then used to put together our further training offers. This ranges from in-house training sessions to refresher courses for day-to-day IT skills or overlapping subjects such as project management, right through to specific personalised further training for individual employees in external training sessions. Support is also provided for studying parallel to employment as well as job-related studying. In addition, we are also working at a managerial level on cross-departmental management training programmes in order to further develop skills and self-reflection, improve cooperation and promote cross-divisional understanding.

Health management / company sports

Healthy, motivated and productive employees are a key requirements for everyday work. We are also continuing to develop our preventative health care offering for employees even further in addition to the work environment and further training opportunities. We are promoting preventative health schemes in a number of ways, ranging from massages and Health Days to providing support for regular sporting activities within the group of employees, such as football and yoga groups.

Family friendliness

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

Social Commitment

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

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

Responsibility across the value chain

Sustainability

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

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

Procurement

Amongst other things, long-term supplier relationships are key to the economic success of Bastei Lübbe. This applies to the most frequently outsourced service areas such as delivery, printing, paper procurement, etc. Bastei Lübbe mainly works with two leading German printing

houses for its printing services. Framework agreements extending over several years have been concluded with both of these companies. The same applies to deliveries.

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

Corporate Governance

The Company has addressed once more the content of the German Corporate Governance Code in the 2015/16 fiscal year. With a few exceptions, Bastei Lübbe adheres to the recommendations and suggestions of the Corporate Governance Code. The Executive Board and the Supervisory Board adopted a resolution on 9 June 2016 to issue a limited declaration of compliance pursuant to Section 161 of the Companies Act (Aktiengesetz - AktG), according to which the Company, with the exception of numbers 4.2.3 and 5.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 5 May 2015, published in the Federal Gazette on 12 June 2015. The current declaration of compliance, as well as all earlier declarations of compliance, are permanently available to shareholders on the Company website (see <https://www.luebbe.com/de/investor-relations/corporate-governance/erklarung-zur-unternehmensfuehrung>). Further information on Corporate Governance can be found in the "Corporate Governance Report".

Supplementary report

The following events of particular significance occurred for Bastei Lübbe after the balance sheet date:

1. By way of a notarised purchase contract dated 21 March 2016, Bastei Lübbe AG acquired a 51% participation in BuchPartner GmbH, with its

headquarters in Darmstadt, from the Gellert family. The purchase price for the 51% participation totalled € 10,200,000.00. The purchase contract became effective on 11 April 2016. As part of a provisional purchase price allocation, a portion of the purchase price has been transferred to the inventories as a step-up. The remainder of the purchase price shall be capitalised as goodwill. Klaus Kluge was appointed as Managing Director of BuchPartner GmbH alongside Mr Kai Gellert. The participation shall be fully consolidated from April 2016 onwards. The purchase price shall be financed via principle banks who have granted the syndicated loan totalling € 33 million. The syndicated loan has been increased for this purpose by an amount of € 10 million to € 43 million. The full consolidation of the participation means that sales revenues increased in the first financial year by approximately € 43 million, and that EBITDA has also increased within the framework of consolidation. The balance sheet total is also increased by this consolidation.

2. By way of a purchase contract dated 4 May 2016, Bastei Lübbe AG has acquired the brands "LYX" and "INK" from Egmont Verlagsgesellschaft mbH. It was also agreed that the editorial office employees (7) would receive a takeover offer. The provisional purchase price for the asset deal totals € 5.4 million plus VAT. In doing so, Egmont undertakes to transfer to Bastei Lübbe the various books held by VVA in Gütersloh as well as in other locations as on 31 May 2016, assign the author contracts – where legally possible to do so – and assign any outstanding warranty claims against the authors to Bastei Lübbe. The purchase price also includes a provisional amount for the payments made to authors and the external costs for producing the books arising after 31 May 2016. The business shall be financially transferred to Bastei Lübbe AG on 1 June 2016. In order to finance the purchase price for LYX as well as the pre-financing of various books, the syndicated loan of € 43 million (see Paragraph 1) has been

increased by an additional € 10 million to the current total of € 53 million. The forecast sales revenue with LYX is between € 7.0 and 8.0 million with an EBITDA share of at least 15 %.

3. On 26 and 29 July, the three Supervisory Board members Dr Friedrich Wehrle, Prof. Dr Michael Nelles and Prof. Dr Gordian Hasselblatt, tendered their resignations to take effect at the close of the coming ordinary Annual General Meeting. At the proposal of the Supervisory Board, the vacant posts are to be taken up by Mr Robert Stein, Prof. Dr Friedrich L. Ekey and Dr Mirko Alexander Caspar. It is planned that Mr Stein will take over as chairman.
4. On 23 August 2016, the Supervisory Board and Executive Board resolved to amend the published consolidated annual financial statement for the financial year 2015/16. This step became necessary due to the re-evaluation of the relationship with British investor Blue Sky Tech Ventures Ltd., London. Based on the balance-sheet structure of Blue Sky and contractual relationships with Bastei Lübbe AG, Bastei Lübbe AG has control of Blue Sky in the sense of IFRS 10. Blue Sky shall therefore be consolidated as of 31 March 2015 with effect of the sale of shares contract for oolipo. This has further significant effects on the consolidated annual financial statement, since both oolipo AG and Daedalic Entertainment GmbH

are to be fully consolidated as a result in the years 2014/15 and 2015/16. Moreover, interim profits from transactions with Bastei2B Ltd., a 100 per cent subsidiary of Blue Sky, are not applicable. Regarding further details, we refer you to our statements in the notes on the consolidated financial statement.

5. Four years after the last bestseller from author Dan Brown, Bastei Lübbe will publish in Germany the long-awaited next instalment in the bestseller series focusing on Harvard professor Robert Langdon on 26 September 2017.
6. The amendment to the consolidated annual financial statement of the company on 31 March 2016 and the resulting amendments to the balance sheet entitled the lending banks to rights to extraordinary termination. The banks refrained from exercising the rights to extraordinary termination with written communication of 14 October 2016 following submission of a preliminary report of independent accounts. In this regard, the financial figures to be achieved in future were adapted to meet current requirements.

The following memoranda were published after the balance sheet cut-off date in accordance with § 20 Para. 6 AktG [German Companies Act] and in accordance with § 26 Para. 1 WpHG [German Securities Trading Act] (§ 160 Para. 1 No. 8 AktG):

Notification of voting rights of 19/07/2016

1 Information on issuer: Bastei Lübbe AG, Schanzenstraße 6 - 20, 51063 Cologne, Germany

2. Reason for notification:	
<input type="checkbox"/>	Acquisition/disposal of shares with voting rights
<input type="checkbox"/>	Acquisition/disposal of instruments
<input type="checkbox"/>	Change in total number of voting rights
<input checked="" type="checkbox"/>	Other reason: Notification of holdings according to § 41 Para. 4f WpHG / Voluntary notification of consolidated holdings

3. Details of the persons subject to the disclosure requirement: Surname: Allianz SE; registered headquarters and state: Munich, Germany

4. Names of shareholders with 3 per cent or more voting rights, if deviating from 3.: Allianz Lebensversicherung-AG

5. Date on which threshold was reached: 02 July 2016

6. Total number of shares with voting rights:				
	Proportion of voting rights (Total 7.a.)	Proportion of instruments (Total 7.b.1. + 7.b.2.)	Total shares (Total 7.a. + 7.b.)	Total voting rights
new	9.77%	0.00%	9.77%	13300000
Last notification	9.77%	%	9.77%	/

7. Details on existing stocks of voting rights:					
a) Voting rights (§§ 21, 22 WpHG)					
ISIN	absolute	in %			
	direct	allocated	direct	allocated	
	(§ 21 WpHG)	(§ 22 WpHG)	(§ 21 WpHG)	(§ 22 WpHG)	
DE000A1X3YY0		1300000	%	9.77%	
Total	1300000		9.77%		
b.1. Instruments in the sense of § 25 Para. 1 No. 1 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Voting rights absolute	Voting rights in %	
				%	
		Total		%	
b.2. Instruments in the sense of § 25 Para. 1 No. 2 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Cash settlement or physical transaction	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information regarding obligations of disclosure:			
<input type="checkbox"/>	A person obliged to disclose (3.) is not controlled, nor does he control other companies with voting rights of the issuer (1.) relevant for disclosure.		
<input checked="" type="checkbox"/>	Complete chain of subsidiaries, beginning with the uppermost controlling person or uppermost controlling company:		
Company	Voting rights in %, if 3 per cent or higher	Instruments in %, if 5 per cent or higher	Total in % if 5 per cent or higher
Allianz SE	%	%	%
Allianz Asset Management AG	%	%	%
Allianz Global Investors GmbH	9.77%	9.77%	9.77%

9. In case of power of authority pursuant to § 22 Para. 3 WpHG (only possible in case of assignment pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG):	
Date of Annual General Meeting:	
Total proportion of voting rights after Annual General Meeting:	% (corresponds to voting rights)

Notification of voting rights of 20/07/2016 | Correction to publication of 19/07/2016

1 Information on issuer: Bastei Lübbe AG, Schanzenstraße 6 - 20, 51063 Cologne, Germany

2. Reason for notification:	
	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total number of voting rights
X	Other reason: Notification of holdings according to § 41 Para. 4f WpHG / Voluntary notification of consolidated holdings

3. Details of the persons subject to the disclosure requirement: Surname: Allianz SE; registered headquarters and state: Munich, Germany

4. Names of shareholders with 3 per cent or more voting rights, if deviating from 3.: Allianz Lebensversicherung-AG

5. Date on which threshold was reached: 02 July 2016

6. Total number of shares with voting rights:				
	Proportion of voting rights (Total 7.a.)	Proportion of instruments (Total 7.b.1. + 7.b.2.)	Total shares (Total 7.a. + 7.b.)	Total voting rights
new	9.77%	%	9.77%	13300000
Last notification	9.77%	%	9.77%	/

7. Details on existing stocks of voting rights:					
a) Voting rights (§§ 21, 22 WpHG)					
ISIN	absolute	in %			
	direct	allocated	direct	allocated	
	(§ 21 WpHG)	(§ 22 WpHG)	(§ 21 WpHG)	(§ 22 WpHG)	
DE000A1X3YY0		1300000	%	9.77%	
Total	1300000		9.77%		
b.1. Instruments in the sense of § 25 Para. 1 No. 1 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Voting rights absolute	Voting rights in %	
				%	
		Total		%	
b.2. Instruments in the sense of § 25 Para. 1 No. 2 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Cash settlement or physical transaction	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information regarding obligations of disclosure:			
	A person obliged to disclose (3.) is not controlled, nor does he control other companies with voting rights of the issuer (1.) relevant for disclosure.		
X	Complete chain of subsidiaries, beginning with the uppermost controlling person or uppermost controlling company:		
Company	Voting rights in %, if 3 per cent or higher	Instruments in %, if 5 per cent or higher	Total in % if 5 per cent or higher
Allianz SE	%	%	%
Allianz Asset Management AG	%	%	%
Allianz Global Investors GmbH	9.77%	9.77%	9.77%
Allianz SE	%	%	%
Allianz Deutschland	%	%	%
Allianz Lebensversicherung AG	9.77%	%	9.77%

Notification of voting rights of 28/07/2016

1 Information on issuer: Bastei Lübbe AG, Schanzenstraße 6 - 20, 51063 Cologne, Germany

2. Reason for notification:	
X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total number of voting rights
	Other reason: Notification of holdings according to § 41 Para. 4f WpHG / Voluntary notification of consolidated holdings

3. Details of the persons subject to the disclosure requirement: Surname: LAZARD FRERES GESTION S.A.S.; registered headquarters and state: Paris, France

4. Names of shareholders with 3 per cent or more voting rights, if deviating from 3.:

5. Date on which threshold was reached: 21 July 2016

6. Total number of shares with voting rights:				
	Proportion of voting rights (Total 7.a.)	Proportion of instruments (Total 7.b.1. + 7.b.2.)	Total shares (Total 7.a. + 7.b.)	Total voting rights
new	3.07%	%	3.07%	13300000
Last notification	%	%	%	/

7. Details on existing stocks of voting rights:					
a) Voting rights (§§ 21, 22 WpHG)					
ISIN	absolute	in %			
	direct	allocated	direct	allocated	
	(§ 21 WpHG)	(§ 22 WpHG)	(§ 21 WpHG)	(§ 22 WpHG)	
DE000A1X3YYO	408001		3.07%	%	
Total	408001		3.07%		
b.1. Instruments in the sense of § 25 Para. 1 No. 1 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Voting rights absolute	Voting rights in %	
				%	
		Total		%	
b.2. Instruments in the sense of § 25 Para. 1 No. 2 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Cash settlement or physical transaction	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information regarding obligations of disclosure:			
X	A person obliged to disclose (3.) is not controlled, nor does he control other companies with voting rights of the issuer (1.) relevant for disclosure.		
	Complete chain of subsidiaries, beginning with the uppermost controlling person or uppermost controlling company:		
Company	Voting rights in %, if 3 per cent or higher	Instruments in %, if 5 per cent or higher	Total in % if 5 per cent or higher

9. In case of power of authority pursuant to § 22 Para. 3 WpHG (only possible in case of assignment pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG):	
Date of Annual General Meeting:	
Total proportion of voting rights after Annual General Meeting:	% (corresponds to voting rights)

Notification of voting rights of 14/09/2016

1 Information on issuer: Bastei Lübbe AG, Schanzenstraße 6 - 20, 51063 Cologne, Germany

2. Reason for notification:	
X	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total number of voting rights
	Other reason: Notification of holdings according to § 41 Para. 4f WpHG / Voluntary notification of consolidated holdings

3. Details of the persons subject to the disclosure requirement: Surname: Natixis Asset Management; registered headquarters and state: Paris, France

4. Names of shareholders with 3 per cent or more voting rights, if deviating from 3.:

5. Date on which threshold was reached: 08 September 2016

6. Total number of shares with voting rights:				
	Proportion of voting rights	Proportion of instruments	Total shares	Total voting rights
	(Total 7.a.)	(Total 7.b.1. + 7.b.2.)	(Total 7.a. + 7.b.)	
new	3,036%	%	3,036%	13300000
Last notification	%	%	%	/

7. Details on existing stocks of voting rights:					
a) Voting rights (§§ 21, 22 WpHG)					
ISIN	absolute	in %			
	direct	allocated	direct	allocated	
	(§ 21 WpHG)	(§ 22 WpHG)	(§ 21 WpHG)	(§ 22 WpHG)	
DE000A1X3YY0	403820		3,036%	%	
Total					
b.1. Instruments in the sense of § 25 Para. 1 No. 1 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Voting rights absolute	Voting rights in %	
				%	
		Total		%	
b.2. Instruments in the sense of § 25 Para. 1 No. 2 WpHG					
Type of instrument	Maturity/lapse	Exercise period / term	Cash settlement or physical transaction	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information regarding obligations of disclosure:			
	A person obliged to disclose (3.) is not controlled, nor does he control other companies with voting rights of the issuer (1.) relevant for disclosure.		
X	Complete chain of subsidiaries, beginning with the uppermost controlling person or uppermost controlling company:		
Company	Voting rights in %, if 3 per cent or higher	Instruments in %, if 5 per cent or higher	Total in % if 5 per cent or higher

9. In case of power of authority pursuant to § 22 Para. 3 WpHG (only possible in case of assignment pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG):	
Date of Annual General Meeting:	
Total proportion of voting rights after Annual General Meeting:	% (corresponds to voting rights)

No further events have occurred that are of material importance for Bastei Lübbe and might result in a change in opinion regarding the Group's position.

Risk and opportunity report

Risk management system

The primary objective of Bastei Lübbe AG is to expand revenue and to increase the EBITDA in particular, as well as to achieve sustainable positive earnings to increase the value of the Company. As an internationally-active company, we are exposed to a variety of business opportunities as well as risks. Bastei Lübbe aims to achieve a balanced opportunity/risk ratio, regularly analysing and monitoring the opportunities and risks of business activities as well as taking appropriate action where necessary.

The Management Board performed a full risk inventory during the financial year 2014/2015. A new general risk management system has also been introduced. The aim of the risk management system is to promptly identify risks for the Group so that counter-measures can be taken and controls effected. Calculable, appropriate, controllable risks are entered into consciously where a reasonable rate of return is to be expected. Risks are insured against where possible. Suitable countermeasures are taken for all other risks, and adherence to these measures is regularly monitored. The steering measures and risk situations are revised and updated on request, but at least once a year.

The risk management system regulates the recognition and examination of risks in the following areas in particular:

- Strategic risks
- Operative risks
- Financial 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. Where risks emerge that have a major impact on the risk situation of the Company, the Executive Board is informed immediately. The Executive Board regularly reports to the Supervisory Board on risk management.

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

Accounting-related risk management system and internal control system

The goals of the accounting-related risk management system and internal control system are to ensure the reliability of external and internal accounting and the timely provision of information. In addition, reporting should be a representation of the asset, financial and profit situation of Bastei Lübbe corresponding to the true circumstances. One core function of the accounting and financial reporting processes is the steering of Bastei Lübbe AG and its operational units. This is based on the targets set by the Executive Board. Based on the three-year plan and the monthly forecast planning, a rolling medium-term plan is compiled.

As a rule, the four-eye principle is implemented for reporting and as part of the closing processes. In addition, organisational measures are in place in connection with access permission to accounting and financial systems. Bastei Lübbe's accounting process is designed to be

appropriate to the size of the Group. The accounting-related business data of the integrated Group companies are collected together at Group headquarters. Group headquarters monitors compliance with accounting provisions as well as content-related compliance with work-flows.

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

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

Significant risks

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

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

Negligible: Impact on EBITDA < € 1 million

Moderate: Impact on EBITDA € 1-5 million

Significant: Impact on EBITDA > € 5 million

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

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

Promising titles absent from range

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

Bastei Lübbe plans content within a time-frame of 18 to 24 months. This applies to the books segment, both for physical as well as digital products. For the digital and physical sectors, a list of content is produced, arranged according to genre, content and release date. This arrangement means that it can be identified early on if one or more titles are lacking in a genre for the fiscal year. Lists are compiled on a monthly basis and made available to the management and to the Executive Board.

Poor financial results from holding companies

Bastei Lübbe's economic success will continue to depend on the financial results of our holdings. There is the risk with new shareholdings that the hoped-for integration does not succeed. This could have a negative impact on Bastei Lübbe's profitability.

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

Once every quarter (after presentation of the respective consolidated accounts), the directors of the holdings meet in Cologne for talks with the Executive Board of Bastei Lübbe AG. Here, all significant events of the last quarter are discussed and important new projects presented.

IT risks

Bastei Lübbe has its own IT department. Significant tasks are outsourced so that the Company can remain capable of operating, at least partially and for a certain time,

without internal IT structures. This means that the direct economic risk is reduced considerably. Particular mention should be made here of the central delivery department with debtor management, the banking system accessible via traditional means for incoming and outgoing payments, and the outsourced services of payroll accounting.

Loss of assets because of risks faced by holdings

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

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

Key persons risk

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

Opportunity report

As well as reducing and avoiding risk, Bastei Lübbe's risk management programme includes the long-term securing of the Company by balancing opportunity and risk. This means that opportunities are regularly identified, analysed and evaluated as to how the Company might target and exploit them. Analogous to the significant risks, opportunities exist in the following areas:

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

The identified significant opportunities will be described below.

Strategic opportunities

Strategic opportunities arise from altered market conditions. Bastei Lübbe has particularly identified the mega trends of digitalisation and internationalisation as well as changes in customers' reading behaviour as being particularly relevant for the future of the business.

Opportunities through digitalisation

Increasing digitalisation enables Bastei Lübbe to access new areas of business. Numerous special electronic eBook readers such as Kindle or Tolino which provide the customer with a convenient digital reading experience have come onto the market in recent years. Books are also increasingly being read on smartphones or tablets. More and more artists in the music and film industries, for example, are offering their digital content over the Internet.

Bastei Lübbe has been very early, compared to other publishers, in developing and marketing digital content. In this way, we have taken on a pioneer role in the digital media business, and this should be further expanded in future.

Alongside the considerable growth in digital business, the trend has also clearly been veering away from purchasing single items of content and towards subscription models or flat-rates for digital content via streaming technology. So far, the book industry has been slower to "go digital" than the film or music industries, but it holds a far greater development potential, given

that the book industry is around three times larger on a global level. Bastei Lübbe has recognised the enormous potential of the subscription and streaming markets for reading content, and is working hard to develop a worldwide platform for short-format reading content through oolipo AG. The product is to be developed strictly on the lines of the "mobile first" concept.

Opportunities through internationalisation

The focus of our turnover continues to be in Germany. Our internationalisation strategy supposes that our internationally-generated revenue will continue to grow. In order to reach this goal, Bastei Lübbe is working on the development of in-house content (Own IPs/ Intellectual Properties), alongside the international streaming platform described above. The advantage is that Bastei Lübbe will not only own the German-language and territorial rights, but will also be able to market the content in all languages right across the globe. Should Bastei Lübbe choose not to exploit all the rights itself, these may also be sold as licences.

Bastei Lübbe already produces a considerable number of titles in English and in some cases in Mandarin in addition to German.

In the 2014/15 financial year, a joint venture was founded together with Imperative Entertainment, a multi-platform entertainment studio based in the USA, in order to develop international content. Cooperation for the creation of content is also being developed in China. At the end of the financial year, a cooperation agreement was concluded here with the Chinese publisher Jing Dian Bo Wei in the middle of April 2016.

The titles will be marketed through various channels, not just in German-speaking areas but also worldwide. Internationalisation will continue to be pushed in the coming years. Alongside the direct sale of content, cooperation with marketing partners and the development of the international licence business is also possible.

Opportunities through changed reading habits

People's reading habits are changing. Some people now want in digital form the content that they read before in analogue form. Others, especially young people, read much less, frequently not reading books at all, but preferring to spend their time on their smartphones.³² Publishers must react to these altered reading habits and for example address these young book customers with an appropriate range of material. If Bastei Lübbe were able to reach this young generation of people with changed reading habits, there would be huge potential for the future.

Other opportunities

Bastei Lübbe also tries to take advantage of other opportunities that come along. For example, raising profit with the same or lower expenditure by acquiring a promising title on favourable terms or through efficient processes (operative opportunities). We also try to utilise

highly-qualified, competent managers and employees to the best of their abilities (personnel opportunities). Other opportunities may arise from changes in the legal or regulatory framework.

Overall view

Taking into account possible losses and the probability of occurrence of these risks and other potential risks, there are not, at present, any discernible risks during the current financial year that could lead to a permanent and significant impairment of the assets, financial and profit situation. Organisationally, all equitable prerequisites have been put in place to enable the Company to be informed early on in the event of potential risk situations and take appropriate action.

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

³² http://www.buchreport.de/nachrichten/verlage/verlage_nachricht/datum/2015/04/22/warum-bedroht-candy-crushden-buchmarkt-herr-markowetz.htm

Forecast

Economic conditions

The World Bank has revised its estimates for the global economy downwards for 2016. They are now only expecting to see growth of 2.4 %. The reason for this is, in essence, the decreased growth prospects in developing countries due to the lower prices of raw materials. In China, the transition of the economy is quite visible. Even if development appears to be robust in the services sector, policy support is necessary to absorb the shock of the slowing down of industrial activity. In the past, China contributed up to one quarter of the world's growth with a growth rate of 10.0 per cent; in 2016, however, the Chinese economy will foreseeably grow by just 6.7 per cent.³³ The general weakness of developing countries and the significant decrease in raw material prices have significant effects on global economic growth.

According to experts at the Institut für Weltwirtschaft (Institute for World Economy), developing countries are only gaining in dynamism at a slow rate, even though prospects have been improved by slightly increased oil prices. The far-reaching structural problems are inhibiting any quick recovery, however.³⁴ Although the Chinese economy has indeed recently begun to gain momentum thanks to economic stimulus packages, the long-term trend towards lower growth rates is however expected to continue. According to the experts, the global economy remains susceptible to influencing factors as well. Risks originate in particular from financial markets, on which there could be turbulence in the course of monetary policy drifting apart in the major currency areas.³⁵

The IMF forecasts the gross domestic product (GDP) figure in the USA to be in positive territory of 2.2 % for 2016. GDP in the USA had grown by 2.4 % in 2015. The

IMF rates the general price developments, increasing improvement in the labour market and growth in consumer spending as positive. The unemployment rate fell accordingly to 4.9 % at the start of 2016.³⁶ In December 2015, the US central bank, the Federal Reserve (Fed), raised its base rate for the first time in nine years. In view of the uncertainties surrounding the development of the US economy, it remains to be seen what additional base rate steps the Fed will take.³⁷

According to the Kiel Institute for the World Economy (IfW), the economy is gradually gaining momentum in Europe and is expected to grow in the next two years by 1.7 % and 1.9 % respectively.³⁸

The revival is ongoing in Germany. The Kiel Institute for the World Economy (IfW) is expecting a growth rate of 1.9 % for 2016. The IMF is more cautious, forecasting growth of 1.6 %. In the same way as before, the driving forces behind the revival are strong household consumption figures and rising investment activity. Higher income growth as a result of favourable labour market developments is the reason here for the strongest level of growth in 15 years, along with other temporary factors helping to increase buying power, such as lower oil prices, pension increases and tax cuts. As for consumer prices, economists expect to see growth of 0.5 % this year and 1.6 % in 2017 as a result of the end of the oil price effect that is helping to suppress prices. The German economy is currently facing a variety of challenges, whether it be the immense flow of migrants, the energy revolution in Germany or the weak economic situation in emerging countries. The uncertainty over how the changes to these framework conditions will impact the economy as a whole has increased a great deal.^{39 40}

³³ <http://www.worldbank.org/en/news/press-release/2016/06/07/world-bank-cuts-2016-global-growth-forecast>

³⁴ https://www.ifw-kiel.de/wirtschaftspolitik/prognosezentrum/konjunkt/2016/kkb_15_2016-q1_welt_text_kurzfassung.pdf

³⁵ <http://pubdocs.worldbank.org/en/842861463605615468/Global-Economic-Prospect-2016-Divergences-and-risks.pdf>

³⁶ http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/USA/Wirtschaft_node.html

³⁷ <http://www.imf.org/external/pubs/ft/weo/2016/update/02/index.htm>

³⁸ https://www.ifw-kiel.de/pub/kieler-konjunkturberichte/2016/kkb_19_2016-q2_welt_de.pdf

³⁹ <https://www.ifw-kiel.de/medien/medieninformationen/2015/winterprognose-des-ifw-aufschwung-in-deutschland-setzt-sich-fort>

⁴⁰ https://www.ifw-kiel.de/pub/kieler-konjunkturberichte/2016/kkb_20_2016-q2_deutschland_de.pdf

Future industry situation

With regards to the decision of the Börsenverein des Deutschen Buchhandels not to publish any data on the monthly development of the book market on the grounds of the contractual negotiations of market research and bookseller companies, the following statements only give a limited picture of the development of the book market. As a result, competition in book market research resulting from the conclusion of exclusivity contracts will lead to a loss of quality if sales figures are not recorded for all purchase and sales types.^{41 42 43 44}

According to the market research company Media Control, the first half of 2016 in the German book trade was stable with a slight increase in turnover of 0.2 per cent following the negative trend of the previous year. The reason for the increase in turnover, despite decreases in turnover in May 2016 of 3.4 per cent and in June 2016 of 4.2 per cent, is a good first quarter of 2016 with an increase of 2.4 per cent generated by a lively Easter period.^{45 46} E-Commerce data is not recorded by Media Control; as the largest online book seller, Amazon does not provide the company with any data. The figures from the Media Control Book-Range Monitor only represent a part of the book industry. Moreover, according to its own information, Media Control only processes turnover made from cash transactions; invoice customers are not recorded.

Overall, the book industry looks set to have a good year in 2016. A key role could mean that the book trade begins to expand its successful multi-channel strategy:

This combination of professional online service and on-site purchasing is seen by bookshops as an investment in the future.⁴⁷ The trend report Children's and Young Adult Books 2016 also shows that book culture in Germany plays a big role in the integration of immigrants. The illustration of the varied situations of immigrants is also of importance in the social debate. The book industry has the potential to benefit this year from the function of books as accelerators of integration and from the interest of the population in immigration.⁴⁸ The significance of the book industry in a democratic and pluralistic society, as well as the success of digital developments in multi-channel strategies, is evident from the ten-year comparison, in which the book industry is able to maintain its turnover level despite increasing competition from other media.⁴⁹ The decision of the Federal Government of Germany to legally anchor price fixing for eBooks will support the development of the book industry in digital business models too.⁵⁰

The **novel booklets** segment has posted a fall in sales development in the past few months during the same period of the previous year. Apart from a temporary increase in sales, the publication initiative started by a competitor has not managed to achieve any notable effect. Unlike the puzzle magazine market, a Media Control study has shown that the classic novel booklet segment only has one large market player besides Bastei Lübbe. Bastei Lübbe continues to be the leading German supplier of men's novel booklets. Together with strong customer loyalty, Bastei Lübbe attaches great importance

⁴¹ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1080886

⁴² http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1115210

⁴³ <http://www.boersenverein.de/1090567/>

⁴⁴ http://www.boersenblatt.net/artikel-branchen-monitor_buch.1097555.html

⁴⁵ <https://www.buchreport.de/2016/07/08/schwache-buchkonjunktur-im-juni/>

⁴⁶ <https://www.buchreport.de/2016/04/12/ostergeschaefit-sorgte-fuer-gutes-1-quartal/>

⁴⁷ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1080886

⁴⁸ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1107136

⁴⁹ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1115210

⁵⁰ http://www.boersenverein.de/de/portal/Presse/158382?presse_id=1094830

to wider distribution. The Company's core markets also include Austria. Special items and specially compiled ranges are supplied to the most important European holiday destinations (visited by German people) during the holiday season as well as on a seasonal basis. Greater importance is attached to regular readers and the bond between reader and publication in the case of novel booklets. This is achieved and indeed promoted by the sequel-like and serial nature of the products. A positive image and strong customer loyalty are hence also crucial in this segment in light of the market characteristics.

The **puzzle markets** saw a slight dip in sales in 2015 compared to the previous year. While competitions continued to see further declines, sales grew in the "Rätsel allgemein Großformat" ["General Large-Format Puzzles"] and "Rätsel mit Mutterobjekt allgemein" ["Puzzles With General Parent Object"] sub-groups operated by Bastei Lübbe. The importance of well-known brands is increasingly outbalanced as a result of the intense competition and interchangeability of many puzzle books. As a result, some of the most successful launches in the past few months include "Bild der Frau Rätsel" and "Neue Post Rätsel" from the house of Bastei Lübbe. The puzzle market is characterised by a heterogeneous target group with a particularly loyal and passionate readership. In addition to the increasingly attractive nature of online puzzles, solving crosswords in a magazine using a pen remains popular. Thanks to new formats such as sudoku, the puzzle fan community in Germany is becoming both larger and younger. Guessing games are used both as a technique to increase creativity in companies as well as to preserve mental efficiency in the elderly. According to the experts, there is hardly any

need at present to get rid of the crossword, particularly given that younger target audiences are once again being attracted to the charm of the crossword and use it as an alternative to online activities. When purchasing puzzle magazines, customers predominantly go for double purchases and buy two or more magazines at the same time.⁵¹ The number of puzzle fans in Germany overall therefore has the potential to develop positively in the coming years.

The **non-book** segment comprises gift items sold under the Räder label, as well as merchandise and similar products. The **gift market** saw declining levels of dynamism in 2015. According to a survey on planned average expenditure for Christmas presents in Germany, consumers in Germany in 2015 wanted to spend on average € 274 on Christmas presents - around 4.0 per cent less than the year before.⁵² According to a GfK survey, the industry was therefore able to expect a turnover volume for presents of around € 14.3 billion in the Christmas period. This corresponds to a fall of around 5.0 %. The reason for this is the increased willingness to donate. The volume of donations had increased by almost 14.0 % up to and including September 2015.⁵³

Bastei Lübbe AG has been allocating the areas of e-books, audio and gaming to the new **Digital** segment since the financial year 2015/2016.

The establishment of **e-Books** has ensured a shift in market share in favour of electronic books – albeit at a low level. Average annual growth of 0.6 % is expected up until 2019, primarily derived from the growth in sales of e-books in the fiction segment. Overall, sales of fiction books are expected to grow in the coming years by an average of 1.2 % per year, reaching a volume of around

⁵¹ <http://www.pgmitte.de/files/PDF/EH/VDZ%20RCR-EH.pdf>

⁵² <http://de.statista.com/statistik/daten/studie/208623/umfrage/durchschnittliche-ausgaben-fuer-weihnachtsgeschenke-in-deutschland/>

⁵³ <http://www.gfk.com/de/insights/press-release/deutsche-geben-weniger-fuer-weihnachtsgeschenke-aus-spenden-aber-mehr/>

€ 4.7 billion by 2019. The proportion of sales of e-books should be around 16.4 % by 2019. PwC is expecting to see overall average annual growth in sales in the market of 1.3 %, amounting to around € 3.1 billion by 2019. In this, e-books will not only partially substitute printed books, but will also help to over-compensate for the decline in sales in the print sector.⁵⁴

The **games industry** is looking forward to the years to come with optimism. The experts from PwC expect the market for computer and video games to remain a dynamic growth market, forecasting average annual growth rates of 3.8 %. The most significant development in the German video games industry can be found in the social/casual games sector, which also takes into account the sales generated from games for smart phones and tablets and, in doing so, records income from micro-transactions - i.e. through purchasing virtual goods. In addition to the continued growth in the social/casual games sector, revenues in the classic games for PCs and consoles sector are also expected to stabilise once again in the medium-term. Although classic physical sales will indeed remain a key distribution channel, the proportion in relation to digital sales will however continue to decline both for PCs as well as for consoles. The continuously improving technical performance and increasing distribution of smart phones and tablets will in principle act as a driver of sales. The increasing quality and complexity of games will also contribute to this, whereby an increased willingness to pay on the part of players has been achieved alongside an expansion of the general user base. Where games in this segment were, until very recently, primarily designed for ease of access and entertainment, now you can find numerous games from well-known genres for PCs and consoles on mobile devices too.

An increasing number of video game providers are now beginning to offer them on a cloud basis. Although the German market has indeed not been developed a great deal when compared internationally, various

participants have in the meantime begun offering improved products and agreed new levels of cooperation. As a result cloud gaming now has better opportunities to develop its potential within the video games market, establish itself there and generate an increasing level of sales.

Outlook

The 2016/2017 financial year will once again be characterised by efforts related to the transition to an international media company. Digital sales will increase due to the significant expansion of the business sector of Daedalic Entertainment GmbH and the launch of the streaming platform oolipo AG. Both are key steps into the future for the digital sector. The majority participation in BuchPartner GmbH will be fully consolidated from 1 April 2016.

Taking into account the new acquisitions and full consolidation of the participations in BuchPartner GmbH, BookRix GmbH & Co. KG, Daedalic Entertainment GmbH, oolipo AG and BEAM Shop GmbH, Bastei Lübbe is expecting to see consolidated sales of € 150 - 160 million for the 2016/ 2017 financial year. The primary contributions to this will be around € 103 million from Bastei Lübbe AG, around € 13 million from Daedalic Entertainment GmbH and € 40 million from BuchPartner GmbH. In the next two financial years, revenue should then rise by around € 190 million to € 200 million. This results from the higher digital sales of Daedalic Entertainment GmbH, but also significant growth in sales by Bastei Lübbe AG as a result of the release of various blockbusters during the 2017/2018 financial year.

Turnover in the "book" and "digital" segments will foreseeably increase. The "Non-book" segment is expected to remain stable from a revenue perspective. Sales in the "Novel booklets and puzzle magazines" segment are expected to be slightly down compared to the previous year. Furthermore, there will, for the first time, be a fifth segment with the "Retail" label in which

⁵⁴ <https://outlook.pwc.de/outlooks/2015-2019/buchmarkt/>

the revenues of BuchPartner GmbH will be depicted.

EBITDA in the financial year 2016/2017 is expected to be significantly above the EBITDA of the previous financial year – even without possible positive effects of a possible deconsolidation of Blue Sky and subsequent evaluation at fair value – at a value of between € 13 million and € 15 million. This is in particular the result of the acquisition of BuchPartner GmbH and of the label LYX, as well as the growth in the “book” segment. BuchPartner and Daedalic will foreseeably contribute EBITDA in the amount of € 2 million and € 4 million respectively. Due to its starting losses, an EBITDA of around -€ 1.0 million is expected for oolipo.

The forecasted growth in revenue is accompanied by an expected increase in EBITDA by more than 100 % in the 2017/2018 financial year compared to the 2016/2017 financial year. This can in particular be attributed to blockbusters in the “books” segment as well as to the increased EBITDA of participations.

The EBITDA of the “book” segment should grow in the next year. The EBITDA of the “digital” segment may foreseeably even double. The EBITDA in the “non-book” and “novel booklets and puzzle magazines” segments will foreseeably remain stable, in line with the expected development in turnover. Moreover, the “retail” segment will for the first time make a significant contribution to the EBITDA at a group level.

It should be noted, with regard to the assets and financial position, that the balance sheet total will be significantly increased by the newly acquired participations in the next financial year. Equity is expected to rise when considered in absolute terms, but will fall on a percentage basis.

The 2016/2017 financial year will be primarily characterised by the integration of the purchased companies BuchPartner GmbH and LYX, the launch of the oolipo AG platform and the expansion of the business sectors of Daedalic Entertainment GmbH. Development of the oolipo series platform for streaming content is

on schedule. The first beta version was launched at the start of August 2016. The launch will be held in 2016 as planned. Discussions with foreign publishers who are considering interest in acquiring the oolipo business idea outside of the DACH, UK and USA areas are ongoing. In addition to the global rights for Ken Follett’s “The Pillars of the Earth” (“Die Säulen der Erde”), Daedalic Entertainment GmbH is shortly expected to purchase additional well-known brands in order to develop adventure games, particularly in America. In addition, Daedalic Entertainment GmbH is now set up in such a way so that any games developed in-house are not only available for PCs but also for all general consoles as well as digitally. This is also expected to lead to significant sales and EBITDA growth in the following financial years.

Bastei Lübbe intends to work together with BuchPartner GmbH to improve the commercialisation of pocket books and to attract new customers. As a result, a certain level of investment will be required in the next financial year, the fruits of which should begin to be borne particularly in the 2017/2018 financial years and beyond. The credit volume made available to Bastei Lübbe AG in the form of a syndicated loan with a maturity of six years has been increased to € 53 million as a result of the acquisition of BuchPartner GmbH and LYX. The Bastei Lübbe Group still possesses a stable financial and liquidity structure, and is in a position to fulfil its payment obligations at all times.

The Executive Board anticipates positive overall developments for the current year and, in particular, for the upcoming financial years.

Remuneration report

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

Executive Board remuneration

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

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

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

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

In the 2013/14 fiscal year, the variable compensation was calculated on the basis on EBIT in accordance with IFRS. It was decided at the Supervisory Board meeting held on 26 March 2015 that, from the 2014/15 fiscal year onwards, the basis of calculation for the management bonus is the consolidated EBITDA in accordance with IFRS. The variable remuneration consists of an immediately-effective component and a component arranged as a long-term incentive. The short-term bonus, which makes up 70% of the total variable remuneration,

is paid out when it has been ascertained that the goals for the past fiscal year have been met. The longer-term component, which makes up 30% of the whole variable compensation, remains in the company for a further two years. Each 15% is only paid out in the next two years when an EBITDA margin of at least 5% was achieved in those fiscal years.

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

Fringe benefits include essentially the use of company cars; Mr Plathner's compensation package (up until August 2015) also includes reimbursement for the costs of running two households.

The members of the Executive Board did not receive any pension commitments in the 2014/15 financial year, but they did receive a pension of € 20,000 each year with effect from 1 April 2015.

The entire remuneration of the Executive Board for the 2015/16 fiscal year, as well as allocations in non-variable and variable compensation, is shown in the tables below (recommended by the Corporate Governance Code). The remuneration for Mr Plathner represents proportionate compensation for the months September 2014 until March 2015, and the remuneration for Mr Plathner and Mr Rudloff also include one-off payments related to their departure.

Remuneration of the Executive Board (Benefits granted)

in KEUR	2015/16 Initial value	Thomas Schierack Chairman since 09 July 2013			Klaus Kluge Director, Marketing & Sales since 09 July 2013			
		2015/16 min.	2015/16 max.	2014/15	2015/16 Initial value	2015/16 min.	2015/16 max.	2014/15
Non-variable compensation	400	400	400	400	280	280	280	260
Fringe benefits	12	12	12	12	9	9	9	7
Sum of non-variable compensation	412	412	412	412	289	289	289	267
One-year variable compensation								
Management bonus	79	0	unlimited	155	53	0	unlimited	93
Multi-year variable compensation								
Management bonus 2015/16 - 2017/18	34	0	unlimited	-	23	0	unlimited	-
Management bonus 2014/15- 2016/17	-	0	unlimited	66	-	0	unlimited	40
Other variable compensation	295	-	-	-	-	-	-	-
Compensation	-	-	-	-	-	-	-	-
Sum of variable compensation	408	0	unlimited	221	76	0	unlimited	133
Pension benefits	20	20	20	-	20	20	20	-
Total remuneration	840	432	unlimited	633	385	309	unlimited	400

in KEUR	2015/16 Initial value	Felix Rudloff Director, Programme 9 July 2013 - 31 December 2015			Jörg Planther Director, Digital 1 September 2014 - 18 August 2015			
		2015/16 min.	2015/16 max.	2014/15	2015/16 Initial value	2015/16 min.	2015/16 max.	2014/15
Non-variable compensation	130	130	130	200	95	95	95	146
Fringe benefits	7	7	7	9	4	4	4	12
Sum of non-variable compensation	137	137	137	209	99	99	99	158
One-year variable compensation								
Management bonus	-	0	unlimited	93	17	0	unlimited	54
Multi-year variable compensation								
Management bonus 2015/16 - 2017/18	-	0	unlimited	-	7	0	unlimited	-
Management bonus 2014/15- 2016/17	-	0	unlimited	40	-	0	unlimited	23
Other variable compensation	-	-	-	-	-	-	-	-
Compensation	320	-	-	-	550	-	-	-
Sum of variable compensation	320	0	unlimited	133	574	0	unlimited	77
Pension expenses	20	20	20	-	20	20	20	-
Total remuneration	477	157	unlimited	342	693	119	unlimited	235

Remuneration of the Executive Board (allocations)

	Thomas Schierack Executive Board Chairman since 9 July 2013		Klaus Kluge Director, Marketing & Sales since 9 July 2013		Felix Rudloff Management Board Programme since 9 July 2013		Jörg Plathner Management Board Digital since 1 Sep 2014	
in KEUR	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Non-variable compensation	400	400	280	260	130	200	95	146
Fringe benefits	12	12	9	7	7	9	4	12
Sum of non-variable compensation	412	412	289	267	137	209	99	158
One-year variable compensation								
Management bonus FY 2013/14	-	131	-	78	-	78	-	-
Management bonus FY 2014/15	155	-	93	-	93	-	54	-
Multi-year variable compensation								
Management bonus FY 2012/13	-	-	-	-	-	-	-	-
Management bonus FY 2013/14	28	-	17	-	17	-	-	-
Other variable compensation	295	-	-	-	-	-	-	-
Compensation	-	-	-	-	320	-	550	-
Sum of variable compensation	478	131	110	78	430	78	604	0
Pension benefits	20	-	20	-	20	-	20	-
Total remuneration	910	543	419	345	587	287	723	158

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

Supervisory Board remuneration

Under the Articles of Association, the remuneration of members of the Supervisory Board must consist exclusively of non-variable components. No separate

compensation for committee work is accrued since establishing committees is not expedient in the case of having three members of the Supervisory Board.

Compensation is paid out after the end of the financial year.

The total remuneration of the Supervisory Board and their allocation for the financial year 2015/16 are illustrated in the following table:

	In KEUR	Non-variable
Dr Friedrich Wehrle Chairman of the supervisory council		60
Prof. Dr Michael Nelles, Deputy Chairman		45
Prof. Dr Gordian Hasselblatt		30
Total remuneration FY 2015/16		135

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

Composition of subscribed capital

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

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

Appointment and removal of members of the Executive Board

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

Amending the Articles of Association

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

Powers of the Executive Board to issue or buyback shares

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

1. Pursuant to Section 71(1) No. 8 AktG, the Company is entitled until 1 September 2018, except for the purpose of trading in own shares, to acquire its own shares up to a maximum of 10% of the share capital. The equivalent amount for the acquisition of these shares may not fall short of or exceed the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally-comparable successor system) by more than 5% during the respective last ten trading days. This authorisation may be exercised in full or in part amounts on one or more occasions.
2. The authorisation hereby granted will automatically expire without the need for an explicit rescission upon the entry into force of a new authorisation with regard to the purchase of own shares pursuant to Section 71(1) No. 8 AktG. Notwithstanding the above, the authorisation hereby granted will expire at the latest at midnight on 1 September 2018.
3. The Executive Board is permitted, with the permission of the Supervisory Board, to use its own shares for any permissible purpose, with the exception of trading in own shares, particularly to effect a sale of acquired own shares in full via the stock market or in another manner, in full or in part, via the stock market or by offering them to all shareholders when acquired own shares are sold at a price which does not fall below or exceed the stock market price of Company shares of the same unit class by more than 5% at the time of sale.

This authorisation is limited to a maximum total of 10% of the share capital of the Company. The applicable stock market price within the meaning of the aforementioned regulation is the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally-comparable successor system) by more than 5% during the respective last ten trading days preceding the sale of the share.

4. The Executive Board is furthermore permitted, with the consent of the Supervisory Board, to incorporate its own shares in full or in part without further resolutions of the Annual General Meeting.
5. The Executive Board is also permitted, with the consent of the Supervisory Board, to use its own shares as (partial) compensation in the context of company mergers or to acquire companies, participations in companies or parts of a company. The value (price) at which shares of the Company may be used according to the authorisation referred to in these paragraphs may not go more than 5% under the stock market price of shares of the Company of the same unit class at the time of sale. The applicable stock market price within the meaning of the aforementioned regulation is the average of the opening and closing rates for the Company's shares in XETRA trading (or any functionally-comparable successor system) during the respective ten stock market days preceding the use of the share.

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

Material agreements which would come into effect in the event of a change of control as a result of a takeover bid

Guidelines in this regard only exist for issued bonds. In the event of a change of control, each bond creditor is entitled to demand repayment from Bastei Lübbe or, at the option of Bastei Lübbe AG, the purchase of his own bearer bonds by Bastei Lübbe AG (or, at its request, by a third party) at the early redemption amount (put) (as defined below) in full or in part ("put option"). Such an exercise of the put option is however only effective if bond creditors of bearer bonds with a nominal value of at least 50% of the total nominal value of the sum of the bearer bonds still outstanding at this point have made use of the put option within the repayment period (as defined below).

A change of control within the meaning of the bond terms and conditions is deemed to have occurred in any of the following situations:

- a) Bastei Lübbe AG becomes aware that a person who at that time does not belong to the direct or indirect circle of shareholders, or persons acting in concert within the meaning of Section 2(5) of the German Securities Acquisition and Takeover Act (WpÜG) (in each case, a "buyer"), has/have directly or indirectly become the legal

or beneficial owner of more than 50% of Bastei Lübbe AG's voting rights, whereby a party who has acquired the voting rights directly or indirectly as a family member within the meaning of Section 15 of the German Fiscal Code (*Abgabeordnung*), or on the basis of testamentary disposition, is not deemed to be a buyer;
or

b) the merger of Bastei Lübbe AG with a third party (any party apart from a subsidiary of Bastei Lübbe AG, whereby a party who has acquired the voting rights directly or indirectly as a family member within the meaning of section 15 of the Fiscal Code or on the basis

of testamentary disposition is not deemed to be a third party) or into a third party (as defined below) or the merger of a third party with or into Bastei Lübbe AG, or the sale to a third party of all or substantially all assets (consolidated) of Bastei Lübbe AG. This does not apply in the case of mergers or sales in connection with legal transactions, following which (i) in the event of a merger, the (existing) owners of 100% of the voting rights of Bastei Lübbe in the future will have at least the majority of voting rights in the receiving legal entity, directly or indirectly, after such a merger and (ii) in the event of the sale of all or substantially all assets, the receiving legal entity is or becomes a subsidiary of Bastei Lübbe AG ist.

Cologne, 14 October 2016

Bastei Lübbe AG

The Executive Board



Thomas Schierack
Chairman



Klaus Kluge
Board Programme, Sales and Marketing

Corporate Governance



Supervisory Board report



Dr Friedrich Wehrle

Dear Shareholders,

The 2015/2016 financial year was characterised by the continued development and expansion of Bastei Lübbe AG into an international digital media group. The Supervisory Board took an active part in this process through consultation and discussion with the Executive Board.

In the ever growing market of digital media, Bastei Lübbe is already well-positioned with its participations. With regards to the accounting appraisal of our participations, however, it recently came to uncertainties which can be traced back to the amended assessment of the auditing company KPMG regarding the connection between Bastei Lübbe and the British investor Blue Sky Tech Ventures Limited, which has its headquarters in London.

KPMG came to the quite surprising conclusion that Bastei Lübbe holds power of disposal over Blue Sky Tech Ventures in the sense of IFRS 10 - despite the fact that Bastei Lübbe does not hold any shares in Blue Sky. The argumentation of KPMG is based on the authority to give directives and reservation of approval which Bastei Lübbe granted itself with respect to Blue Sky in the context of the sales of oolipo and Daedalic shares. In order to guarantee the company's ability to act, we have

mutually resolved to adopt the stance of KPMG and to retroactively amend the group of consolidated companies and consolidated annual financial statement for the financial year 2015/2016 incl. the figures of the previous year. This yields two effects with respect to the balance sheet. On the one hand, the participations in oolipo and Daedalic shall now be fully consolidated. On the other hand, there is a lack of any basis for an evaluation of oolipo and Daedalic at "fair value" due to the new group of consolidated companies. Therefore, the participations shall henceforth be evaluated using the "acquisition cost principle". The consolidated profit of Bastei Lübbe in the financial years 2014/2015 and 2015/2016 was reduced by € 7.2 million and € 7.9 million respectively from the loss of profits caused by the sale and re-evaluation within the context of the transitional consolidation.

In the report below, the Supervisory Board provides an overview of its activities in the previous financial year and of the results of the audit that was carried out on the 2015/2016 annual financial statements. In the reporting year, the Supervisory Board diligently performed all control and consulting duties incumbent upon it by law, the Articles of Association and the rules of procedure. Further, the Supervisory Board closely followed the work of the Executive Board, regularly advised the Executive Board in the management of the Company and supervised the Company's management by receiving reports from and holding joint meetings with the Executive Board. Moreover, the Supervisory Board satisfied itself as to the legality, regularity, effectiveness and efficiency of Company management. We did not avail ourselves this reporting year of the possibility to inspect the books and records of the Company (Section 111(2) of the Companies Act). This was unnecessary due to the regular, intensive and satisfactory reports from the Executive Board, the auditing by and discussions with the auditors, as well as the supplementary monitoring measures described below. We were always involved in a

timely and appropriate fashion in any decisions that were fundamental for the Company or in which the Supervisory Board had to be included by law or under the Articles of Association.

A variety of issues were discussed in detail in the 2015/2016 financial year. Written and oral reports from the Executive Board to the Supervisory Board formed the basis for this involvement. The Executive Board kept us informed on a regular basis and in a timely and comprehensive fashion of the performance of the business, the earnings and financial position and employment situation, as well as the Company's future plans and further strategic development. Any deviations from the plans were fully explained to the Supervisory Board. The risk situation and risk management were always carefully taken into account in this process.

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

The Executive Board also informed the Supervisory Board promptly, comprehensively and in writing in between the routine meetings about business transactions that were of major importance for the Company. The Supervisory Board conscientiously monitored the Executive Board, and confirms that the latter acted in a lawful, regular and economically sound manner in every regard.

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

In compliance with Section 110(1) sentence 1 of the Companies Act, the supervisory body held a total of four ordinary meetings and two extraordinary meetings in the 2015/2016 fiscal year. The ordinary meetings took place on 15 June 2015, 15 September 2015, 09 November

2015 and 11 February 2016, each time in Cologne. The two extraordinary meetings took place on 28 July 2015 and 18 August 2015, both in Cologne. All members of the Supervisory Board attended both the ordinary as well as the extraordinary meetings. Where necessary, the Supervisory Board adopted resolutions in writing.

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

- current development of the business in the 2015/2016 financial year,
- presentation of Company liquidity,
- investment planning,
- planning and budget for 2016/2017,
- scheduling for the 2016/2017 financial year and planning of the first Annual General Meeting,
- future development and strategy of the Company and its segments,
- personnel planning and organisational structure,
- Group structure,
- internationalisation,
- acquisitions,
- the development of the oolipo streaming platform,
- the development of the Daedalic Entertainment participation,
- the programme for autumn 2016/17, as well as
- activities on the capital market.

We also discussed the following topics at the individual meetings of the 2015/2016 fiscal year:

Ordinary meeting held on 15 June 2015

At the meeting held on 15 June 2015, the Executive Board reported to the Supervisory Board on the 2014/2015 annual financial statements. The Supervisory Board discussed this report in detail. The business situation and outlook for the 2015/2016 financial year were also discussed. The auditor took part in the meeting for this point of order. In addition, the whole Executive Board was present for this, and provided supplementary

and explanatory information. The auditor reported on the key findings of the audit of the annual financial statements and Management Report of Bastei Lübbe AG as of 31 March 2015, as well as the consolidated financial statements and Group management report as of 31 March 2015. At the meeting held on 15 June 2015, the Supervisory Board approved the annual financial statements of the Company as of 31 March 2015, having carried out a thorough examination. Further, the Supervisory Board discussed the agenda for the 2015 AGM, including proposed resolutions from management. The risk management system was also discussed, and compliance and capital market guidelines were also adopted.

Extraordinary meeting held on 28 July 2015

The future development of classic and digital content as well as digital sales was discussed in detail at the extraordinary meeting of the Supervisory Board held on 28 July 2015. The current status and other activities associated with the BEAM streaming platform were also discussed in detail in this meeting.

Extraordinary meeting held on 18 August 2015

The Supervisory Board informed the Executive Board members that Mr Jörg Plathner had been dismissed with immediate effect at the extraordinary meeting of the Supervisory Board held on 18 August 2015. A new organisational structure that takes into account the departure of Mr Plathner was presented and discussed in detail. In addition, the meeting focused on the reporting by the Executive Board regarding the first quarter of 2015/2016. The latest status regarding BEAM and Daedalic was also discussed in detail. The Supervisory Board approved a resolution regarding the formation of a new subsidiary and agreed in principle to the idea of forming an intermediate holding company with the aim of achieving a simpler financing structure for the digital companies.

Ordinary meeting held on 15 September 2015

Along with a report by the Executive Board on current business developments, the financing of Bastei Lübbe in consideration of the bond repayment in 2016 was the topic of the meeting held on 15 September 2015. The Executive Board also provided a detailed report on developments with BEAM AG. A decision was also taken to register the name "oolipo" in Germany. The Executive Board also provided a detailed report on the business plan of Daedalic Entertainment GmbH and the ongoing financing discussions. In addition, the Supervisory Board approved the sale of participation totalling 3 % in Daedalic Entertainment GmbH, including an option for an additional 5 %. The agenda for the meeting also included discussing and agreeing on the planned changes to the structure of Bastei Lübbe AG's participations.

Ordinary meeting held on 9 November 2015

The meeting held on 9 November 2015 focused on the reporting by the Executive Board on the half-year financial statements as at 30 September 2015. The Executive Board also presented the oolipo business case model as well as the contents. Furthermore, a resolution was adopted by the Supervisory Board to form an intermediate holding company named "Bastei Venture" in order to take into account the development of the Company from a classic book publisher to an internationally established media company. The Executive Board also provided a detailed report on top titles from 2016 to spring 2018. Potential company acquisitions were also on the agenda.

Ordinary meeting held on 11 February 2016

The Supervisory Board held its fourth ordinary meeting of the 2015/2016 financial year on 11 February 2016. At this meeting, the Executive Board presented a detailed report on the figures from the third quarter of 2015/2016. Further, the Executive Board gave a comprehensive overview of the strategy and a forecast of the expected turnover in the 2016/2017 financial year. The Executive Board also presented Bastei Ventures GmbH as well as the subsidiaries and potential

acquisitions. Executive Board contracts were also discussed during this meeting.

Efficiency review

As recommended by the Corporate Governance Code, the Supervisory Board also carried out an efficiency review during the 2015/2016 financial year. The Supervisory Board considers Bastei Lübbe AG to have sufficient organisational structures and systems to enable the Supervisory Board to appropriately fulfil its obligations under the law and the Articles of Association. The rules of procedure for the Supervisory Board and regulated procedure, the definition of transactions requiring approval and the prompt and sufficient provision of information to the members of the Supervisory Board are the factors that are decisive in determining the Supervisory Board's ability to fulfil its supervisory duties in the prescribed way. In addition to their qualifications and professional experience, the members of the Supervisory Board possess the expertise required of a member of the Bastei Lübbe AG Supervisory Board in order to fulfil their tasks efficiently.

Composition of the Supervisory Board

Pursuant to the Articles of Association, the Supervisory Board of Bastei Lübbe AG is made up of three members. The Supervisory Board was made up of the following members in the 2015/2016 fiscal year:

- Dr Friedrich Wehrle, Chair
- Prof. Dr Michael Nelles, Vice Chair
- Prof. Dr Gordian Hasselblatt

No committees were formed in the 2015/2016 fiscal year.

Changes to the Executive Board

Mr Jörg Plathner departed from the Executive Board of Bastei Lübbe AG with effect from 18 August 2015. Jörg Plathner had taken over as the director of the digital business sector with effect from 1 September 2014. Different viewpoints within the Executive Board regarding the further strategic development of the digital sector led to his departure. Responsibility for the digital segment

was taken over by the chairman of the Executive Board, Thomas Schierack, who had also helped to develop and manage this sector up until 30 August 2014.

Mr Felix Rudloff left his position on the Executive Board of Bastei Lübbe AG for personal reasons at the start of the year. Felix Rudloff was responsible as the director of Programmes and Press at Bastei Lübbe AG. This sector was taken over by Klaus Kluge. Mr Rudloff will stay with the Company and help support the Programme division as an agent and advisor using his expertise and his personal network. A corresponding service agreement was signed between Felix Rudloff and Bastei Lübbe AG.

The Supervisory Board wishes to thank Mr Plathner and Mr Rudloff for their service to the Company.

German Corporate Governance Code

The Supervisory Board has once more addressed the content of the German Corporate Governance Code in the 2015/2016 fiscal year. With a few exceptions, Bastei Lübbe AG adheres to the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board adopted a resolution on 9 June 2016 to issue a limited declaration of compliance pursuant to Section 161 of the Companies Act (*Aktiengesetz - AktG*), according to which the Company, with the exception of numbers 4.2.3 and 5.1.2, complies with the recommendations of the German Corporate Governance Code in the version dated 24 June 2014, published in the Federal Gazette on 30 September 2014. The current declaration of compliance, as well as all earlier declarations of compliance, are permanently available to shareholders on the Company website. (Further information on Corporate Governance can be found in the "Corporate Governance Report").

Audit of the annual financial statements and the group management report 2015/2016

KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, has audited the annual financial statement and related management report prepared by the Executive Board in accordance with IFRS regulations, as well as the

consolidated annual financial statement and related consolidated management report of the company for the 2015/2016 financial year. The abovementioned documents, the suggestion of the Executive Board on the distribution of net profit, as well as the audit report by KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, were presented to the Supervisory Board members in a timely manner. They were dealt with at the Supervisory Board meeting on 5 October 2016, at which the Executive Board discussed the annual financial statement and status report as well as the group management report and the suggestion for the distribution of net profit, and the auditor from KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, reported in detail on the results of the audit. Comprehensive answers were given for all questions by the Executive Board and the auditor during the meeting. After making its own examination of the annual financial statements, the status report, the management report and the group management report as well as of the proposal from the Executive Board with regard to the appropriation of net profit, the Supervisory Board had no reason to raise any objections to the annual financial statements, the status report, the management report and the group management report. It was in agreement with the Executive Board in its assessment of the status of the company. The Executive Board's proposal for the appropriation of profit was also reviewed with a view to the Company's present and expected future financial situation. Following discussions, the Supervisory Board approved the proposal of the Executive Board on the appropriation of net profit.

At the Supervisory Board meeting, the auditor reported on the essential results of the audit and was also available to answer questions from Supervisory Board members. Following its careful scrutiny of the dependence report for completeness and accuracy, the Supervisory Board reached the conclusion that no objections could be raised against the declaration on relations with affiliated companies submitted by the Executive Board at the end of the report. The Supervisory Board approved the result of the audit carried out by the auditor.

An unqualified report of independent accountants for the annual financial statement, including status report, compiled according to the regulations of the IFRS, as well as for the consolidated annual financial statement, including group status report, for the financial year 2015/2016 had not yet been presented by 5 October 2016 due to the lack of a decision by the consortium banks not to forego their rights to extraordinary termination in relation to the amendment to the consolidated annual financial statement. On 14 October 2016, the lending banks declared their decision to forego exercise of rights to extraordinary termination. On this same date, the final annual financial statement, including status report, and consolidated annual financial statement, including group status report, for the financial year 2015/2016 was compiled by the Executive Board, and the unqualified report of independent accountants was issued by the auditor. The Supervisory Board then approved and appraised the annual financial statement, compiled according to the regulations of the IFRS, along with the status report, consolidated annual financial statement and group status report for the financial year 2015/2016 in the circulation procedure.

Thanks from the Supervisory Board

The Supervisory Board would like to thank the Executive Board and all Company employees as well as employee representative bodies for their high level of commitment and energetic dedication in the 2015/2016 financial year. The Supervisory Board thanks the shareholders of Bastei Lübbe AG for the interest and trust that they have placed in the Board and in the Company as a whole.

Cologne, October 2016

For the Supervisory Board



Dr Friedrich Wehrle/Chair of the Supervisory Board

Corporate governance report

Corporate Governance – guidelines for business

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

The German Federal Government originally adopted the German Corporate Governance Code on 26 February 2002. Generally speaking, it is updated on a yearly basis, most recently on 5 May 2015, and was published on 12 June 2015. The Code sets out the essential legal regulations and rules for managing and supervising listed companies in Germany, and features nationally and internationally recognised standards for proper and responsible corporate management.

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

Shareholdings and reportable transactions

Apart from the regulations governing securities, achieving the optimum transparency in directors' dealings is a fundamental part of corporate governance regulations.

Under Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), the members of the

Executive Board, the Supervisory Board and other persons with insider knowledge, and their close associates/relatives, are obliged to disclose any share purchases or disposals in Bastei Lübbe AG where such transactions reach or exceed a total annual value of €5,000. The Europe-wide publication requirement and all other reportable share transactions are detailed on our website in the Investor Relations/Directors' Dealings section.

Where any bodies, managers or their close associates/relatives have conducted share transactions during the reporting period, these transactions complied with the normal market standards. There are no known conflicts of interest.

The following directors' dealings transactions were disclosed in the reporting year:

Details of the persons subject to the disclosure requirement	
Surname:	Schierack
First name:	Thomas
Company:	Bastei Lübbe
Function:	Management body
Information about the reportable transaction	
Description of the financial instrument:	Share ISIN/WKN of the financial instrument: DE000A1X3YY0
Transaction type:	Purchase
Date:	19 August 2015
Price:	7.44086
Currency:	EUR
Number of shares:	1,000
Total volume:	7,517
Place:	XETRA Frankfurt

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

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

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

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

Statement of conformity

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

Bastei Lübbe AG has complied with the recommendations of the government commission German corporate governance codex in the version of 5 May 2015, published in the Bundesanzeiger on 12 June 2015, since the last compliance statement with the exception of the below recommendations, and shall comply with these recommendations in the future with the exception of the those listed below.

Maximum limit for Board remuneration (Point 4.2.3 Para. 2 Sentence 6 and Para. 4):

Contrary to the recommendation in Point 4.2.3, the remuneration of Executive Board members, as a whole

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

Working methods of the Executive and Supervisory Boards

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

For Bastei Lübbe AG, the basic principle for responsible corporate governance is to guarantee that the Executive Board and Supervisory Boards cooperate efficiently by way of responsible and transparent corporate communication. Thus a large number of issues were discussed in detail between the Executive Board and Supervisory Board in the 2015/16 financial year. The Supervisory Board regularly and carefully monitored the work of the Executive Board and continually supported it in an advisory capacity.

The Supervisory Board was always involved in

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

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

Allocation of responsibilities and working methods of the Executive Board

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

Notwithstanding the principle of joint responsibility,

according to which all members of the Executive Board are jointly responsible for the management of the Company, every member of the Executive Board heads the department allocated to him/her under his/her own responsibility and has sole executive powers in the area of responsibility assigned to him/her. All members are therefore entitled to present envisaged issues to the entire Executive Board in order that they be resolved upon.

However, all issues that have been assigned to the entire Executive Board by law are dealt with and resolved on jointly by all members. The members of the Executive Board take all fundamental decisions on business policies and strategy in close cooperation with the Supervisory Board. With this in mind, the Executive Board informs the Supervisory Board on all issues and priority topics that are relevant to the Company as a whole. The corresponding information and reporting requirements of the Executive Board are determined in detail by the Supervisory Board in the Executive Board's rules of procedure. The Chair of the Executive Board is responsible for the overall management and business policies of the Company. He ensures that coordinated and unified business management is achieved on the Executive Board, and represents the Company in public.

Mr Jörg Plathner, who was responsible for the digital segment, left his position as board member in August 2015; Mr Felix Rudloff, who was responsible for the programme (content) and press departments, left the company on 31 December 2015. Thomas Schierack, Executive Board Chairman, has taken over the digital segment, whilst Executive Board Member Klaus Kluge has taken over the content and press departments. The Executive Board of Bastei Lübbe AG meets once a week as a rule. Since 1 January 2016, the Executive Board has consisted of Thomas Schierack (responsible for

finance, law, investor relations, HR, IT, novel booklets and puzzle magazines, production, digital) and Klaus Kluge (responsible for sales, marketing, licences and content and the non-book segment). Thomas Schierack and Klaus Kluge were appointed to the Executive Board on 9 July 2013 for a term of five years, thus until 8 July 2018.

Working methods of the Supervisory Board

The Supervisory Board is charged with advising and monitoring the Executive Board in its management of the Company. Given that important Company decisions require the approval of the Supervisory Board, it is involved in any decisions that are fundamental for the Company. The Company's Articles of Association and the Supervisory Board's rules of procedure contain comprehensive guidelines for the work of the Supervisory Board.

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

The Supervisory Board included three shareholder representatives in the 2015/16 fiscal year.

Its members are

1. Dr Friedrich Wehrle (Chair of the Supervisory Board and signatory),
2. Prof. Dr Michael Nelles and
3. Prof. Dr Gordian Hasselblatt.

Dr Friedrich Wehrle, Prof. Dr Michael Nelles and Prof. Dr Gordian Hasselblatt was appointed to the Supervisory

Board of Bastei Lübbe AG by resolution of the founders of Bastei Lübbe AG until the conclusion of the Annual General Meeting which will discharge the Supervisory Board for the financial year ending 31 March 2018.

Dr Wehrle was appointed as Chair in the first constituent meeting of the Supervisory Board.

The Chair of the Supervisory Board coordinates the work of the Supervisory Board, conducts its meetings and upholds the interests and representation of the Board vis-à-vis third parties. He is in constant and regular contact with the Executive Board, particularly with the Chair, including outside meetings, and discusses major events and pending decisions affecting the Company. No members of the Bastei Lübbe AG Supervisory Board are former members of the Executive Board.

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

Avoidance of conflicts of interest

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

Transparency

Our aim at Bastei Lübbe AG is to guarantee the highest levels of transparency and to make the same information

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

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

Cologne, October 2016

For the Supervisory Board



Dr Friedrich Wehrle
Chair

For the Executive Board



Thomas Schierack
Chair

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

Financial accounting and auditing

The annual financial statements of Bastei Lübbe AG as well as the interim reports conform to International Financial Reporting Standards (IFRS) pursuant to the provisions of the International Accounting Standards Board. At the general meeting held on 16 September 2015, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, was chosen as auditor for the financial year 2015/16.

Consolidated financial statements as per 31 March 2016



Consolidated profit and loss account for Bastei Lübbe AG, Cologne, for the period 1 April 2015 to 31 March 2016

	No te	2015/2016 KEUR adapted*	2014/2015 KEUR adapted*
Sales revenue	22.	104,864	110,194
Change in inventories of finished goods and work in progress	23.	551	474
Other operating income	24.	844	1,297
Cost of materials			
a) Cost of raw materials and supplies and goods purchased for resale	25.	-456	-288
b) Expenses for purchased services	25.	-26,643	-28,926
c) Expenses for fees and depreciation of royalties	25.	-19,828	-23,845
		-46,927	-53,059
Personnel costs			
a) Wages and salaries		-20,656	-18,822
b) Social security contributions and pension costs		-3,353	-3,004
		-24,009	-21,826
Other operating expenses	27.	-29,010	-27,012
Result from at-equity accounted investments	28.	31	70
Other earnings from investments	28.	396	278
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		6,740	10,416
Amortisations	29.	-3,868	-3,160
Earnings before interest and taxes (EBIT)		2,872	7,256
Financial result	30.	-2,315	-2,226
Earnings before taxes (EBT)		557	5,030
Taxes on income and earnings	31.	-838	-2,040
Net profit or loss for the period		-281	2,990
Of which attributable to:			
Shareholders of Bastei Lübbe AG	16.	-473	3,352
Equity capital shares of non-controlling shareholders	32.	192	-362
		-281	2,990
Earnings per share (basic) (with reference to the net result for the period for shareholders of allocatable to the shareholders of Bastei Lübbe AG)	16.	-0.04	0.25

* see explanatory notes on the consolidated financial statements, Note 1 & 4

Consolidated Statement of Comprehensive Income of Bastei Lübbe AG, Cologne, for the period from 1 April 2015 to 31 March 2016

	2015/2016 KEUR adapted*	2014/2015 KEUR adapted*
Net profit or loss for the period	-281	2,990
Other profit/loss (not to be posted subsequently in the P&L statement)	0	11
Total earnings	-281	3,001
Of which attributable to:		
Shareholders of Bastei Lübbe AG	-473	3,363
Equity capital shares of non-controlling shareholders	192	-362
	-281	3,001

* see explanatory notes on the consolidated financial statements, Note 1 & 4

Consolidated Balance Sheet of Bastei Lübbe AG, Cologne, as of 31 March 2016

	No te	31 March 2016 KEUR adapted*	31 March 2015 KEUR adapted*
Long-term assets			
Intangible assets	6.	32,035	26,654
Inventory of pre-paid royalties	7.	26,904	24,165
Tangible assets	8.	3,207	3,428
At-equity accounted investments	5.	0	1,844
Financial investments	9.	1,454	1,850
Trade receivables	12.	1,069	1,220
Deferred tax claims	10.	2,002	1,486
		66,671	60,647
Current assets			
Inventories	11.	20,341	19,674
Trade receivables	12.	18,269	16,856
Financial assets	9.	4,575	5,342
Income tax receivables	10.	0	32
Other receivables and assets	13.	1,330	977
Cash and cash equivalents	14.	593	13,657
		45,108	56,538
Total assets		111,779	117,185
Equity			
Share of equity attributable to shareholders of the parent company			
Subscribed capital	15.	13,200	13,200
Capital reserves	15.	26,082	25,871
Net profit	15.	7,276	11,746
Accumulated other income	15.	0	-37
		46,558	50,780
Equity capital shares of non-controlling shareholders	15.	3,122	2,641
Total equity		49,680	53,421
Long-term liabilities			
Provisions	17./18.	131	218
Deferred tax liabilities	10.	2,286	2,523
Financial liabilities	19.	0	29,687
Other liabilities	21.	2,353	2,621
		4,770	35,049
Current liabilities			
Financial liabilities	19.	34,755	4,186
Trade payables	19.	11,968	12,320
Income tax liabilities	10.	2,513	4,228
Provisions	18.	6,628	6,071
Other liabilities	21.	1,465	1,910
		57,329	28,715
Total debts		62,099	63,764
Total liabilities		111,779	117,185

* see explanatory notes on the consolidated financial statements, Notes 1 & 4

Consolidated cash flow statement of Bastei Lübbe AG, Cologne, for the consolidated annual financial statement as at 31 March 2016*

	2015/2016 KEUR adapted**	2014/2015 KEUR adapted**	
Net profit or loss for the period	-281	2,990	
+/- Depreciation/appreciation of intangible assets and fixed assets	3,868	3,160	
+/- Other non-cash expenses/income	-5	198	
+/- Increase/decrease in provisions	470	5	
-/+ Profit/loss from the disposal of intangible assets and fixed assets	-1	12	
+ Loss from disposal of at-equity accounted investments	1,375	0	
-/+ Increase/decrease in income tax receivables and liabilities incl. deferred assets and liabilities	tax	-2,436	1,916
-/+ Increase/decrease in stocks, trade receivables and with investment or financing activities	other assets not associated	-3,754	-1,675
+/- Increase/decrease in trade liabilities and other liabilities or financing activities	not allocated to investment	-1,445	-483
Cash flow from current business activities	-2,209	6,123	
- Outflow of funds for investments in intangible assets	-8,264	-5,392	
+ Income from the disposal of fixed assets	38	23	
- Outflow of funds for investments in fixed assets	-801	-735	
+ Income from the disposal of financial assets	420	0	
- Outflow of funds for investments in financial assets	-25	-145	
- Outflow of funds for the acquisition of consolidated companies, less equivalents acquired in the course of the acquisition	cash or cash	0	-4,016
Cash flow from investment activities	-8,632	-10,265	
- Acquisition of own shares	0	-351	
+ Incoming payments from the sale of non-controlling shares	500	0	
- Disbursements to shareholders (dividends)	-3,960	-3,710	
+ Proceeds from the issuance of bonds and obtaining (financial) credit	1,550	0	
- Outflow of funds for the repayment of bonds and (financial) credit	-313	-303	
Cash flow from financing activities	-2,223	-4,364	
Net change in cash and cash equivalents	-13,064	-8,506	
+ Cash and cash equivalents at start of period	13,657	22,163	
= Cash and cash equivalents at end of period	593	13,657	

* see explanatory notes on the consolidated financial statements, Note 33

** see explanatory notes on the consolidated financial statements, Notes 1 & 4

Additional entries:

income tax payments: KEUR 3,273 (P Y: KEUR 72)

Interest payments KEUR 1,989 (P Y: KEUR 2,009)

Consolidated statement of change in equity of Bastei Lübbe AG, Cologne, for the consolidated financial statement as per 31 March 2016*

S	Parent company					Consolidated equity capital	
	Subscribed capital KEUR	Capital reserves KEUR	Net profit KEUR	Accumulated other income KEUR	Equity KEUR	Equity KEUR	Equity KEUR
As of 1 April 2014	13,250	26,170	12,105	-48	51,477	0	51,477
Dividends paid			-3,710		-3,710	0	-3,710
Changes in the group of consolidated companies							
Transfer of shares held	0	2			2	3,003	3,003
Acquisition of own shares	-50	-301			-351	0	-351
Other changes			-1		-1		-1
Net profit or loss for the period			3,352		3,352	-362	2,990
Amounts recognised directly in equity				11	11	0	11
Total earnings			3,352	11	3,363	-362	3,001
adjusted status as of 31 March 2015 **	13,200	25,871	11,746	-37	50,780	2,641	53,421
As of 1 April 2015	13,200	25,871	11,746	-37	50,780	2,641	53,421
Dividends paid			-3,960		-3,960	0	-3,960
Sale of non-controlling shares without change of control		211			211	289	500
Transfer of shares held	0	1			1	0	1
Other changes		-1	-37	37	-1		-1
Net profit or loss for the period			-473		-473	192	-281
Amounts recognised directly in equity				0	0	0	0
Total earnings			-473	0	-473	192	-281
adjusted status as of 31 March 2016 **	13,200	26,082	7,276	0	46,558	3,122	49,680

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

** see explanatory notes on the consolidated financial statements, Notes 1 & 4

Consolidated notes as of 31 March 2016



Contents

1.	General information	81
2.	Accounting principles	81
3.	Accounting and valuation policies	82
4.	Changes in figures compared to the consolidated annual financial statement published on 29 June 2016 for the financial year 2015/2016, including previous year's figures.	95
5.	Consolidated companies and shareholdings	103
6.	Intangible assets	106
7.	Inventory of pre-paid royalties	108
8.	Tangible assets	109
9.	Financial assets	110
10.	Income tax assets and liabilities	112
11.	Inventories	112
12.	Trade receivables	112
13.	Other receivables and assets	113
14.	Cash and cash equivalents	113
15.	Equity	113
16.	Earnings per share	114
17.	Semi-retirement obligations	114
18.	Other provisions	115
19.	Financial liabilities	116
20.	Trade payables	117
21.	Other liabilities	118
22.	Sales revenue	118
23.	Change in inventories of finished goods and work in progress	119
24.	Other operating income	119
25.	Cost of materials	119
26.	Personnel costs	120
27.	Other operating expenses	120
28.	Earnings from investments	121
29.	Amortisations	121
30.	Financial result	122
31.	Income tax expense	122
32.	Share of profit in period allocated to equity shares of non-controlling shareholders	123
33.	Notes on the cash flow statement	123
34.	Segment reporting	124
35.	Capital management	126
36.	Financial instruments	126
37.	Financial risk management	128
38.	Contingent liabilities, operate leasing and other financial obligations	130
39.	Notes on Related Parties	131
40.	Statement of compliance pursuant to Section 161 AktG	132
41.	Executive bodies	132
42.	Employees	133
43.	Group auditor fees	133
44.	Group affiliation	133
45.	Events after the reporting date	133

1. General information

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

Bastei Lübbe AG is a media company in the form of a publishing house. Within the scope of its business activities, Bastei Lübbe publishes books, audiobooks, e-books and other digital products in the genres of fiction and popular science as well as periodicals including novel booklets and puzzle magazines. The business activities of Bastei Lübbe also include the licensing of rights and the development, production and sale of gifts, decorative items, merchandise as well as computer games. The key areas of activity of the Bastei Lübbe group (hereinafter also "Bastei Lübbe" or the "Company") are described in the notes to the segment reporting (Note 35).

As a listed public limited company, and in accordance with Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ EC No L 243 p. 1), Bastei Lübbe is required to prepare a consolidated financial statement in accordance with the International Financial Reporting Standards (IFRS) applied by the European Union. IFRS financial statements were prepared for the financial year from 2012/2013 in connection with the initial public offering. In order to be able to determine IFRS-based comparable figures for previous years for the statement of income, the IFRS opening consolidated balance sheet was prepared to 1 April 2011 (time of changeover to IFRS according to IFRS 1, initial adoption of International Financial Reporting Standards).

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

The Executive Board of Bastei Lübbe AG resolved,

at its meeting of 23 August 2016, to amend the consolidated annual financial statement published on 29 June 2016 for the financial year 2015/2016. This step became necessary due to the re-evaluation of the relationship with British investor Blue Sky Tech Ventures Ltd., London (hereinafter also "Blue Sky").

The resulting changes in the consolidated balance sheets, profit and loss accounts, change in equity statements, and cash flow statements for the financial years 2014/2015 and 2015/2016 are described in detail in Note 4.

The following annex figures relate to the amended consolidated financial statement as at 31 March 2016.

2. Accounting principles

(a) Underlying accounting regulations

The consolidated financial statements as of 31 March 2016 were prepared pursuant to the provisions of the accounting regulations valid at the balance sheet date and in accordance with the International Financial Reporting Standards (IFRS) recognized by the European Union (EU) as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), London. They also contain the information required according to the German Commercial Code (HGB).

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 annual financial statement for the financial year from 1 April 2015 to 31 March 2016 was compiled by the Executive Board on 13 June 2016 and audited with the same date. The amended consolidated annual financial statement was compiled, approved for publication and subsequently presented to the Supervisory Board for approval on 14 October 2016.

Please refer to Note 45 for information on events after the balance sheet date occurring until 14 October 2016, which could have a considerable impact on the assessment of the asset, financial and earnings position as well as cash flow.

(b) Valuation of assets and liabilities

The consolidated financial statements are prepared on the basis of historical acquisition and production costs, except for derivative financial instruments. These are valued at fair value.

(c) Currency conversion

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

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

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

Uncertain assumptions, estimations affect future cash flows with interest deducted, in particular in the context of impairment tests, the determination of service lives and unplanned impairments of value, particularly to the inventory of prepaid royalties, anticipated return rates for goods sold used to determine corresponding provisions as well as the discount rates used to value partial-retirement obligations. We refer you to the corresponding explanations for information determined on the basis of estimations.

Significant discretionary decisions concern, in particular, the depreciation method for the inventory of prepaid copyright fees.

At the time of preparation of the consolidated financial statements, the Executive Board does not anticipate

considerable changes to the underlying assumptions, estimations and discretionary decisions. No adjustments were made to previous assumptions.

3. Accounting and evaluation methods

For the purpose of better clarity, individual items are summarised in the statement of comprehensive income and the balance sheet and then explained in the Notes. Assets and liabilities that are realised or eliminated, respectively, within one year are considered to be short term. All others are classified as long term. The consolidated financial statements for 2015/2016 were prepared with no changes to accounting and valuation methods compared to the IFRS consolidated financial statements for the financial year 2014/2015. The same applies to the principles and methods of the assumptions and estimates required in the context of consolidated financial statements. We refer you to Note 4.

(a) Consolidation principles and cut-off date

Capital consolidation of all fully consolidated companies was performed according to the purchase method at the date of factual control (date of acquisition). Correspondingly, this also holds true for companies that are valued at equity. Assets and liabilities of the consolidated companies were valued at their fair values insofar as the corresponding purchase price allocations have already been completed.

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

At-equity accounted investments are initially recognised at acquisition cost according to IAS 28.

This also includes the transaction costs. Upon initial recognition, the consolidated P&L includes the group share in the comprehensive income of all investments accounted for according to the at-equity method. Investments accounted for under the at-equity method are treated in accordance with the principles applying to full consolidation, with any goodwill being included in the recognition of the investment, and non-scheduled amortization of this goodwill being included in income from associated companies in the financial result. This recognition of investment will be continued accordingly until there is no longer any significant influence or joint control. Companies that are no longer fully consolidated subsidiaries due to a partial sale of their shares and which need to be accounted for under the at-equity method due to the continuing influence of the Group will be assessed at fair value at the time of the transition.

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

Interim profits from internal trade receivables, as well as from the sale of property, plant and equipment between consolidated companies, incl. associated companies and joint ventures, will be eliminated insofar as the impact on group assets, finances and income is not of secondary importance. So far there have been no interim profits to be eliminated.

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

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

(b) Intangible assets

Acquired intangible assets (with the exception of the prepaid royalties referred to under (c)) are valued at acquisition cost less the scheduled linear depreciation

carried out on their respective useful lives, provided that their useful lives are considered to be limited. Internally-generated intangible assets are capitalized at cost and amortised on a straight-line basis over their useful lives. Scheduled depreciation is based on the following useful lives and depreciation rates:

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

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

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

In accordance with the option set forth in IFRS 1.15 and Appendix B, goodwill from acquisitions made before 1 April 2011 is updated according to the previous law. This means that the scheduled and unscheduled impairment losses effected in earlier periods are maintained and goodwill offset against equity without impacting income is not subsequently capitalised.

(c) Inventory of prepaid royalties

Prepaid royalties relate to manuscripts for which Bastei Lübbe has acquired full power of disposition and commercialisation with regard to the manuscript, as well

as to advance payments made for them, and are valued at acquisition cost.

Up to and including the financial year 2012/2013, prepaid royalties were divided, according to estimations of anticipated book sales, into one share for hardbacks and one for paperbacks - a 50/50 split as a rule. Upon publication of the title, the corresponding share of the guaranteed fee was recorded under material expenses as depreciation of royalties. The pro rata guaranteed fee for hardbacks also included royalty shares for publications taking the form of audiobooks or eBooks. Where only a paperback book right was acquired, the entire prepaid royalty was recorded on publication under material expenses as depreciation of royalties.

Given that digital products, and therefore backlist turnover, are becoming increasingly important, the depreciation method was adjusted for prepaid royalties as of the financial year 2013/2014, as their use is being stretched over an increasingly longer period and is no longer limited to utilisation in hardback and paperback form. Thus flat-rate royalty depreciation can no longer be carried out on publication of these exploitation stages. Instead, the capitalised royalties are only written down to the actual royalty until the actual guaranteed fee has been used up.

The values of the inventory of prepaid royalties and fees paid are furthermore reviewed for impairment at least once annually (generally on the balance sheet date). On the basis of an estimation of future sales volumes, anticipated net earnings before royalties are then compared to the guaranteed fee. In the event that the royalty payment exceeds the expected net earnings before royalties, corresponding depreciations will be carried out and - where necessary - provisions for potential losses will be recognised. Any resulting expenses are recorded as material expenses.

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

(d) Tangible assets

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

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

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

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

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

	Useful life Years	Depreciation rate %
Land and buildings		
Leasehold improvements	8-10	10.00-12.50
Technical equipment, plant and machinery		
	5-10	10.00-20.00
Other equipment, operating and business equipment		
Fleet	6-9	11.11-16.67
Fittings, office machines and equipment	3-13	7.69-33.33
Low-value items (up to EUR 410)	< 1 year	100.00

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

(e) Impairment tests

The values of assets are reviewed at Bastei Lübbe at least once a year at year-end, or intra-year if special reasons for this become apparent, and - if and insofar as an independent evaluation of the affected assets is not possible - at the next highest level of the cash-generating unit (CGU) within the meaning of IAS 36 (Impairment of Assets).

(i) Definition of CGUs

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

(ii) Implementing the impairment tests

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

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

Calculation of the value in use is based on the

following essential assumptions:

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

In order to identify the net present value, the discount rate is determined on the basis of weighted capital costs; it is based on a base rate in accordance with IDW Standard S1 for company valuation (1.25 per cent on the balance sheet date) as well as a market risk premium in the amount of 6.75 per cent (upper threshold of the scope recommended by IDW). As of 31 March 2016, the following weighted capital costs were determined:

CGU	before tax	after tax
PMV	10.9	7.3
Räder	12.9	8.6
BEAM Shop	10.9	7.3
Daedalic	13.6	9.2

The payment flows according to the detailed planning period are extrapolated on the basis of the following sustainable growth rates:

CGU	2015/2016	2014/2015
PMV	0.0	1.0
Räder	0.0	1.5
BEAM Shop	0.0	–
Daedalic	0.0	1.5

The results planning for the CGU Räder and PMV shows, as for the previous year, a constant EBITDA for the next three financial years. For the growth companies BEAM Shop and Daedalic, dynamic results growth was planned as in the previous year. The average EBITDA growth rate per year is in the high two-digit percentage range in the detailed planning period for Daedalic. The growth rates at Daedalic are grounded above all in the planned development and

marketing of adventure games based on bestsellers.

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

(f) Leasing arrangements

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

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

liability over the term of the lease. Financial costs are recognised in the balance sheet as financial expenses.

(g) Financial instruments

(i) Financial assets

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

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

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

(ii) Impairment of financial assets

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

expected future cash flows for a portfolio in this context, past experience with credit losses is taken into account along with the contractually-agreed cash flow.

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

(iii) Derecognition of financial assets

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

Contractual rights to receive cash flows from a financial asset have expired.

Although the Company retains the rights to receive cash flows from financial assets, it assumes a contractual obligation for the immediate payment of the cash flows to a third party under an agreement that fulfills the conditions of IAS 39.19 (pass-through arrangement), or the Company has transferred its contractual rights to receive cash flows from a financial asset, this involving either (a) the transfer of essentially all opportunities and risks associated with ownership of the financial asset, or (b) the transfer of the authority to dispose of the asset, but not the transfer or retention of essentially all opportunities and risks associated with ownership of the financial asset.

(iv) Cash and cash equivalents

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

payments as they are credited to the bank account.

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

(v) Financial instruments held for trading

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

(vi) Loans and receivables

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

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

(vii) Available-for-sale financial instruments

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

recognised as profit or loss. Shareholdings are disclosed in this category.

(viii) Financial liabilities

The Company stipulates the classification of its financial assets when they are initially recognised. Only liabilities of the category "loan liabilities and other liabilities" (FLAC) remained at the balance sheet date. Liabilities measured at fair value are not mentioned.

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 derecognised if the obligation underlying the liability has been met or cancelled, or if it has expired.

(h) Financial investments

Investments in affiliated and associated companies or joint ventures stated under financial assets are reported at the lower of the amortisation cost or fair value according to the provisions of IAS 36.

(i) Inventories

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

The net realisable value is the anticipated achievable

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

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

(j) Payments to employees under partial retirement agreements

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

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

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

(k) Other provisions

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

In the case of long-term provisions, the portion that is to flow out after more than a year, and for which a

reliable estimate of the amount or timing of the payment is possible, is stated at the present value calculated by discounting at an interest rate that is commensurate with the market and term.

(l) Revenue and expenses recognition

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

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

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

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

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

Financial income mainly includes interest income and interest expenses. Interest income and interest expenses are recognised using the effective interest method.

Interest expenses include both expenses for loans and expenses from the accumulation of long-term liabilities.

Dividends and impairments of value in

financial assets are documented under earnings from investments. Income recognition of dividends occurs once the Company is legally entitled to payment. This occurs

in each case at the point in time at which it becomes probable that the economic benefit from the transaction will accrue to the Company and the amount of revenues can be reliably ascertained.

(m) Income taxes

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

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

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

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

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

This consolidated financial statement was subject for the first time to accounting standards and interpretations amended, supplemented or newly published by the IASB, which were adopted by the EU and thus were binding for Bastei Lübbe AG in the 2015/2016 financial year.

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

The following table contains a detailed listing of the standards and interpretations to be used as of 31 March 2016:

Standard	Title	Date of entry into force*
IFRIC 21	Levies	17 June 2014
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions / Benefit plans: Employee contributions	1 February 2015
Improvements to IFRS 2010 - 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 / Änderungen zu IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 und IAS 38	01 February 2015 **
Improvements to IFRS 2011 - 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 / Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	01 January 2015

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

** Amendments to IFRS 2 and IFRS 3 – despite the first-time application of the regulations in financial years starting on or after 01 February 2015 – apply to transactions occurring on or after 01 July 2014.

With EU endorsement effected by 31 March 2015

IFRIC 21 - Levies

IFRIC 21 is an interpretation for IAS 37. The question that is being examined particularly relates to the point in time when a public-sector tax obligation arises and whether a provision or liability should be recognised. The scope of the interpretation does not include, in particular, the fines and charges resulting from public contracts or those included in the scope of other IFRS standards such as IAS 12. According to IFRIC 21, a liability is to be recognised for taxes in the case of the occurrence of the event triggering the tax liability. This triggering event on which the liability is based results from the wording of the underlying standard. Therefore, it is the wording which is decisive for accounting policy.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments clarify the regulations governing the allocation of employee contributions and/or contributions

from third parties for the service periods in question if the contributions are associated with the respective service period. In addition, facilitating conditions are established if the contributions are independent of the number of service years.

Improvements to IFRS 2010-2012

Within the context of the annual improvement project, amendments were made to seven standards. The adaptation of formulations in the individual IFRS are to achieve a clarification of the existing rules. In addition, there are amendments relating to notes. The following standards are affected: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Improvements to IFRS 2011-2013

Within the context of the annual improvement project, amendments were made to four standards. The adaptation of formulations in the individual IFRS are to achieve a clarification of the existing rules. The following standards are affected: IFRS 1, IFRS 3, IFRS 13 and IAS 40.

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

The IASB has newly adopted or revised a number of accounting standards and interpretations that will be binding on Bastei Lübbe AG from 1 April 2016 at the

earliest, provided that these have been approved by the European Commission and are relevant to Bastei Lübbe AG. These have not yet been voluntarily applied, and as a matter of principle are not applied to the current consolidated financial statements.

Standard	Title	Date of entry into force*
EU endorsement effected by 17 May 2016		
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Ventures / Bilanzierung des Erwerbs von Anteilen an gemeinschaftlichen Tätigkeiten	1 January 2016
Amendments to IAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation / Klarstellung der zulässigen Abschreibungsmethoden	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants/Agriculture: Bearer plants	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements / Equity Methode in separaten Abschlüssen	1 January 2016
Improvements to IFRS 2012-2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34 / Änderungen zu IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016
EU endorsement pending (as of 17 May 2016)		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers / Umsatzerlöse aus Verträgen mit Kunden	1 January 2018
IFRS 16	Leases / Leasingverhältnisse	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture / Veräußerung oder Einlage von Vermögenswerten in assoziierte Unternehmen oder Gemeinschaftsunternehmen	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the Consolidation Exception / Investmentgesellschaften: Anwendung der Ausnahme von der Konsolidierungspflicht	1 January 2016
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses / Ansatz von Vermögenswerten aus latenten Steuern für nicht realisierte Verluste	1 January 2017
Amendments to IAS 7	Disclosure Initiative / Initiative zu Angaben (zu Kapitalflussrechnungen)	1 January 2017
Clarifications to IFRS 15	Revenue from Contracts with Customers / Klarstellungen zu IFRS 15 Umsatzerlöse aus Verträgen mit Kunden	1 January 2018

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

The most important changes, as well as their expected effects on the consolidated financial statements of Bastei Lübbe AG, are explained in greater detail below. Unless stated otherwise, the effects are still being assessed.

EU endorsement effected by 17 May 2016

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations

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

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

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

Amendments to IAS 1 - Disclosure Initiative

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

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

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

With these changes, the IASB is providing further guidelines for determining an acceptable depreciation method.

According to these guidelines, turnover-based depreciation methods are not permissible for tangible assets, and are only acceptable for intangible assets in certain exceptional cases (rebuttable presumption of inadequacy).

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

Amendments to IAS 27 - Equity method in separate financial statements

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

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

Improvements to IFRS 2012-2014

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

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

EU endorsement pending

IFRS 9 - Financial instruments

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

Subject to being adopted in EU law, IFRS 9 is to be applied for the first time in financial years beginning on or after 1 January 2018.

IFRS 15 - Revenue from contracts with customers

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

Subject to being adopted in EU law, IFRS 15 is to be applied for the first time in financial years beginning on or after 1 January 2018. Early application is permitted.

IFRS 16 - Leases

The core idea of the new standard is for the lessee to generally record all leases and associated contractual rights and obligations in the balance sheet. The differentiation between financing and operating lease contracts required under IAS 17 until now no longer applies for the lessee. For all leases, the lessee must record in his balance sheet a lease liability for the obligation to make future leasing payments. At the same time, the lessee capitalises a right of use to the underlying asset, which in principle corresponds to the cash value of the future leasing payments plus directly attributable costs.

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

IFRS 16 also contains a series of other regulations on disclosure and notes and on sale and leaseback transactions, and is binding for financial years beginning on or after 1 January 2019. Earlier application is permitted, insofar as IFRS 15 is also applied.

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

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

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

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

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

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

The amendments are to clarify various issues with regard

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

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

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

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

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

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

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

The IASB also confirms that, in principle, for all deductible temporary differences it must be jointly assessed whether in future sufficient taxable income will be generated in order to use and assess these. Only

insofar as tax laws differentiate between various types of taxable profits, a separate assessment must take place. Furthermore, IAS 12 is to be supplemented with rules and examples that explain how the future taxable income is to be determined for accounting deferred tax assets.

The amendments must be applied retrospectively for financial years beginning on or after 1 January 2017.

Amendments to IAS 7 - Disclosure Initiative

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

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

The amendments apply to reporting years beginning on or after 1 January 2017; earlier application is permitted.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

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

The deadline for the entry into force of the amendments is 1 January 2018, as for the standard itself.

4. Amendments to figures compared to the consolidated annual financial statement 2015/2016 published on 29 June 2016, including previous year's figures.

The Executive Board of Bastei Lübbe AG resolved, at its meeting of 23 August 2016, to amend the consolidated annual financial statement published on 29 June 2016 for the financial year 2015/2016. This step became necessary due to the re-evaluation of the relationship with British investor Blue Sky Tech Ventures Ltd., London.

Based on the balance-sheet structure of Blue Sky and the contractual relationships with Bastei Lübbe AG, Bastei Lübbe AG has control of Blue Sky in the sense of IFRS 10. Blue Sky shall therefore be fully consolidated. This will have the following effects on the consolidated annual financial statement:

- With effect as of 31 March 2015, Bastei Lübbe AG has sold 55 per cent of shares in oolipo AG (hereinafter also "oolipo", formerly BEAM AG) to Blue Sky. Bastei Lübbe still has a 45 per cent share in oolipo AG. oolipo AG was no longer fully consolidated as of 31 March 2015, rather was evaluated according to the "Equity Method ("At Equity")" described in IAS 28. As a result of this process, revenue from the sale and transitional consolidation was recorded in the consolidated annual financial statement as at 31 March 2015 in the amount of around € 7.3 million total, as reported. This process was corrected retroactively pursuant to IAS 8.41 et seqq. by the re-assessment described above. oolipo AG will continue to be fully consolidated.
- With the agreement of 17 September 2015, Bastei Lübbe sold 3 per cent of its shares in Daedalic Entertainment GmbH (hereinafter also "Daedalic") to Blue Sky. The participation of Bastei Lübbe

AG in Daedalic Entertainment GmbH therefore decreased to 48 per cent. As a result of the sale and transitional consolidation using the At Equity method, revenue was recorded in the consolidated annual financial statement as at 31 March 2016 in the amount of around € 6.4 million, as reported. This process was corrected in the consolidated annual financial statement as at 31 March 2016 under analogous application of IAS 8.41 et seqq. Daedalic Entertainment GmbH will continue to be fully consolidated.

- With the agreement of 30 March 2016, Bastei Lübbe AG sold licences to Bastei2B Ltd., London, a subsidiary of Blue Sky, at a sales price of € 2.0 million. Turnover in the amount of € 2.0 million was recorded in the consolidated annual financial statement as at 31 March 2016, as reported. The re-assessment of the process led to the result that the critical opportunities and risks were not transferred to Bastei2B Ltd. The process was made void under analogous application of IAS 8.41 et seqq.

The tables below summarise the effects on the consolidated annual financial statement.

a) Amendment to consolidated balance sheet and profit and loss account for the financial year 2014/2015

(KEUR)	31 March 2015 as reported	Adjustments pursuant to IAS 8	31 March 2015 adapted
Long-term assets			
Intangible assets	26,055	599	26,654
Inventory of pre-paid royalties	24,165	0	24,165
Tangible assets	3,423	5	3,428
At-equity accounted investments	5,669	-3,825	1,844
Financial investments	1,850	0	1,850
Trade receivables	1,219	1	1,220
Deferred tax claims	1,429	57	1,486
	63,810	-3,163	60,647
Current assets			
Inventories	19,674	0	19,674
Trade receivables	16,841	15	16,856
Financial assets	9,411	-4,069	5,342
Income tax receivables	32	0	32
Other receivables and assets	951	26	977
Cash and cash equivalents	13,624	33	13,657
	60,533	-3,995	56,538
	124,343	-7,158	117,185
Equity			
Share of equity attributable to shareholders of the parent company			
Subscribed capital	13,200	0	13,200
Capital reserves	25,871	0	25,871
Net profit	19,004	-7,258	11,746
Accumulated other income	-37	0	-37
	58,038	-7,258	50,780
Equity capital shares of non-controlling shareholders	2,641	0	2,641
	60,679	-7,258	53,421
Liabilities			
Non-current liabilities			
Provisions	218	0	218
Deferred tax liabilities	2,523	0	2,523
Financial liabilities	29,687	0	29,687
Other liabilities	2,620	1	2,621
	35,048	1	35,049
Current liabilities			
Financial liabilities	4,185	1	4,186
Trade payables	12,240	80	12,320
Income tax liabilities	4,219	9	4,228
Provisions	6,071	0	6,071
Other liabilities	1,901	9	1,910
	28,616	99	28,715
	63,664	100	63,764
	124,343	-7,158	117,185

(KEUR)	2014/2015 as reported	Adjustments pursuant to IAS 8	2014/2015 adapted
Sales revenue	110,194	0	110,194
Change in inventories of finished goods and work in progress	474	0	474
Other operating income	8,552	-7,255	1,297
Cost of materials	-53,059	0	-53,059
Personnel costs	-21,826	0	-21,826
Other operating expenses	-27,012	0	-27,012
Result from at-equity accounted investments	70	0	70
Other earnings from investments	278	0	278
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	17,671	-7,255	10,416
Amortisations	-3,160	0	-3,160
Earnings before interest and taxes (EBIT)	14,511	-7,255	7,256
Financial result	-2,226	0	-2,226
Earnings before taxes (EBT)	12,285	-7,255	5,030
Taxes on income and earnings	-2,037	-3	-2,040
Net profit or loss for the period	10,248	-7,258	2,990
Of which attributable to:			
Shareholders of Bastei Lübbe AG	10,610	-7,258	3,352
Equity capital shares of non-controlling shareholders	-362	0	-362
Earnings per share (EUR)	0.80	-0.55	0.25

In the consolidated financial year 2014/2015, revenue from the sale of oolipo AG and from the transitional consolidation under the At Equity method, as well as income taxes – above all in this regard – was corrected. The amendments on the consolidated balance sheet are based on the assets and liabilities of oolipo AG henceforth contained therein.

b) Amendment to consolidated balance sheet and profit and loss account for the financial year 2015/2016

(KEUR)	31 March 2016 as reported	Adjustments pursuant to IAS 8	31 March 2016 adapted
Long-term assets			
Intangible assets	12,202	19,833	32,035
Inventory of pre-paid royalties	26,904	0	26,904
Tangible assets	3,124	83	3,207
At-equity accounted investments	16,858	-16,858	0
Financial investments	1,417	37	1,454
Trade receivables	1,069	0	1,069
Deferred tax claims	1,283	719	2,002
	62,857	3,814	66,671
Current assets			
Inventories	20,328	13	20,341
Trade receivables	19,453	-1,184	18,269
Financial assets	13,683	-9,108	4,575
Income tax receivables	0	0	0
Other receivables and assets	1,114	216	1,330
Cash and cash equivalents	340	253	593
	54,918	-9,810	45,108
	117,775	-5,996	111,779
Equity			
Share of equity attributable to shareholders of the parent company			
Subscribed capital	13,200	0	13,200
Capital reserves	25,872	210	26,082
Net profit	22,910	-15,634	7,276
Accumulated other income	0	0	0
	61,982	-15,424	46,558
Equity capital shares of non-controlling shareholders	-26	3,148	3,122
	61,956	-12,276	49,680
Liabilities			
Non-current liabilities			
Provisions	132	-1	131
Deferred tax liabilities	0	2,286	2,286
Financial liabilities	0	0	0
Other liabilities	0	2,353	2,353
	132	4,638	4,770
Current liabilities			
Financial liabilities	34,896	-141	34,755
Trade payables	11,072	896	11,968
Income tax liabilities	2,439	74	2,513
Provisions	6,628	0	6,628
Other liabilities	652	813	1,465
	55,687	1,642	57,329
	55,819	6,280	62,099
	117,775	-5,996	111,779

(KEUR)	2015/2016 as reported	Adjustments pursuant to IAS 8	2015/2016 adapted
Sales revenue	102,533	2,331	104,864
Change in inventories of finished goods and work in progress	549	2	551
Other operating income	7,158	-6,314	844
Cost of materials	-45,861	-1,066	-46,927
Personnel costs	-22,263	-1,746	-24,009
Other operating expenses	-27,313	-1,697	-29,010
Result from at-equity accounted investments	-328	359	31
Other earnings from investments	396	0	396
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	14,871	-8,131	6,740
Amortisations	-2,882	-986	-3,868
Earnings before interest and taxes (EBIT)	11,989	-9,117	2,872
Financial result	-2,242	-73	-2,315
Earnings before taxes (EBT)	9,747	-9,190	557
Taxes on income and earnings	-1,799	961	-838
Net profit or loss for the period	7,948	-8,229	-281
Of which attributable to:			
Shareholders of Bastei Lübbe AG	7,903	-8,376	-473
Equity capital shares of non-controlling shareholders	45	147	192
Earnings per share (EUR)	0.60	-0.64	-0.04

In the consolidated financial year 2015/2016, the revenue from the sale of Daedalic and the transitional consolidation under the At Equity method was corrected and the revenue from the sale of licences to Bastei2B Ltd. was cancelled because the opportunities and risks were not transferred. The other amendments made to the consolidated profit and loss account and to the consolidated balance sheet as at 31 March 2016 are essentially based on the revenues and expenditure, and assets and liabilities of oolipo and Daedalic, both of which are being fully consolidated, henceforth contained therein.

c) Amendment to consolidated cash flow statements for the financial years 2014/2015 and 2015/2016

(KEUR)		2014/2015 as reported	Adjustments pursuant to IAS 8	2014/2015 adapted
Net profit or loss for the period		10,248	-7,258	2,990
+/-	Depreciation/appreciation of intangible assets and fixed assets	3,160	0	3,160
+/-	Other non-cash expenses/income	198	0	198
+/-	Increase/decrease in provisions	5	0	5
-/+	Profit/loss from the disposal of intangible assets and fixed assets	12	0	12
-	Profit from the disposal/transition of consolidated companies	-7,255	7,255	0
-/+	Increase/decrease in income tax receivables and liabilities, incl. deferred tax claims and liabilities	1,965	-49	1,916
-/+	Increase/decrease in stocks, trade receivables and other assets which are not to be allocated to the investment or financing activities	-1,669	-6	-1,675
+/-	Increase/decrease in trade liabilities and other liabilities which are not to be allocated to the investment or financing activities	-574	91	-483
	Cash flow from current business activities	6,090	33	6,123
	Cash flow from investment activities	-10,265	0	-10,265
	Cash flow from financing activities	-4,364	0	-4,364
	Net change in cash and cash equivalents	-8,539	33	-8,506
+	Cash and cash equivalents at start of period	22,163	0	22,163
=	Cash and cash equivalents at end of period	13,624	33	13,657

The adjustments relate without exception to oolipo AG which was also fully consolidated in the adjusted consolidated annual financial statement as at the balance-sheet cut-off date (31 March 2015).

(KEUR)	2015/2016 as reported	Adjustments pursuant to IAS 8	2015/2016 adapted
Net profit or loss for the period	7,948	-8,229	-281
+/- Depreciation/appreciation of intangible assets and property, plant and equipment	2,882	986	3,868
+/- Other non-cash expenses/income	23	-28	-5
+/- Increase/decrease in provisions	471	-1	470
-/+ Profit/loss from the disposal of intangible assets and property, plant and equipment	-4	3	-1
- Profit from the disposal/transition of consolidated companies	-6,418	6,418	0
+ Loss from disposal of at-equity-accounted investments	1,375	0	1,375
-/+ Increase/decrease in income tax receivables and liabilities, incl. deferred tax claims and liabilities	1,474	-962	-2,436
-/+ Increase/decrease in inventories, trade receivables and other assets that cannot be allocated to investment or financing activities	-10,122	6,368	-3,754
+/- Increase/fall in trade liabilities and other liabilities that cannot be allocated to investment or financing activities	-1,129	-316	-1,445
Cash flow from current business activities	-6,448	4,239	-2,209
- Outflow of funds for investments in intangible assets	-3,103	-5,161	-8,264
+ Income from the disposal of fixed assets	10	28	38
- Outflow of funds for investments in fixed assets	-765	-36	-801
+ Income from the disposal of financial assets	420	0	420
- Outflow of funds for investments in financial assets	-25	0	-25
- Payments for the acquisition of other business entities	-650	650	0
Cash flow from investment activities	-4,113	-4,519	-8,632
+ Incoming payments from the sale of non-controlling shares	0	500	500
- Disbursements to shareholders (dividends)	-3,960	0	-3,960
+ Receipts from the issue of bonds and from obtaining (financial) credit	1,550	0	1,550
- Outflow of funds for the repayment of bonds and (financial) credit	-313	0	-313
Cash flow from financing activities	-2,723	500	-2,223
Net change in cash and cash equivalents	-13,284	220	-13,064
+ Cash and cash equivalents at start of period	13,624	33	13,657
= Cash and cash equivalents at end of period	340	253	593

The adjustments are essentially the result of the full consolidation of Daedalic Entertainment GmbH and oolipo AG in the full financial year 2015/2016.

d) Amendment to consolidated change in equity statements for the financial years 2014/2015 and 2015/2016

(KEUR)	Parent company				Shareholder equity		
	Subscribed capital	Capital reserves	Net profit	Cumulated other Income	Equity	Equity	Equity
As at 31/03/2016 as previously reported	13,200	25,872	22,910	0	61,982	-26	61,956
Adjustments pursuant to IAS 8							
<i>from 2014/2015:</i>							
Adjustment to net profit for the period			-7,258	0	-7,258	0	-7,258
<i>from 2015/2016:</i>							
No change to group of consolidated companies				0	0	2,711	2,711
Adjustment due to sale of non-controlling shares without change of control		211			211	289	500
Adjustment to net profit for the period			-8,376	0	-8,376	147	-8,229
Other adjustments		-1			-1	1	0
As at 31/03/2016 pursuant to adjusted consolidated annual financial statement	13,200	26,082	7,276	0	46,558	3,122	49,680

The key changes relate to net profits for the period for both financial years. Moreover, the shares of non-controlling shareholders in Daedalic in the financial year 2015/2016 have not been deducted.

The adjustment resulting from the sale of non-controlling shares in oolipo AG (2.776 per cent of oolipo in financial year 2015/2016) was recorded under equity with no effect on profit.

5. Consolidated companies and shareholdings

Below is an overview of the key subsidiaries of the Group and the changes to the group of consolidated companies conducted during the financial year 2015/2016:

	Head- quarters	Ownership interest	
		31 March 2016	31 March 2015
Fully-consolidated companies			
BEAM Shop GmbH	Cologne, Germany	100.000%	–
BookRix GmbH & Co. KG	Munich	54.040%	54.040%
Daedalic Enter- tainment GmbH	Hamburg	51.000%	51.000%
oolipo AG (formerly BEAM AG)	Cologne, Germany	97.224%	100.000%
Blue Sky Tech Ventures Ltd.	London	0.000%	0.000%
At-equity accounted investments			
PRÄSENTA PROMOTION INTERNATIONAL GmbH (up to 7 September 2015)	Solingen	–	50.000%

Fully-consolidated companies

Blue Sky Tech Ventures Ltd.

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

Based on the conditions of the contractual agreements and the balance-sheet structure of Blue Sky, the Group has the possibility of managing key activities of this company and influencing its key revenues.

As at 31 March 2015, Bastei Lübbe AG sold 55 per cent shares in oolipo AG (formerly acting as BEAM AG; hereinafter also referred to as "oolipo") to Blue Sky Tech Ventures Ltd., London. The agreed purchase price (KEUR 3,850) was deferred until 31 December 2015. The deferral of the remaining unpaid purchase price has since been extended

until 30 November 2016. Within the framework of the purchase agreement, Blue Sky has undertaken to transfer up to 50 per cent of the participation to further investors. A surplus clause, amongst others, was agreed upon for the benefit of Bastei Lübbe, which was not activated on the reference date, since no reliable fair value could as yet be determined. A transfer obligation only exists in the event of a sale to companies that are not associated with the group, i.e. companies in which Bastei Lübbe is neither directly nor indirectly involved.

Bastei Lübbe AG sold 3 per cent of its shares in Daedalic Entertainment GmbH ("Daedalic") to Blue Sky with a purchase contract of 17 September 2015. Bastei Lübbe AG therefore still holds 48 per cent of shares in Daedalic directly. The agreed purchase price (KEUR 750) has since also been deferred until 30 November 2016.

oolipo AG

In January 2016, 2.776 per cent of shares in oolipo AG were sold on to external third parties by Blue Sky for a sales price of KEUR 500. Since the shares held by Blue Sky are still assigned to Bastei Lübbe, the Group's participation in oolipo currently totals 97.224 per cent.

Daedalic Entertainment GmbH

As already described above, the shares held by Blue Sky are still assigned to Bastei Lübbe AG until payment of the purchase price. The participation currently assigned to the Group therefore totals 51 per cent. The voting rights are furthermore not the decisive factor for determining control of Daedalic. Bastei Lübbe determines the main activities of Daedalic via other substantial rights. Daedalic is therefore fully consolidated.

On 7 June 2016, Bastei Lübbe AG declared subordination with regards to a loan of KEUR 1,400 owed by Daedalic for the benefit of Commerzbank AG in order to ensure the adjusted financing of Daedalic.

BEAM Shop GmbH

Bastei Lübbe established BEAM Shop GmbH ("BEAM Shop"), based in Cologne, in September 2015 with a capital stock of KEUR 25. BEAM Shop GmbH acquired the online shop platform beam-ebooks.de from oolipo AG as part of an asset deal with effect from 1 January 2016. The effects of this transaction between the two fully-consolidated companies (incl. intermediate profit) was consolidated in the consolidated annual financial statement

A short-term relaunch of the shop (planned for Q3 2016) is expected to shift the shop onto a growth trajectory. The BEAM Shop will in future position itself as THE genre shop (including for science fiction, erotica, etc.) in the German-speaking area and will intentionally move away from the mainstream/bestseller e-Book shops (such as amazon.de, thalia.de, etc.). Furthermore, USPs will be created by focussing on series content, innovative subscription models and the sale of audio books. Bastei

Lübbe believes that the shop provides access to big data and is a sales window for the Bastei Lübbe series and in-house developments.

Non-controlling shares

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

	Head-quarters	Ownership proportions of non-controlling shareholders	
		31 March 2016	31 March 2015
BookRix GmbH & Co. KG	Munich	45.960%	45.960%
Daedalic Entertainment GmbH	Hamburg	49.000%	49.000%
oolipo AG (formerly BEAM AG)	Cologne, Germany	2.776%	0.000%
Blue Sky Tech Ventures Ltd.	London	100.000%	100.000%

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

(KEUR)	Daedalic		oolipo		Blue Sky		BookRix	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Long-term assets	18,231	14,307	2,439	656	4,405	3,850	317	319
Current assets	1,159	3,455	96	74	125	0	985	629
Long-term liabilities	6,654	5,143	0	0	0	0	0	0
Current liabilities	1,661	2,170	3,555	309	4,374	3,850	1,075	823
Net assets	11,075	10,449	1,020	421	156	0	227	125
Net assets to be assigned to the non-controlling shares	3,024	2,717	-29	0	156	0	0	0
Sales revenue	7,765	6,038	313	222	0	0	2,376	1,240
Period = total earnings	627	-528	-1,389	-181	156	0	102	-252
Total profit to be assigned to non-controlling shares	307	-259	-13	0	-149	0	0	-103

All non-controlling shares shall be allocated to the “digital” segment. There were no dividend pay-outs on the part of the subsidiaries named in either of the two previous financial years.

At-equity-accounted investments

With the purchase contract of 7 September 2015, Bastei Lübbe AG sold its 50 per cent participation in PRÄSENTA PROMOTION INTERNATIONAL GmbH (“Präsenta”) to co-partner Thomas Herriger due to an increased focus on digital content. Within the context of this transaction, an agreement was concluded between the parties according to which Präsenta will continue to market Bastei Lübbe AG products via the available network. The sale of shares in the current business year resulted in a loss of KEUR 1,375, for the Group in the “Non-book” segment which is documented under other operational expenditure.

After the sale of Präsenta, the consolidated annual financial statement of Bastei Lübbe AG no longer contains any participations valued at-equity as at 31 March 2016.

Summarised financial information for the company valued at equity on the (previous year’s) balance sheet cut-off date can be found in the table below (both in relation to the fair value of the assets and liabilities – in as far as taken into account in the context of the consolidated financial statements – and on 100% of the shares):

	Präsenta	
	31 March 2016	31 March 2015
Long-term assets	–	2,468
Short-term assets	–	4,383
Long-term liabilities	–	108
Short-term liabilities	–	3,235
Net assets	–	3,688
Sales revenue	–	2,536
Period = total earnings	–	140

The amounts for the current financial year for Präsenta are not presented in the following table as the company was no longer included at-equity in the consolidated financial statements as at the balance sheet cut-off date.

Präsenta has not undertaken any distribution of profits in the previous consolidated financial year.

The following table shows a reconciliation of the presented net assets at the carrying value on the report date of the investments valued at equity:

	Präsenta	
	31 March 2016	31 March 2015
Net assets	–	3,688
x respectively held shares	–	50%
Carrying amount in consolidated financial statements	–	1,844

Non-significant subsidiaries, affiliated companies and joint ventures

None of the other subsidiaries and shareholdings are included in the consolidated financial statements because they are of lesser importance in terms of the evaluation of the Group’s assets, financial position and earnings (both individually and collectively).

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

31 March 2016	Headquarters	Ownership interest
Siebter Himmel Bastei Lübbe GmbH	Cologne	100%
Bastei Media GmbH	Erfurt	100%
Bastei Lübbe International Ltd.	Hongkong, China	100%
Bastei Ventures GmbH	Cologne	100%
Moravska Bastei MoBa s.r.o.	Brno, Czech Republic	90%
BookRix Verwaltungs-GmbH *	Munich	100%
Daedalic Entertainment Studio West GmbH **	Düsseldorf	75%

* subsidiary of BookRix GmbH & Co. KG

** subsidiary of Daedalic Entertainment GmbH

Participation in non-consolidated affiliated companies and joint ventures (20% to 50% stakes)

31 March 2016	Headquarters	Ownership interest
Bastei LLC	Santa Monica, USA	50%
HPR Bild & Ton GmbH	Cologne, Germany	25%

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

6. Intangible assets

(KEUR)	Goodwill and Goodwill	other intangible assets	Down payments	Total
Acquisition/production costs				
as of 1 April 2014	2,114	12,605	490	15,209
Additions from initial consolidations	5,744	6,583	0	12,327
Additions	0	3,508	1,884	5,392
Reclassifications	0	729	-729	0
as of 31 March 2015	7,858	23,425	1,645	32,928
Accumulated depreciation and impairment				
as of 1 April 2014	0	4,129	0	4,129
Amortisations	0	1,905	0	1,905
Write-downs, additions	0	240	0	240
as of 31 March 2015	0	6,274	0	6,274
Carrying amounts				
as of 1 April 2015	2,114	8,476	490	11,080
as of 31 March 2015	7,858	17,151	1,645	26,654
Acquisition/production costs				
as of 1 April 2015	7,858	23,425	1,645	32,928
Additions	0	3,540	4,724	8,264
Regrouping	0	650	-650	0
Disposals	0	-30	-2	-32
as of 31 March 2016	7,858	27,585	5,717	41,160
Accumulated depreciation and impairment				
as of 1 April 2015	0	6,274	0	6,274
Amortisations	0	2,853	0	2,853
Disposals	0	-2	0	-2
as of 31 March 2016	0	9,125	0	5,811
Carrying amounts				
as of 1 April 2015	7,858	17,151	1,645	26,654
as of 31 March 2016	7,858	18,460	5,717	32,035

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

(KEUR)	31 March 2016	31 March 2015
Books segment		
Eichborn	35	35
Digital segment		
Daedalic	4,903	4,903
BEAM	550	550
BookRix	291	291
	5,744	5,744
Non-book segment		
Räder	1,297	1,297
Novel booklets and puzzle magazines		
PMV	782	782
	7,858	7,858

Other intangible assets particularly include the "Räder" brand, identified in previous years within the purchase price allocation with KEUR 4,864 (non-book segment), for which no useful life can be determined due to it having been used for decades and given that the brand cannot be expected to depreciate in the future, and which therefore has not been undergoing scheduled depreciation but - as with goodwill - is being subject to an impairment test at least once annually.

In addition, title and brand rights above all, depreciated over useful lives of 8 to 15 years, will be shown at the balance sheet date in the total amount of

KEUR 2,497 (P Y: KEUR 2,865) and internally-developed computer games which are depreciated on a straight-line basis over useful lives of five years, with KEUR 6,999 (P Y: KEUR 5,199). The main individual items for title and trademark rights have a useful life of four (carrying amount 31 March 2016: KEUR 813) or 12 to 13 years (carrying amount 31 March 2016: KEUR 1,647). Moreover, the prepayments made include expenditure for development of the streaming platform oolipo in the amount of KEUR 2,422 (P Y: KEUR 22), on which no regular amortisations have yet been conducted, since the product is still in development. The other amounts mainly relate to software and licences, which are depreciated over three to five years.

In the previous year, extraordinary impairment on internally-developed intangible assets in the non-book segment was effected in the amount of the affected asset value, KEUR 240, which is indicated in the previous year's statement of comprehensive income in the item "Amortisation of intangible assets and property, plant and equipment". The depreciation was necessary because it was foreseeable that an internally-developed computer game would not generate sufficient revenue to cover its development costs. No additional extraordinary impairment of goodwill or other intangible assets was necessary in the two financial years.

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

7. Inventory of pre-paid royalties

(KEUR)	Advance royalties	Down payments	Total
Acquisition/production costs			
as of 1 April 2014	34,783	3,240	38,023
Additions	6,549	2,520	9,069
Disposals	-11,572	-112	-11,684
Reclassifications	2,485	-2,485	0
as of 31 March 2015	32,245	3,163	35,408
Accumulated depreciation and impairment			
as of 1 April 2014	11,702	108	11,810
Amortisations	9,748	112	9,860
Write-downs, additions	1,287	0	1,287
Value recovery	0	-30	-30
Disposals	-11,572	-112	-11,684
as of 31 March 2015	11,165	78	11,243
Carrying amounts			
as of 1 April 2014	23,081	3,123	26,213
as of 31 March 2015	21,080	3,085	24,165
Acquisition/production costs			
as of 1 April 2015	32,245	3,163	35,408
Additions	4,306	6,003	10,309
Disposals	-3,316	-10	-3,326
Reclassifications	3,849	-3,849	0
as of 31 March 2016	37,084	5,307	42,391
Accumulated depreciation and impairment			
as of 1 April 2015	11,165	78	11,243
Amortisations	8,575	5	8,580
Value recovery	1,020	0	1,020
Disposals	-3,316	0	-3,316
as of 31 March 2016	15,404	83	15,487
Carrying amounts			
as of 1 April 2015	21,080	3,085	24,165
as of 31 March 2016	21,680	5,224	26,904

All expenses incurred in connection with prepaid royalties and down payments made - incl. depreciations - are recognised as material expenses under "Expenses for fees and depreciations to prepaid royalties"; write-ups and revaluations are recorded as other operational expenses.

In the inventory of pre-paid royalties, there is a manuscript for a published (P Y.: still to be published) book by a renowned author. Its book value is approximately KEUR 1,500 (P Y: KEUR 1.800). Its respective expected amortisation period is between one and two years.

In particular as a result of the strategic decision to publish fewer paperbacks in the children's/youth books segment than planned, the previous year's depreciation of royalties also includes extraordinary depreciation

amounting to KEUR 1,287 by which this has been depreciated in full. No unscheduled depreciations needed to be carried out in the previous financial year.

8. Tangible assets

(KEUR)	Real estate and buildings	Techn. equipment and machinery	Fittings and equipment	Equipment under construction	Total
Acquisition/production costs					
as of 1 April 2014	1,378	61	6,532	4	7,975
Additions from initial consolidations	0	0	40	0	40
Additions	49	0	681	5	735
Reclassifications	4	0	0	-4	0
Disposals	0	0	-338	0	-338
as of 31 March 2015	1,431	61	6,915	5	8,412
Accumulated depreciation and impairment					
as of 1 April 2014	273	29	3,970	0	4,272
Amortisations	157	7	851	0	1,015
Disposals	0	0	-303	0	-303
as of 31 March 2015	430	36	4,518	0	4,984
Carrying amounts					
as of 1 April 2014	1,105	32	2,562	4	3,703
as of 31 March 2015	1,001	25	2,397	5	3,428
Acquisition/production costs					
as of 1 April 2015	1,431	61	6,915	5	8,412
Additions	185	3	534	78	800
Reclassifications	53	0	30	-83	0
Disposals	0	0	-266	0	-266
as of 31 March 2016	1,669	64	7,213	0	8,946
Accumulated depreciation and impairment					
as of 1 April 2015	430	36	4,518	0	4,984
Amortisations	188	6	821	0	1,015
Disposals	0	0	-260	0	-260
as of 31 March 2016	618	42	5,079	0	5,739
Carrying amounts					
as of 1 April 2015	1,001	25	2,397	5	3,428
as of 31 March 2016	1,051	22	2,134	0	3,207

Property, plant and equipment include assets amounting to KEUR 590 (P Y: KEUR 758) under hire, rental or lease contracts which should be classified as finance lease agreements based on IFRS criteria, and are therefore to be entered in the balance sheet of their economic owner. These assets are operating and office equipment (office equipment and servers). Reference is made to Note 19 regarding the corresponding liabilities.

As in the previous year, the leased and capitalised assets in property, plant and equipment experienced no

accruals; depreciation amounted to KEUR 168.

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

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

9. Financial assets

(KEUR)	31 March 2016	31 March 2015
Long-term (financial assets)		
Investments in affiliated companies	635	610
Investments in associated companies and joint ventures	332	332
Other equity investments	108	108
Other loans	380	800
	1,455	1,850
Short-term		
Receivables from associated companies and joint ventures	252	710
Receivables from factoring	2,431	3,357
Receivables from affiliated companies	715	720
Eichborn AG receivables (insolvency)	252	252
Supplier rebates	94	84
Other	831	219
	4,575	8,342

All receivables from the books segment were sold to Vereinigte Verlagsauslieferung arvato media GmbH (VVA), Gütersloh, as part of a factoring agreement. Given that this involves recourse factoring (the default risk is not passed to the factor), receivables still due from customers are shown under "Trade receivables". Financial assets include those

receivables that have been paid by the customer but not yet transferred to Bastei Lübbe by the factor.

In the receivables from associated companies and joint ventures, there are in particular interest-bearing loans payable by HPR Bild & Ton GmbH, Cologne, totalling KEUR 250 (P Y: KEUR 0). In the previous year, the interest-bearing loan payable by Präsentia Promotion International GmbH, Solingen, which was reported as KEUR 700 at that time, is now also reported as KEUR 500.

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

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

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

10. Income tax assets and liabilities

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

(KEUR)	31 March 2016	31 March 2015
Deferred tax claims	2,202	1,486
Income tax receivables	0	32
Deferred tax liabilities	-2,286	-2,523
Income tax liabilities	-2,513	-4,228
Balance	-2,797	-5,233

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		liabilities	
	deferred taxes 31 March 2016	deferred taxes 31 March 2015	deferred taxes 31 March 2016	deferred taxes 31 March 2015
Other intangible assets	1,944	2,901	2,023	2,523
Tangible assets		192		246
Financial investments	74	32	89	45
Authors' licences		242		233
Trade accounts receivable	670	144	37	149
Other receivables and assets		79		0
Semi-retirement obligations	1		10	
Financial liabilities	35	50	137	137
Tax losses carried forward	632		0	
	3,356	3,640	2,296	3,333
Balancing	-1,354	-1,354	-810	-810
	2,002	2,286	1,486	2,523

Deferred tax assets on tax losses carried forward relate to Daedalic Entertainment GmbH and the newly consolidated BEAM Shop GmbH. Deferred tax assets on losses carried forward in the amount of total KEUR 1,132

(P Y: KEUR 129) shall not be formed from oolipo AG and BookRix GmbH & Co. KG, since the realisation of such is not considered sufficiently certain according to the likelihood required by IAS 12. No tax losses are carried forward for the parent company.

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 March 2016		31 March 2015	
Deferred tax claims 1 Apr	1,486		1,311	
Deferred tax liabilities 1 Apr	-2,523	-1,037	0	1,311
Deferred tax claims 31 Mar	2,002		1,486	
Deferred tax liabilities 31 Mar	-2,286	-284	-2,523	-1,037
= Change in balance		753		-2,384
+/- Additions/disposals from changes in scope of consolidation		0		1,270
+/- Changes not recognised in income		0		1,019
= Deferred tax income as per profit and loss statement		753		-59

Furthermore, we refer to the information regarding income tax expenses under Note 31 in this respect.

11. Inventories

(KEUR)	31 March 2016	31 March 2015
Raw materials and supplies	338	320
Unfinished products	779	696
Finished goods	18,647	18,179
Merchandise	14	39
Prepayments on inventories	563	440
	20,341	19,674

Of the inventories recognised at the balance sheet date, KEUR 1.031 (P Y: KEUR 931) were carried at their net realisable value.

Additions to value adjustments on inventories amounted to KEUR 3,084 (P Y: KEUR 3.751), and the value recovery within the same period amounted to KEUR 673 (P Y: KEUR 779).

12. Trade receivables

(KEUR)	31 March 2016	31 March 2015
Receivables from		
third parties	19,520	18,301
less long-term discounting	-65	-113
less value adjustments	-117	-112
	19,338	18,076

Long-term receivables from a client amounting to KEUR 1,134 (P Y: KEUR 1,333), as no interest rate was stipulated, are discounted at a cash value of KEUR 1,069 (P Y: KEUR 1,220). All other trade receivables shown are due within a year and are shown as current receivables.

Value adjustments were made on receivables amounting to KEUR 155 (P Y: KEUR 148). Depreciations of trade receivables were as follows:

(KEUR)	2015/2016	2014/2015
As of 1 April	112	100
Availment	-2	-7
Reversal	-9	-4
Addition	16	23
	117	112

As of 31 March 2016, trade receivables in the amount of KEUR 16,734 (P Y: KEUR 16,742) were neither overdue nor depreciated. There are no indications on the reporting date in this regard that the clients will not fulfil their payment obligations.

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

(KEUR)	31 March 2016	31 March 2015
up to 30 days	1,990	874
31 to 90 days	389	81
91 to 180 days	138	305
181 days to one year	36	38
more than one year	13	0
	2,566	1,298

As at the reporting date the previous year, Bastei Lübbe has assigned all trade receivables to the credit institutes in a blanket assignment as one of several securities for bank overdrafts guaranteed by three credit institutions (collateral pooling agreement). This agreement was cancelled as part of the syndicated loan agreement concluded in October 2015 (see also Note 19). As a result, trade receivables as of the reporting date do not serve as collateral for own liabilities.

Of the trade receivables shown, KEUR 8,448 (P Y: KEUR 8,583) were sold as part of a factoring agreement with Vereinigte Verlagsauslieferung arvato media GmbH (VVA), Gütersloh. As only the contractual right to the cash flows was transferred, but not the default risk of the receivables, the receivables were not derecognised. Payments from clients to VVA that have not yet been transferred to Lübbe by the factor are shown in the

amount of KEUR 3,226 (P Y: KEUR 4,252) under financial assets. Given the short-term nature of the assets and liabilities, the carrying values correspond to the fair values. The carrying values of the assets prior to transfer remain unchanged compared to the carrying values following transfer.

13. Other receivables and assets

(KEUR)	31 March 2016	31 March 2015
Other accruals and deferrals	910	565
Value-added tax refund claims	380	406
Other	40	6
	1,330	977

All amounts are realisable within a year.

14. Cash and cash equivalents

(KEUR)	31 March 2016	31 March 2015
Bank balances		
Sight deposits and fixed deposits	577	13,626
Cash assets	16	31
	593	13,657

This item bears no restrictions in terms of ownership or disposal.

15. Equity

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

Following the stock market flotation, the parent

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

(shares)	2015/2016	2014/2015
As of 1 April	13,200,000	13,249,700
Acquisition of own shares	0	-50,000
Issue of shares (free of charge)	100	300
As of 31 March	13,200,100	13,200,000

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

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

In accordance with the resolution passed by the ordinary general meeting on 16 September 2015, a dividend of EUR 0.30 per participating share (excluding ordinary shares) was distributed to the shareholders from the net earnings of Bastei Lübbe AG for the 2014/2015 financial year (KEUR 3,960 in total). The treasury shares held by the company as at the time the resolution was taken are not entitled to participate in dividends pursuant to Section 71b of the Companies Act (AktG). Furthermore, a resolution was also passed to carry forward the remaining net earnings of KEUR 6,820. The equity shares of non-controlling shareholders concern equity contributions relating to the minority shareholders of Daedalic, oolipo, Blue Sky and BookRix, and have developed as follows in the past consolidated financial year:

(KEUR)	Daedalic	oolipo	Blue Sky	BookRix	Total
as of 1 April 2015	2,717	0	0	-76	2,641
Intake from sales of shares		-16	305		289
proportionate net profit for period	307	-13	-149	47	192
less dividend pay-outs					0
as of 31 March 2016	3,024	-29	156	-29	3,122

16. Earnings per share

In calculating earnings per share (EUR 0.04/share, P Y: € 0.25 per share), the following period result was attributed to the shareholders of the parent company and the average number of shares in circulation (13,200,096

shares, P Y: 13,226,987 shares) as a weighted average while offsetting the treasury shares held by the Company. Dilutive effects did not apply in either the reporting year or in the previous year.

17. Semi-retirement obligations

Bastei Lübbe has concluded partial-retirement agreements with a number of employees according to the block model stipulated in the collective agreement. Accordingly, the working hours are spread over the total period spent in partial retirement in such a way that the employee works the full amount of hours in the first

half of the period of part-time working. Employees are then released from working altogether in the second half while still receiving the remuneration due during partial retirement (partial-retirement payment plus top-up amount).

Net liabilities developed as follows:

(KEUR)	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31/03/2012
Present value of semi-retirement obligation	184	393	674	843	1,063
Fair value of plan assets	-155	-274	-418	-519	-628
	29	119	256	324	435

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

(KEUR)	2015/2016	2014/2015
As of 1 April	393	674
Current service cost	0	0
Interest expense	0	4
Payments	-191	-269
Actuarial profits (" -")/ losses	-18	-16
As of 31 March	184	393

The anticipated payments due in the following financial year amount to KEUR 117 (P Y: KEUR 191).

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

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

The fair value of plan assets has developed as follows:

(KEUR)	2015/2016	2014/2015
As of 1 April	274	418
Deposits	0	0
Disbursements	-128	-155
Balanced earnings	9	11
As of 31 March	155	274

The plan assets are comprised of reinsurance policies held with a life insurance company. In-payments are made in the active phase of partial retirement. These payments are then effected in the passive phase of partial retirement. Assets are generally invested in the general cover funds of the life insurance company. The restrictions of the German Federal Financial Supervisory Authority apply here. Fair-value accounts are traditional insurance policies without fund investments. The income from the reinsurance policies is calculated from the fixed guaranteed interest (1.25%, P Y: 2.25%) and the variable profit share from the insurance company, to be set annually, which results from risk and cost gains and the profit from the insurance policies underlying the capital investment. The cost amounts claimed by the life insurance company are thus offset.

18. Other provisions

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

(KEUR)	as of 1 April 2015	Availment	Addition	as of 31 March 2016
long-term				
archiving costs	99		3	103
short-term				
remittances	5,050	5,050	5,560	5,560
Litigation	539	39	10	510
Specific risks receivables from factoring	473	396	274	351
Other	9		198	207
	6,071	5,485	6,042	6,628
	6,170	5,485	6,046	6,731

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

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

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

19. Financial liabilities

(KEUR)	as of 31 March 2015, of which with a remaining term of			
	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years
Liabilities (to/from)				
Bonds	30,000	0	30,000	0
Balanced processing charges	-421	0	-421	0
Accrued interest on bond	874	874	0	0
banks	2	2	0	0
Finance leases	421	313	108	0
Employees	2,673	2,673	0	0
Debtors with credit balance	211	211	0	0
Other	113	113	0	0
	33,873	4,186	29,687	0

(KEUR)	as of 31 March 2016, of which with a remaining term of			
	Total	up to 1 year	more than 1 year, up to 5 years	more than 5 years
Liabilities (to/from)				
Bonds	30,000	30,000	0	0
Balanced processing charges	-153	-153	0	0
Accrued interest on bond	874	874	0	0
banks	1,553	1,553	0	0
Finance leases	107	107	0	0
Employees	2,167	2,167	0	0
Debtors with credit balance	177	177	0	0
Other	30	30	0	0
	34,755	34,755	0	0

On 26 October 2011, the parent company issued a bond with a total nominal value of EUR 30 million. The bond comprises 30,000 bearer bonds, each with a nominal value of EUR 1,000.00. The bearer bonds will bear nominal annual interest of 6.75% retroactively as from 26 October 2011 until 25 October 2016. The bond is traded on the open market on the Düsseldorf and Frankfurt Stock Exchanges. The bearer bonds will be paid back on 26 October 2016 at their nominal amount.

Back on 5 October 2015, the parent company concluded a syndicated loan agreement with a renowned banking syndicate with a total value of EUR 33 million, and at the same time ensured itself an option of a further EUR 10 million for possible company acquisitions and other strategic investments. The syndicated loan has a maturity of six years. The Company will use the loan, amongst other things, for paying back the aforementioned bond. An amendment agreement was

concluded regarding this syndicated loan agreement on 15 April 2016. We refer to Note 45 regarding this. The banking syndicate agreed to an additional amendment to the agreement on 30 May 2016. We also refer to Note 45 regarding this.

The handling fees paid in 2011 amounting to KEUR 1,350 are offset as acquisition costs for the issued bond and distributed over the term of the bond (until 26 October 2016) through profit or loss.

The interest accrued for the bond refers to the interest payable on the bond for the period since the last payment date (26 October) until the reporting date.

Liabilities under finance leases are reflected as liabilities, provided the leased assets have been accounted for under property, plant and equipment as economic property of the group (finance leasing). They are reported at their present values.

Lease liabilities reported can be classified by maturity as follows:

(KEUR)	Future minimum leasing rate		Including Interest component		Including Repayment portion (=cash value)	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015
within one year	147	345	40	32	107	313
between 1 and 5 years	0	147	0	39	0	108
in more than five years	0	0	0	0	0	0
	147	492	40	71	107	421

Finance lease contracts are usually concluded for a basic term of between four and six years. If a contract provides for renewal and/or purchase options upon expiry of the basic lease term, and these options can be classified as favourable, the corresponding amounts are included in the calculation of the cash values.

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

20. Trade payables

Trade liabilities (KEUR 11,968; PY.: 12,320) essentially comprise royalties owed to authors and agencies, liabilities towards printing companies and liabilities under advisory services and lease agreements.

21. Other liabilities

(KEUR)	31 March 2016	31 March 2015
Liabilities (to/from)		
Accruals and deferrals	1,852	2,410
Advances received	1,305	1,460
Other taxes	350	386
Other	311	275
	3,818	4,531

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

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

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

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

(KEUR)	31 March 2016	31 March 2015
Liabilities (to/from)		
Accruals and deferrals	993	1,391
Advances received	1,260	1,130
Other	100	100
	2,353	2,621

Notes to the statement of comprehensive income

The profit and loss statement is organised by types of expense (total cost procedure). The figures for the financial year are only partially comparable with those from the previous financial year as the group of consolidated companies has in particular not seen any material changes in the course of the initial consolidations of the companies Daedalic, BookRix and oolipo (formerly BEAM) conducted during the 2014/2015 consolidated financial year.

22. Sales revenue

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

(KEUR)	2015/2016	2014/2015
Gross revenues books	54,391	62,481
Remittances books	-7,148	-6,699
Net revenues books	47,243	55,782
Revenues licensing/other revenues	3,100	2,995
Revenue deductions	-2,010	-2,266
Books segment	48,333	56,511
Digital revenues	26,958	27,632
Digital remittances	-807	-501
Digital net revenues	26,151	27,131
Current internal performance of internally-produced intangible assets	2,927	1,652
Revenues licensing/other revenues	761	112
Revenue deductions	-111	-124
Digital segment	29,728	28,771
Revenues non-book	17,339	14,617
Revenues licensing/other revenues	450	429
Revenue deductions	-804	-585
Non-book segment	16,985	14,461
Gross revenues novel booklets and puzzle magazines	30,332	30,396
Remittances novel booklets and puzzle magazines	-20,647	-20,090
Net revenues novel booklets and puzzle magazines	9,685	10,306
Revenues licensing/other revenues	133	145
Revenue deductions	0	0
Novel booklets and puzzle magazines segment	9,818	10,451
Total net revenues	104,864	110,194

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

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

(KEUR)	Inventory		Changes in inventory	
	31 March 2016	31 March 2015	2015/2016	2014/2015
Unfinished products	779	696	83	75
Finished goods	18,647	18,179	468	399
			551	474

24. Other operating income

(KEUR)	2015/2016	2014/2015
Benefits in kind	250	227
Insurance compensation, indemnification	13	341
Income from copyright infringements	49	76
Gains on currency exchange	275	172
Rental income	14	14
Staff sales and meal allowances	54	54
Income from the liquidation of bad debt allowances	9	4
Income from written-off receivables	6	18
Income from writing off liabilities	6	200
Other	167	191
	844	1,297

25. Cost of materials

(KEUR)	2015/2016	2014/2015
Expenses for fees and depreciation of royalties	19,828	23,845
Print, layout, repro, audio books	17,672	19,285
Procurement of the "Räder" product range	6,481	6,239
Image copyright and graphic work	882	1,062
Proofreading, editing	242	225
External publications	392	279
Merchandise	64	31
License fees (royalties)	716	1,142
Third-party game development services	399	788
Other services purchased	251	163
	46,927	53,059

We refer to Note 7 regarding depreciations on author royalties.

26. Personnel costs

(KEUR)	2015/2016	2014/2015
Wages and salaries	19,378	18,356
Employer shares for statutory pension insurance	1,491	1,430
Other social security contributions	1,772	1,576
Expenditure on employment termination benefits	916	121
Other	452	343
	24,009	21,826

27. Other operating expenses

(KEUR)	2015/2016	2014/2015
Operating expenses		
Rents and other premises costs	2,211	2,193
Lease expenses	86	81
Maintenance costs	277	111
Other operating expenses	73	78
	2,647	2,463
Administrative expenses		
Legal, consulting and audit costs	2,986	2,351
Vehicle costs	628	679
External data processing costs	862	675
Telephone, postage, Internet	549	593
other personnel expenses	398	363
Office supplies, magazines	219	141
Entertainment expenses	146	138
Insurance	110	93
Subscriptions, fees	272	240
Other administrative expenses	1,193	655
	7,363	5,928
Sales costs		
Advertising and travel expenses	9,101	9,519
Outgoing freight, transport and storage costs	5,800	6,383
Sales commissions	1,737	1,629
eBook distribution costs	157	230
Other selling expenses	316	158
	17,111	17,919
Non-operating expenses		
Losses from the deconsolidation of at equity accounted investments	1,375	0
Value adjustments on receivables	327	356
Exchange rate losses	131	133
Losses from disposals of assets	5	16
Donations	16	51
Other non-operating expenses	35	146
	1,889	702
	29,010	27,012

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

28. Result of participations

The result of participations is derived from the following companies:

(KEUR)	2015/2016	2014/2015
Result from at-equity accounted investments		
PRÄSENTA PROMOTION INTERNATIONAL GmbH	31	70
Other earnings from investments		
MoBa GmbH, Brno, Czech Republic	265	260
Miscellaneous press distributorships	131	18
	396	278
	427	348

29. Amortisations

(KEUR)	2015/2016	2014/2015
Scheduled depreciation		
Intangible assets	2,853	1,905
Tangible assets	1,015	1,015
	3,868	2,920
Extraordinary impairment		
Intangible assets	0	240
Tangible assets	0	0
	0	240
	3,868	3,160

An extraordinary depreciation on internally-generated intangible assets in the amount of KEUR 240 was made in the previous year because it was clear that an internally-developed computer game would not be generating sufficient turnover to cover its development costs. In addition, no extraordinary depreciations on intangible assets and property, plant and equipment were necessary in the current or previous financial year - be it in the context of impairment tests or for other reasons.

30. Financial result

(KEUR)	2015/2016		2014/2015	
Finance income				
Income from instant-access/fixed-term deposit accounts	5		49	
Income from accumulation of long-term trade receiv.	48		45	
Interest income from affiliated companies	-49		10	
Interest income from associated companies	80		32	
Interest income from covered funds for partial-retirement provisions	9		10	
Net interest expense from the discounting of partial-retirement provisions	0		-4	
Other	10	103	9	151
Financial expenses				
Interest expense from bonds	-2,025		-2,025	
Processing charges for bonds	-268		-268	
Interest expense on syndicated loan	-49		0	
Handling of issued syndicated loan	-22		0	
Interest portion of lease instalments under finance leases	-22		-43	
Expenses from the discounting of long-term receiv.	-20		0	
Expenses from current accounts	-8		-15	
Other	-4	-2,418	-26	-2,377
Financial result		-2,315		-2,226

31. Income tax expense

(KEUR)	2015/2016	2014/2015
Taxes paid or due		
for the current year	1,021	1,978
for previous years	570	-6
	1,591	1,981
Deferred taxes		
on temporary differences	-121	59
on changes in losses carried forward	-632	0
	-753	59
	838	2,040

We refer to Note 10 for further details on the accounting changes related to income tax.

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

(KEUR)	2015/2016	2014/2015
Earnings before income taxes	557	5,030
Expected Income tax expense (32.45%)	181	1,632
Tax rate differences	-24	-1
Permanent differences in long-term assets	-281	-317
Non-deductible operating expenses tax-free income/special area	482	39
Trade tax corrections	130	149
at equity accounted investments	-168	-23
Non-recognition of deferred taxes on losses carried forward	322	724
First recognition of deferred taxes on losses carried forward from previous years	-363	0
Taxes from previous years	570	-6
Other	-11	-79
Actual income tax expenditure	838	2,040

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

The shares in profit allotted to the non-controlling shares of Daedalic, oolipo, Blue Sky and BookRix in the amount of KEUR 192 (P Y: total portions of losses for Daedalic and BookRix: KEUR -362) are proportionate losses of oolipo and Blue Sky (total KEUR 162) and the shares in the annual surplus of both other companies (total KEUR 354). For more financial information regarding the non-controlling shares, we refer you to Note 5.

Other disclosures

33. Notes on the cash flow statement

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

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

under the balance sheet item "Cash and cash equivalents".

The total amount (balance) of income tax payments made in the previous financial year is KEUR 3,273 (P Y: KEUR 72). Interest payments amount to KEUR 1,989 (P Y: KEUR 2,009).

The result for the period (KEUR 281, P Y: KEUR 2,990) has decreased by KEUR 3,271 year-on-year. After addition of the amortisations increased due to high investments – above all in the digital sector – (KEUR 3,868 following

KEUR 3,160 the previous year), the cash flow from current business activities is KEUR -2,209 (P Y: KEUR 6,123), which represents a decrease of KEUR 8,332. This has been caused in particular by the high level of funds commitment in inventories (incl. stock of prepaid author royalties) in the amount of KEUR 3,406 and in trade receivables in the amount of KEUR 1,262, as well as the revenue tax payments already stated.

Due to the continued high investments in immaterial assets (KEUR 8,264, of which KEUR 5,194 at subsidiary Daedalic) and the outgoing payments for investments in plant, property and equipment (KEUR 801), the investment activities result in a cash outflow in the amount of KEUR 8,632 (P Y: KEUR 10,265).

Cash flow from financing activity shows an inflow of funds totalling KEUR 2,223 (P Y: KEUR 4,364), mainly relating – in the same way as the previous year – to shareholder dividend payments (KEUR 3,960, P Y: KEUR 3,710).

Thus, there was an overall cash-effective decrease of cash funds of KEUR 13,064 (P Y: KEUR 8,506).

34. 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.

Due to the increasing importance of the Digital business segment in the 2015/2016 financial year, and particularly due to the acquisitions carried out during the previous financial year (Daedalic Entertainment GmbH, BookRix GmbH & Co. KG and oolipo AG - formerly BEAM AG), it was necessary to create a fourth, independent segment known as "Digital" within group reporting and to subsequently record it within segment reports in line with IAS 34.

The audio and e-book sub-groups, as well as the subsidiaries BookRix GmbH & Co. KG and oolipo AG, were taken from the book segment and assigned to the new digital segment; this also applies to the subsidiary

Daedalic Entertainment GmbH, which was previously in the non-book segment. Compared to 31 March 2015, the segment structure remained unchanged in other respects.

The previous year's figures for comparison were adjusted accordingly. A distinction is made between the following segments:

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

Books

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

Digital

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

Non-book

In particular, the non-book segment comprises gift items sold under the Räder label, as well as merchandise and similar products. Furthermore, the activities of the participation in Präsenta (accounted at equity) also belong to this segment.

Novel booklets and puzzle magazines

The "novel booklets and puzzle magazines" segment comprises the physical novel booklets – including "romantic novels" and mystery fiction novels – as well as puzzle magazines.

The segments performed as follows over the past financial year:

(KEUR)	Books		Digital		Non-book		Novel booklets and puzzle magazines		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Segment sales revenue	48,333	56,511	30,154	28,876	16,985	14,461	9,818	10,451	105,290	110,299
Internal sales	0	0	426	105	0	0	0	0	426	105
External sales	48,333	56,511	29,728	28,771	16,985	14,461	9,818	10,451	104,864	110,194
EBITDA*	2,181	1,055	1,428	5,524	1,392	1,891	1,739	1,946	6,740	10,416
Income from investments included therein	114	0	114	0	39	70	160	278	427	348
Amortisations	666	508	2,465	1,865	556	611	181	176	3,868	3,160
EBIT	1,515	547	-1,037	3,659	836	1,280	1,558	1,770	2,872	7,256
Financial result									-2,315	-2,226
Earnings before taxes (EBT)									557	5,030
Taxes on income and earnings									838	2,040
Net profit or loss for the period									-281	2,990

* Depreciations to author royalties are included in the EBITDA (see Notes 7 and 25).

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

(KEUR)	Germany		Foreign countries		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
External sales	85,662	91,225	19,202	18,969	104,864	110,194

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 achieves close to or more than 10 percent of its income each from its two largest clients. The amount of income received from these clients is distributed across the segments as follows:

(KEUR)	Books		Digital		Non-book		Novel booklets and puzzle magazines		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
	14,230	15,187	4,473	5,680	1,185	846	0	0	19,888	21,713

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

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

35. Capital management

Equity comprises share capital less acquired own shares, capital provisions, net profit and cumulated other income.

As part of capital management, the Executive Board endeavours to assure a strong equity base in order to strengthen the confidence of investors, potential investors and contracting partners with respect to the sustainability of Bastei Lübbe's business activities, and to guarantee future business development. In order to strengthen the equity base, there is a particular intention to reinvest a larger share of net profit or loss for the period.

Participation of employees in the Company in the form of employee share programmes has not been the intention so far.

The primary objective of Bastei Lübbe AG is to expand revenue, and to increase the EBITDA in particular, as well as to achieve sustainable positive earnings with the aim in mind of increasing the value of the Company. The steering system used by the Management therefore largely focuses on performance data. It is therefore particularly necessary to conduct preliminary costing of all projects (primarily book projects). The corresponding tools are available here. Projects in the book segment may only be approached if a minimum return of 8% is achieved. After their completion, all projects are recosted and discussed with the relevant members of staff.

36. Financial instruments

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

(KEUR)	Book value		Fair value	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Assets				
Loans and receivables				
Cash and cash equivalents	593	13,657	593	13,657
Trade receivables	19,338	18,076	19,338	18,076
Other non-derivative financial assets	4,955	6,142	4,955	6,142
Available for sale				
Investments	1,075	1,050	1,075	1,050
	25,961	38,925	25,961	38,925
Liabilities				
Liabilities, measured at amortised cost				
... from trade accounts	11,968	12,320	11,968	12,320
... from bonds issued	30,721	30,453	31,324	32,703
... to banks	1,553	2	1,553	2
... from finance leases	107	421	107	420
Other non-derivative liabilities	2,374	2,997	2,374	2,997
	46,723	46,193	47,326	48,442

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

- Cash, trade receivables, other current 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 and receivables from debentures not traded on an active market are valued by the Company based on parameters such as interest rate 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 publicly-listed bonds is based on price quotations at the reporting dates.
- The fair value of obligations from finance leases is estimated by discounting future cash flows while applying interest rates currently available for borrowings on comparable terms, default risks and residual terms.
- The fair value of other available-for-sale holdings is not calculated as no quoted market prices exist on an active market and the fair value cannot be reliably determined. These available-for-sale financial assets is a strategic participation in press distribution companies. Due to the lack of market transactions

and knowledge as to the parameters that exert a significant influence on the fair value of assets, the latter was not determined. The Company currently has no intention to sell the assets.

Bastei Lübbe uses the following hierarchy to determine and show fair values:

- Level 1: prices quoted (remaining unchanged) on active markets for assets or liabilities of the same kind
- Level 2: Input factors - except prices pursuant to Level 1 - that can be directly or indirectly observed for the asset or liability, and
- Level 3: factors not based on observable market data for the valuation of the asset or the liability.

The calculation of the fair value of all financial instruments recognised in the balance sheet and in these Notes is either based on listed Level 1 prices (excluding the issued bond) or on the information and input factors referred to under Level 2. The use of observable market parameters prevents the evaluation from deviating from general market assumptions. There are no Level 3 financial instruments of the fair-value hierarchy.

The net profits and losses recognised in the profit and loss statement are hereinafter presented according to the groups of financial instruments and categories.

(KEUR)	Interest and fees		Other	
	2015/2016	2014/2015	2015/2016	2014/2015
Loans and receivables	64	136	-202	-205
Liabilities, measured at amortised cost	-2,394	-2,351	41	110
	-2,230	-2,215	-161	-95
For information only				
Net interest income/loss arising from partial-retirement obligations	9	6		
Other financial result (not allocated to financial instruments)	6	-17		
Financial result (see Note 30)	-2,315	-2,226		

Other net profit and loss from the "loans and receivables" categories related in particular to value adjustments, partially compensated by profits on exchange rates arising from currency differences. The remaining net result of the category "Liabilities" pertained to the results of currency conversion as well as write-offs.

All other profits and losses were recognised under other operative income or expenses.

With regard to trade receivables, interest income from the follow-up valuation according to the effective interest rate method was recognised under interest income in the amount of KEUR 48 (P Y: KEUR 45). We refer to Note 30 (Financial result) regarding further details on interest and fees.

37. 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 secured in the form of trade credit insurance. Receivables greater than KEUR 50 from the books segment are covered by trade credit insurance. Adherence to the relevant trade credit limit is monitored

on a monthly basis. There is essentially one main client for the novel booklets and puzzle magazines segment. The receivables are not covered by trade credit insurance. These receivables are regularly monitored for their adherence to the agreed payment conditions.

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

The maximum default risk for financial assets is KEUR 20,101 (P Y: KEUR 34.628 and is calculated as follows:

(KEUR)	31 March 2016	31 March 2015
Total financial instruments Assets	25,961	38,925
minus trade credit ins. rec.	-6,511	-4,774
plus excess (of which 10%)	651	477
	20,101	34,628

Liquidity risk

At Bastei Lübbe, the necessary liquidity is covered by the bond issued in October 2011 as well as the liquid assets received during the initial public offering. Bastei Lübbe also has a current account credit facility with the three principal banks, which is however not being used at present. Daily inflow and outflow planning guarantees a

permanent overview of liquidity requirements. In addition, actual liquidity requirements are compared with the planning, and any differences are analysed.

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

(KEUR)	Book value	as of 31 March 2015 undiscounted cash outflows				
		total	up to 30 days	more than 30 days, up to 180 days	more than 180 days up to 1 year	more than 1 year
Trade accounts payable	12,320	12,320	5,013	4,860	2,447	0
Bond, incl. interest	30,874	34,050	0	0	2,025	32,025
Liabilities to banks	2	2	2	0	0	0
Finance leases	421	492	29	144	172	147
Other non-derivative liab.	2,997	2,996	137	2,510	349	0
	46,614	49,860	5,181	7,514	4,993	32,172

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

Gross inflows and outflows particularly include future interest payment obligations in addition to the liabilities' carrying values. The processing fees settled with the transaction costs of the bond are not taken into account here, as resulting outflows have already been effected. There are no financial liabilities with due dates beyond the

repayment date of the bond (26 October 2016) as at the balance-sheet cut-off date.

Currency risk

Foreign currency receivables and liabilities ensuing from contracts are covered by forward exchange transactions

with investment-grade banks.

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

Concerning liabilities, currency forward transactions with runtime options were entered into for purchases in US dollars. At the balance sheet date, there were currency forward transactions with a nominal value of KUSD 2,800 (equivalent to KEUR 2,566) and a negligible negative market value. The forward exchange transactions safeguard the expected goods purchases in US dollars for the next six months in order to ensure a reliable calculation base for sales prices. All the forward exchange transactions entered into had a remaining

term of up to one year.

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

Interest rate risk

Any interest rate risks are countered by suitable instruments from the derivatives market (e.g. exchanging fixed interest rates for variable ones). No interest rate hedges were concluded as of the balance sheet date.

Bastei Lübbe 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 would not therefore have any material impact on consolidated earnings.

38. Contingent liabilities, operate leasing and other financial liabilities

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

We were liable in the previous year towards two banks from a direct guarantee and from a joint liability for PräSENTA to the amount of KEUR 1,500. There were no contingencies as at the balance sheet date that would need to be reported here.

Open purchase orders for royalties totals KEUR 22,718 as of the balance sheet date. The payment dates are dependent on the occurrence of events regulated in the respective contract, such as submitting the manuscript for a purchased work.

(b) Operate leasing

Apart from the finance lease contracts already described as financial liabilities (refer to Note 19), the Company has also entered into rental and leasing contracts (land, office premises and buildings, as well as fittings and equipment, e.g. vehicles and office machines), which are defined as

operating leases according to their economic content. Extension and purchase options customary in the industry are contained in the underlying agreements. Office premises are rented for a fixed period of up to seven years. One rented site is renewed for a period of two years if neither of the parties objects to this extension at the latest nine months before the end of the rental agreement. There is also the option to renew an object lease twice again by five years after the fixed lease term.

Rental and lease payments of KEUR 2,006 (P Y: KEUR 1,942) were made under these agreements in the past year. The non-cancellable minimum instalments from the operating lease agreements existing on the balance sheet date will fall due as follows in the subsequent years:

(KEUR)	31 March 2016	31 March 2015
within one year	2,569	2,324
between 1 and 5 years	6,974	6,565
in more than five years	1,012	2,349
	10,555	11,238

(c) Other financial obligations

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

(KEUR)	31 March 2016	31 March 2015
within one year	561	361
between 1 and 5 years	225	248
in more than five years	0	0
	786	609

39. Notes on related companies and parties

Until his death on 13 October 2014, Stefan Lübbe was majority shareholder of Bastei Lübbe AG, both directly through the shares which he owned and indirectly through shares attributable to him, but held by Lübbe Beteiligungs GmbH, Cologne. Since then, this role has been taken over by his wife, Birgit Lübbe. On 26 November 2014, an agreement was reached with Birgit Lübbe that she would assume representational duties. A total of KEUR 129 in fees and expenses resulted from this agreement in the 2015/2016 financial year. No other business transactions were made with controlling shareholders of Bastei Lübbe AG.

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

(KEUR)	2015/2016	2014/2015
Affiliated companies		
Sale of goods	43	34
other operating income	0	100
Services purchased	-2	-13
Other operating expenses	-7	0
Interest income	24	17
	58	138
Associated companies		
Sale of goods	13	44
Services rendered	50	120
Purchase of goods	-8	-13
Other operating expenses	-11	0
Interest income	8	32
	52	183
Executive Board, Supervisory Board and related Parties (not incl. remuneration)		
Other operating expenses	-623	-82
	-513	239

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

(KEUR)	31 March 2016	31 March 2015
Affiliated companies		
Trade accounts receivable	121	120
Trade payables	-2	0
Other receivables	594	600
	713	720
Associated companies		
Other receivables	252	710
Executive Board, Supervisory Board and related Parties (not incl. remuneration)		
Other receivables	96	0
	1,061	1,430

40. Statement of compliance pursuant to section 161 AktG

The statement of compliance is permanently available for public viewing on the website of Bastei Lübbe AG at "http://www.luebbe.de/Investor-Relations/_investor_entsprechenserklaerung_de".

41. Executive bodies

The members of the Supervisory Board are:

- Dr Friedrich Wehrle, Stuttgart (Chairman), graduate in business administration. Dr Wehrle is shareholder of Outstore GmbH, shareholder of FST Marketing GmbH and member of the Advisory Council of JahrTopSpecial Verlag GmbH & Co KG.
- Prof. Dr Michael Nelles, Essen (Vice Chairman), economist. Prof. Dr Nelles is Chairman of the Executive Board of Conpair AG, Managing Director of Nelles Vermögensverwaltungs GmbH, member of the Advisory Board at the Düsseldorf Stock Exchange and Chairman of the Supervisory Board of oolipo AG.
- Prof. Dr Gordian Hasselblatt, Cologne, lawyer. Prof. Dr Hasselblatt is a partner at the CMS Hasche Sigle Partnership of Lawyers and Tax Consultants.

The total emoluments of the Supervisory Board (not incl. non-variable remuneration) and their allocation for the financial year 2015/2016 are illustrated in the following table:

(KEUR)	2015/2016	2014/2015
Dr Friedrich Wehrle, Chair of the Supervisory Board	60	60
Prof. Dr Michael Nelles, Vice Chair	45	45
Prof. Dr Gordian Hasselblatt	30	30
Total	135	135

The following were appointed members of the Executive Board of Bastei Lübbe:

- Thomas Schierack, Cologne (Chair),
- Klaus Kluge, Cologne,
- Felix Rudloff, Cologne, (until 31 December 2015)
- Mr Jörg Plathner, Stuttgart, (until 18 September 2015).

The total emoluments of the Executive Board for the financial year 2015/2016 are illustrated in the following table:

(KEUR)	Non-variable compensation		Emoluments		Management bonus		Supplies		Compensation		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Thomas Schierack	400	400	12	12	408	221	20	0	0	0	840	633
Klaus Kluge	280	260	9	7	76	133	20	0	0	0	385	400
Felix Rudloff	130	200	7	9	0	133	20	0	320	0	477	342
Jörg Plathner	95	146	4	12	26	77	20	0	550	0	695	235

42. Employees

In the Group, an average of 398 (P Y: 401) staff were employed in the financial year. On 31 March 2016, the Group employed a total of 413 staff members (P Y: 420).

43. Fee for services of the auditor of the consolidated annual financial statement

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

(KEUR)	2015/2016	2014/2015
Statutory auditing services	110	110
Other attestation services	2	-
Tax advisory services	43	-
Other services	93	-
	248	110

The fee for the renewed audit of the amended consolidated annual financial statement as at 31 March 2016 in the amount of KEUR 40 is not included in the services for auditing of the consolidated annual financial statement.

44. Group affiliation

Bastei Lübbe AG, Cologne, Germany, is a listed parent company, and thus required to compile a consolidated financial statement pursuant to Section 315a(1) HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS).

This statement is published in the Federal Gazette (Bundesanzeiger) and in the business register (Cologne Local Court, HRB 79249).

45. Events after the reporting date

By way of a notarised purchase contract dated 21 March 2016, Bastei Lübbe AG acquired a 51 % participation in BuchPartner GmbH ("BuchPartner"), with its headquarters in Darmstadt. As a result, the latter must be incorporated as a fully consolidated company in the consolidated financial statements with effect from the 2016/2017 financial year. This will be done in the newly created "Retail" segment. The purchase contract became effective on 11 April 2016. The sellers were the former partners, who remain shareholders with a combined 49% stake in the company. The majority stake in BuchPartner GmbH is based on the concept of sustainable and significant improvement in the competitive position in the field of distribution. BuchPartner is the market leader in the food retail industry and currently serves around 4,000 markets and supplies over 2,500 customers in the field of action. BuchPartner's circle of customers include almost all of the top trade groups, including the Edeka group (Edeka and Marktkauf), the REWE group (REWE and Penny), Kaufland, Familia, HIT, Saturn, Media Markt, Metro and Real. The specialised markets are without doubt a big area for growth for the sector, in which Bastei Lübbe will participate in future thanks to the involvement with BuchPartner.

The purchase price was KEUR 10,200. Other acquisition-related costs incurred to date were recognised in profit and loss. According to purchase price allocation (PPA) only carried out on a provisional basis so far, the fair values and liabilities of BuchPartner GmbH as of the date of acquisition are calculated as follows:

(KEUR)	Carrying amounts upon acquisition	Adjustment as per PPA	Fair values
Intangible assets and property, plant and equipment	1,159		1,159
Inventories	11,418	2,684	14,102
Trade receivables	11,147		11,147
Cash and cash equivalents	5		5
Other assets	372		372
Deferred tax liabilities	0	-824	-824
Trade liabilities	-8,533		-8,533
Other current liabilities	-10,749		-10,749
Net assets	4,819	1,860	6,679
minority stockholder shares included therein (49%)			3,273
acquired interests included therein (51%)			3,406
Acquisition costs			10,200
goodwill (in accordance with provisional PPA)			6,794

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

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

The total purchase price provisionally totals KEUR 5,437, but is also dependent on the inventory of pre-paid royalties which still needs to be determined as part of the preparation of the balance sheet as of 31 May 2016. Other acquisition-related costs incurred to date were recognised in profit and loss.

Given that the assets acquired as part of the asset deal have not yet been definitively agreed between the contracting parties (liabilities were not acquired), no definitive purchase price allocation can be performed yet. A qualitative and quantitative overview of the acquired assets and their fair values can, however, be found in the following table, in which the assets accounted for as of 30 April 2016 (i.e. one month prior to the actual acquisition) are illustrated:

(KEUR)	Fair values as of 30 April 2016
Intangible assets (brand)	500
Inventory of pre-paid royalties	2,237
Inventories	2,700
Net assets	5,437
Acquisition costs	5,437
Provisional difference	0

This purchase price is also financed via the principal banks. In its letter dated 30 May 2016, the banking syndicate approved the scheduled acquisition of the label and provided an additional loan of € 6 million available for this purpose. An additional € 4 million was made available for the period between 1 September and 15 December 2016 in order to pre-finance newly purchased titles from prominent authors.

On 1 April 2016, Bastei Lübbe AG secured the voting rights for an unlimited period of time for the shares sold in September 2015 (3 % of the share capital) in Daedalic Entertainment GmbH, Hamburg, by way of a voting rights restriction agreement concluded with the buyer of the shares, thus enjoying once again the majority (51 %) of the voting rights in the Company from this point onwards.

The Board of Directors of Bastei Lübbe AG resolved, at its meeting of 23 August 2016, to amend the

consolidated annual financial statement published on 29 June 2016 for the financial year 2015/2016. This step was necessary due to the re-evaluation of the relationship with British investor Blue Sky Tech Ventures Ltd., London. Based on the balance-sheet structure of Blue Sky and the contractual relationships with Bastei Lübbe AG, Bastei Lübbe has control of Blue Sky in the sense of IFRS 10, effective immediately from the time of sale of shares of oolipo, i.e. from 31 March 2015. Bastei Lübbe has amended the group of consolidated companies in its consolidated annual financial statement accordingly, and also fully consolidated Blue Sky and the participations held by Blue Sky retroactively. Due to the amendment to the balance-sheet approach for the consolidated annual financial statement 2015/2016, the General Meeting set for 15 September 2016 was postponed to a later date.

On 26 July 2016, Supervisory Board Member Prof. Dr Gordian Hasselblatt declared his intention to step down from the Supervisory Board at the conclusion of the General Meeting on 15 September 2016. With their declaration of 29 July 2016, Supervisory Board Chairman, Dr Friedrich Wehrle, and Supervisory Board Deputy Chairman, Prof. Dr Michael Nelles, declared their intention to step down from the Supervisory Board at the conclusion of the orderly General Meeting on 15 September 2016. Due to the postponement of the General Meeting from 15 September 2016 to 30 November 2016, withdrawal of all of these members shall now occur with effect from the conclusion of the General Meeting on 30 November 2016.

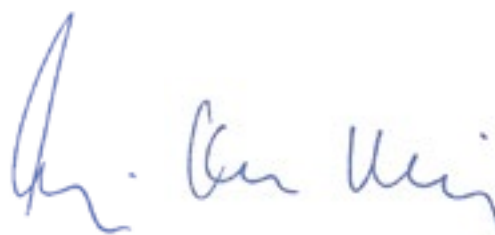
At the suggestion of the Supervisory Board, the positions vacated on the Supervisory Board as a result of

these withdrawals are to be taken up by Mr Robert Stein, Prof. Dr Friedrich L. Ekey and Dr Mirko Alexander Caspar.

Bastei Lübbe AG must pay back loans issued to it in excess of € 30 million on 26 October 2016. In order to ensure sufficient liquidity, the consortium loan in excess of € 53 million total already mentioned has been concluded. Triggered by the subsequent amendment to the consolidated annual financial statement, the consortium banks are entitled to terminate the consortium credit agreement extraordinarily. With their written communication of 14 October 2016, the banks declared their intent to forego the exercising of this right. In this regard, the financial figures to be achieved in future were adapted to meet current requirements.

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, 14 October 2016



Thomas Schierack

Klaus Kluge

Supplementary information



Responsibility statement

Affirmation of the Executive Board pursuant to § 37 v

Para. 2

No. 3 WpHG in conjunction with §§ 264 Para. 2 Sentence 3 and § 289

Para. 1 Sentence 5 HGB [German Commercial Code]

We herewith make assurances to the best of our knowledge that, in line with the applicable accounting principles, the consolidated financial statements of Bastei Lübbe AG, Cologne, Germany, present a true and fair view of the Group's net assets, financial position and results of operations as per 31 March 2016, and that the Group's consolidated management report accurately reflects the Group's net assets, financial position and results of operations, as well as the key opportunities and risks of the Group's future development.

Cologne, 14 October 2016

Bastei Lübbe AG

The Executive Board



Thomas Schierack



Klaus Kluge

Auditor's opinion

We have audited the consolidated financial statements of Bastei Lübbe AG - consisting of the consolidated profit and loss account, consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and consolidated notes - for the financial year from 1 April 2015 to 31 March 2016. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable within the EU and with the supplementary provisions of Section 315 a(1) HGB are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

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

Executive Board, as well as an assessment of the overall presentation of the consolidated financial statements and group management report We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations. In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, and with the additional requirements of German commercial law pursuant to section 315a(1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, and provides on the whole a true and fair view of the Group's position, suitably presenting business opportunities and risks going forward.

We are issuing this opinion as part of our mandatory audit report completed on 13 June 2016 and our supplementary audit, which was based on the changes to the consolidated financial statements and group management justification for the changes by the company in section 4 of the amended consolidated notes. The supplementary audit did not lead to any reservations.

Cologne, 14 October 2016

KPMG AG
Audit company

Nicole Stollenwerk Martin Schwegmann
Auditor Auditor

Business calendar 2016/2017

19 October 2016	Annual financial statements as of 31 March 2016 (adapted)
26 October 2016	Interest payment and repayment of Bastei Lübbe bond (ISIN: DE000A1K0169)
21 to 23 November 2016	Equity Forum, Frankfurt am Main
30 November 2016	Annual General Meeting 2016
9 December 2016	Semi-annual financial report as of 30 September 2016 (1st semi-annual report)
24 February 2017	Quarterly report (Q3)

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