BASTEI LÜBBE

ANNUAL REPORT 2021/22

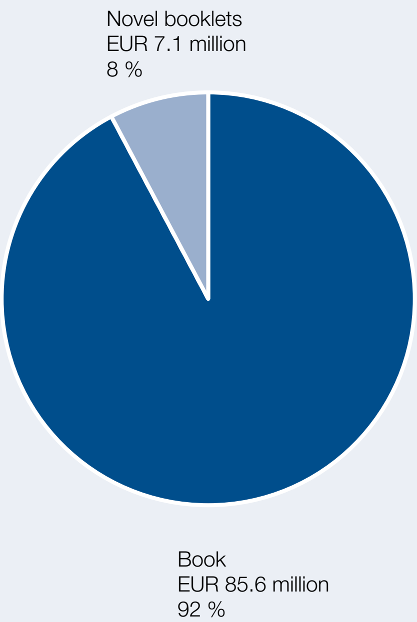
At a glance

Key Figures Bastei Lübbe Group

	2021/2022	2020/2021	Change
Financial indicators (IFRS) in EUR millions			
Revenues	94.5	92.7	2.0%
EBIT	14.7	10.9	34.8%
EBIT margin (%)	15.5%	11.7%	3.8 Pp
Net profit for the period from continuing operations	11.0	7.2	52.0%
Net profit for the period from discontinued operations	–	0.6	–
Consolidated net profit	11.0	7.9	40.0%
Total assets as of 31 March	104.3	90.1	15.7%
Equity* as of 31 March	56.3	42.6	32.1%
Equity ratio (%) as of 31 March	54.0%	47.3%	6.7 Pp
Net financial assets as of 31 March	14.2	9.7	46.3%
Free cash flow	10.1	12.3	-17.8%
Other indicators			
Earnings per share** (in EUR)	0.83	0.57	45.6%
Share price at the end of the fiscal year (EUR)	6.94	4.46	55.6%
Employees as of 31 March	280	247	13.4%

* incl. non-controlling interests
* See Note 17 to the consolidated financial statements for details of the calculation method

2021/2022 revenues by segment



Operational milestones 2021/2022

- Net profit and EBIT significantly above prior year and expectations
- Operating dividend of 40 cents per share up 60% from prior year
- Increase in revenue share of community-driven business models to 27%
- Lübbe Audio's revenues in 2021/2022 to remain above previous year despite significant decline in revenues from physical audio books
- With the acquisition of the remaining 60% in CE Community Editions GmbH, another innovative community publishing model has been fully consolidated since 1 August 2021
- Extraordinary commitment and high dedication of all employees also in the second year of the pandemic

Contents

Highlights of the 2021/2022 financial year

2021

7 April

Childhood spent in a sect – Sophie Jones explains what it was like and how she escaped

The much-discussed autobiography by Leipzig author Sophie Jones serves as inspiration for other people, offering assistance to all those who, like her, dare to leave a sect. “Erlöse mich von dem Bösen: Meine Kindheit im Dienste der Zeugen Jehovas” (“Deliver Me From Evil: My Childhood in the Service of Jehovah’s Witnesses”) became a bestseller; Jones was a guest on RTL’s “stern TV”, among other things.

10 April

New children’s book favourite captivating its readers

Petra Eimer achieved outstanding success with her children’s book debut entitled “Und dann kam Juli” (“And Then Came Juli”). The story of the addition to the family, a horse called Juli, draws on many aspects of her own life. “Juli” not only appealed to numerous children but also yielded many favourable reviews by critics. The WDR Children’s Channel also reported on the story. Two further “Juli” books have already been published.

26 - 30 May

Leipzig Book Fair digital – Lübbe with an extensive programme of events

Due to the pandemic, the physical Leipzig Book Fair had to be cancelled again. Despite the postponement from March to May, the high infection rates meant that it was not possible for the thousands of visitors to be admitted to the exhibition halls. This prompted the Bastei Lübbe Group publishing companies to organise a digital event known as buchmesse@ home for the third time under the motto “Five Days, Five Emotions, Eight Events”, consisting of an extensive programme of videos, greeting messages and book recommendations on social media channels and Bastei Lübbe’s buchmesse@home site.

LYX at the Leipzig Book Fair digitally again

#LYXmesse – THE digital event of the young book community. A total of 16 LYX authors joined by members of the publishing team took part in panels, held live interviews and participated in “behind the scenes” sessions via LYX’s high-profile social media channels.

1 June

Lübbe Audio turns 25

Lübbe Audio celebrated its 25th anniversary, marking this special occasion by releasing six high-quality audio book sets by David Baldacci, Andreas Eschbach, Ken Follett, Petra Hülsmann and Bernd Stelter, authors who have been accompanying the publishing company with their works for many years. Lübbe Audio produces its award-winning audio books and audio plays in its four in-house recording studios.

7 June

The German cover of Ken Follett’s new novel is revealed

Ken Follett’s new novel “Never” is an exciting surprise for his millions of readers worldwide. After several historical novels, he has moved into the present with “Never” to tell the story of a global crisis that is becoming more and more acute and threatens to completely overwhelm governments around the world. Rich in authentic details, “Never” is more than a thriller, taking us from the scorching heart of the Sahara to the innermost chambers of power in the world’s major capitals.

12 July

“True Facts” on German TV news programme

Hardly any other duo of authors has received as much media attention over the last two years as Katharina Nocun and Pia Lamberty, who wrote the book of the hour in 2020 entitled “Fake Facts – Wie Verschwörungstheorien unser Denken bestimmen” (“Fake Facts – How Conspiracy Theories Determine Our Thinking”). In 2021, they followed it up with “True Facts – Was gegen Verschwörungserzählungen wirklich hilft” (“True Facts – What Really Helps Against Conspiracy Stories”). Their second book made them sought-after interviewees; Pia Lamberty, for example, appeared on the German news programme “Tagesthemen”.

20 July

smarticular now also providing advice in the kitchen

With its books, the label for sustainable and conscious living addresses many people who are seeking a new direction, no matter whether they are hoping to avoid mass consumption, interested in the intelligent use of resources or looking for consumer tips in the kitchen. The new title “Selbermachen statt kaufen – Vegane Küche” (“Making Things Yourself Instead of Buying Them - Vegan Cooking”) not only appeals to consumers. In addition, the press were also only too happy to pass on the tips, including on emotion.de.

21 July

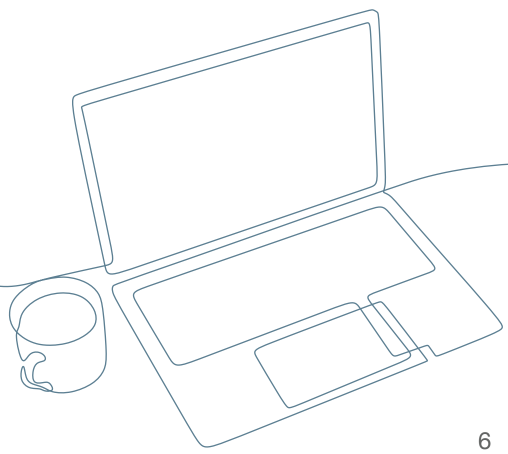
Bastei Lübbe AG becomes sole owner of Community Editions, the leading publishing company for social media artists

We acquired the remaining 60 percent stake in CE Community Editions GmbH, thus becoming the sole owner. CE publishes books by high-profile influencers. Bastei Lübbe has held a stake in this innovative publishing model since it was established in 2016, previously holding 40 percent of its capital. With the acquisition of CE, Bastei Lübbe is expanding its business in products targeted at reader communities. Backed by millions of followers, the authors reach a young audience interested in reading via their social media channels. The social media superstars include Pamela Reif, Julia Beautx, Paluten, Arazhul and ViktoriaSarina. Many of the published books are Top-1 Spiegel bestsellers.

22 August

Legendary sports manager Willi Weber writes his autobiography shortly before his 80th birthday

In his book, Willi Weber not only reminisces about his most famous client, Formula 1 superstar Michael Schumacher, but also offers many insights into his long-standing career and the difficulties that he initially experienced in establishing himself. This was not only of interest to died-in-wool Formula 1 fans. Weber gave many television interviews, including “Exklusiv – Weekend” on RTL. At the Frankfurt Book Fair, he presented his book in a conversation with moderator Thomas Koschwitz and explained why he has “Benzin im Blut” (“petrol in his blood”).



1 September

Digital relaunch for BuchstabenBande

In September 2021, we successfully relaunched our creative platform BuchstabenBande.com. Closely supervised by the Marketing and Press department, it has given handcraft ideas, recipes, reading videos, teaching materials and many other contents related to our children's books a lively, fresh look.

15 September

The annual general meeting was held digitally for the second time in a row

The Supervisory Board and the Executive Board began the Cologne-based publishing company's virtual annual general meeting with a review of the 2020/2021 financial year, stating that the year had exceeded expectations in all respects despite the pandemic. "A key element of this favourable performance is Bastei Lübbe's success across all play-out formats, including traditional printed books, audio books and eBooks," the Executive Board reported. The distribution of a dividend of 25 euro-cents per share and a further bonus dividend of four euro-cents per share was approved on the strength of the Company's successful business performance.

18 October

New book by Dirk Rossmann and Ralf Hoppe

After the success of his debut novel "Der neunte Arm des Oktopus" ("The Ninth Arm of the Octopus"), which was highly praised by the critics and spent months at the top of the Spiegel bestseller lists, his second thriller "Der Zorn des Oktopus" ("The Wrath of the Octopus") was released on 18 October 2021. For his second novel, he was assisted by co-author Ralf Hoppe.

20 - 24 October

Bastei Lübbe at the Frankfurt Book Fair

After a one-year break, the Frankfurt Book Fair took place again in physical form. Bastei Lübbe had one of the most highly frequented stands. Readers formed long queues to look at our books and to meet our authors.

Livestreams parallel to the book fair

Under the motto "Reading is timeless – book fair is now!", five live streams were held with authors. In this way, everyone who was not personally able to attend the Frankfurt Book Fair still gained a taste of it in digital form. All the live streams can be viewed on YouTube and the Buchmesse@Home website.

12 - 15 November

Jeff Kinney, author of "Diary of a Wimpy Kid", visited Cologne to mark the publication of his 16th volume

At the gates of Cologne Stadium, families were able to drive their cars through a 50-metre-long "Wimpy Kid" adventure world, at the end of which Jeff Kinney handed over signed copies of his books. Over 170 families were thrilled to experience the author and the book live in a pandemic-compliant setting. ZDF Morning Magazine and the "logo" children's programme, among others, reported on the event.

9 November

Ken Follett's new novel "Never" published in Germany

Published in more than 80 countries and 40 languages to date, Ken Follett's 36 books have amassed a global circulation of more than 180 million copies. In Germany, his books have so far sold 39 million copies. We were in London for an advance meeting on 27 and 28 October. There, Ken Follett conducted interviews with a number of media representatives at the renowned Reform Club.

2022

14 January

Almost 50 years old and still as popular as ever: "John Sinclair"

In 2023, the novel booklet series about ghost hunter "John Sinclair" will be celebrating its 50th anniversary – a phenomenon of a very special kind. Sinclair's spiritual father, Bastei author Jason Dark, aka Helmut Rellergerd, is revered by his fans like a pop star. The media also never say no to the iconic interview partner and are always thrilled by his entertaining appearances, for example on the WDR TV programme "Hier und heute".

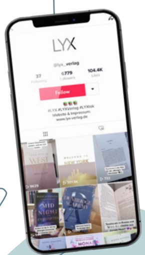
20 January

Moderator Tanja Bülter is featured on the cover of "Bunte" magazine with her inspiring story

In "Brust raus! – Wie ich den Krebs besiege und dabei ICH bleibe" ("Breast Out! - How I Beat Cancer and Stayed ME"), Tanja Bülter tells how she survived her illness, writing words of encouragement for the many people who find themselves in similar situations. BUNTE published a long interview with her, while the story was even mentioned in the editorial and on the cover.

25 and 26 January

LYX is now also on TikTok



Digital book premiere with Sarah Sprinz

LYX author Sarah Sprinz presented the first instalment of her "Dunbridge Academy" trilogy in a live stream; just a few days later it shot up to the top of the Spiegel bestseller list.

25 January

Soheil Dastyari appointed new Chief Executive Officer

Effective 1 March 2022, the Supervisory Board of Bastei Lübbe AG appointed a new CEO, re-allocating the duties of the company's Executive Board. Soheil Dastyari is responsible for strategy, business development, strategic management of the subsidiaries, corporate communications and human resources in addition to his management responsibility for the Group.

14 February

New design for ONE’s Instagram channel

After three successful years on Instagram, we gave our youth book imprint ONE a modern new design on 14 February 2022. It met with a great response by the community and was accompanied by broad-based interaction. The Instagram channel now has over 25,000 followers.

1 March

New management for Lübbe Audio

Stephanie Mende joined the Cologne-based publishing group on 1 March, assuming responsibility for publishing management of Lübbe Audio. She is in charge of the programme and the company’s own recording studios. Matthias Mundt, previously Head of Sales Lübbe Audio , was appointed to the position of Director Sales Lübbe Audio and is joining Stephanie Mende in managing and advancing Lübbe Audio.

18 March

Bernd Stelter is enjoying life – new book about the third phase of his life

“Wer älter wird, braucht Spaß am Leben” (“If You Are Getting Older, You Need to Enjoy Life”) says comedy-original Bernd Stelter, giving numerous interviews about his new book about the third phase of his life. Among other things, he appeared as a guest on the “MDR Riverboat” TV show. Stelter’s book gives many tips on how to keep your body and mind active after you reach 60 – and sets a good example: whether at home or on tour, Stelter walks 10,000 steps every day, keeping himself fit and agile.

26 March

First physical LYX event after a two-year pandemic-induced break

Anabelle Stehl and Ava Reed sign copies of their new novels at Mayersche bookstore in Cologne.

TO THE SHAREHOLDERS

CHILDREN'S BOOKS –
BAUMHAUS, BOJE AND
BUCHSTABENBANDE

Letter from the Executive Board

Soheil Dastyari, Chief Executive Officer

A forward-looking year

Dear shareholders,

We can look back on an eventful and successful financial year in 2021/2022 that also marked an important step towards a profitable future in spite of different submarket developments. Once again, we want to share this success with our shareholders this year. Accordingly, the Executive Board and Supervisory Board will be proposing a dividend of 40 euro-cents per share for approval at the annual general meeting. This is a substantial increase over the previous year's dividend of 25 euro-cents.

We achieved our revenue target of up to EUR 95 million, significantly increased our earnings with an EBIT margin of 15.5%, and also benefited from positive exceptional effects. In particular, we were able to strongly expand the digital areas of audio, generating a digital share of revenues of 32% in audio and eBook. We also strongly expanded our imprints that focus on younger target groups, such as LYX and Community Editions, thus laying the foundation for further growth in the coming years.

Book publishers as a constant in media entertainment

Popular media content has become increasingly sought-after and relevant. People are spending more time and money on finding inspiration, entertainment and information. This year, the range was again diversified and expanded in terms of both form and content, as was particularly evident in the TV streaming submarket. Nevertheless, the book was once again able to prove its potency as a stable source of entertainment, growing sharply in some cases and proving its status as an attention magnet in both analogue and digital formats. This is reflected not least of all in our established segments, such as fiction, novels and children's and young people's books, which also performed very well and continue to form our profitable Company's core and basis.

Our revenue model of the future

Nevertheless, it is important to continuously optimise our revenue model to safeguard its future viability and profitability. This means recognising the constantly changing underlying conditions facing our Company, our retail partners, our customers and, of course, our employees and using them as an opportunity for acting that much more quickly and decisively and for continuing to evolve. We are convinced that for a book publisher the revenue model of the future needs to address the mechanisms of the digital world and also to embrace and leverage them as a value-generating part of our own economic activities. This is particularly true when conditions deteriorate in a way that we are currently experiencing, ultimately exerting a significant strain on consumer spending. In line with prudent commercial practice, we therefore assume that revenues in the current financial year will fall short of the previous year and are budgeting an EBIT margin of 10% to 11%.

Doing things together with customers

Especially in times of crisis, it is all the more important for us as a book publisher to bear in mind that the relationship between people and the medium has changed greatly as a result of the digital transformation. Rather than being passive consumers, people draw a greater distinction between what is “important for me” and “what I don’t need”. When consumers accept a product, they seek a relationship with it that is as personal as possible and in which they can contribute their ideas, provide support and make a difference.

As a result, end-customer marketing gains a completely new function with regard to our growth strategy. We are seeking to create communities that meet these profitable needs. Groups of people who feel an affinity with a label, find and exchange ideas via social media, attend events, share their enthusiasm, provide input, buy our products and recommend them to others. This gives rise to both effective and efficient brand communications, creating a financially valuable pull effect at the sales level as well as generating positive momentum that ideally generates organic growth.

Customer activation a competitive advantage

One impressive example of this is the swift success of our LYX imprint, which has regularly occupied the top ten positions in the Spiegel bestseller list for several years, producing numerous top-selling authors such as Mona Kasten, Laura Kneidl, Bianca Iosivoni and, since the beginning of 2022, Sarah Sprinz. This year alone, LYX has been able to widen its Instagram community to over 106,000 followers, mainly young women aged between 18 and 25, making it the largest publishing community in the new adult segment. The acquisition of all the shares in the successful influencer label Community Editions last financial year also points in this direction. In a reversal of this dynamic, it activates the existing followers of social media artists. As a result of this, it holds, for example, the top ranks of the Spiegel children’s and youth book bestseller list together with the gamer influencers Paluten and Arazhul. With the smarticular sustainability platform and the associated publishing programme, as well as with our young adult imprint ONE, we have additional brands offering great potential in this regard, which we intend to expand in the years ahead.

Agility a determinant of success

As the largest independent German full-range publisher, we are ideally positioned to adopt this progressive path and to leverage our competitive advantages in all our publishing activities and in the functional areas in an agile and flexible manner with the aim of being an innovative driver of the segments that we address. This financial year, for example, we have strengthened and expanded our customer marketing, particularly our community management, have adopted an omnichannel system for our sales activities and have continued to successfully generate revenues via streaming platforms. In line with this, we have also adjusted our in-licensing activities. The result is a popular, inspiring programme that sets real highlights with outstanding established and new authors. For example, “Never”, the new novel by the world’s bestselling author Ken Follett, which was published in November, and the second novel by Dirk Rossmann and Ralf Hoppe, “Der Zorn des Oktopus” were huge successes destined for automatic inclusion in the bestseller lists. In the non-fiction segment, we enjoyed success with books by Peter Hahne, Katharina Nocun with Pia Lamberty and Norbert Häring and, in the children’s book segment, with the 16th volume of the successful “Diaries of a Wimpy Child” series by US author Jeff Kinney and the third volume of his “Rowley Jefferson's Awesome Friendly Spooky Stories” series. In addition, we established new best-selling authors, such as Sarah Sprinz.

Only the beginning

We will be continuing on this successful course in the current financial year. To this end, we will be integrating social listening technologies in our processes, allowing us to identify and leverage the topics and wishes of our many communities at an even earlier stage. At the same time, we will continue to personalise our content, broaden our series competence and specifically add new sub-segments, such as graphic novels in the new adult segment. We will be expanding our audio production capacities even further, while continuing to increasingly place store by influencers with large, active communities. In addition, we will be expanding our employer branding activities and, as you can see in this annual report, have already begun to revise our Company's face to the market.

We greatly appreciate your trust, dear shareholders, for which I would like to express my sincere thanks also on behalf of my colleagues on the Executive Board, Sandra Dittert, Simon Decot and Joachim Herbst, and view it as confirmation of the course that we have adopted. At the same time, it provides us with incentive to continue on this successful trajectory in the years ahead. This has always only been possible with the great commitment and skills of our employees and authors, as well as our invariably constructive and fruitful partnership with retailers, for which I would also like to express my sincere thanks.

Cordially,

Soheil Dastyari
Cologne, July 2022

The Executive Board of Bastei Lübbe AG

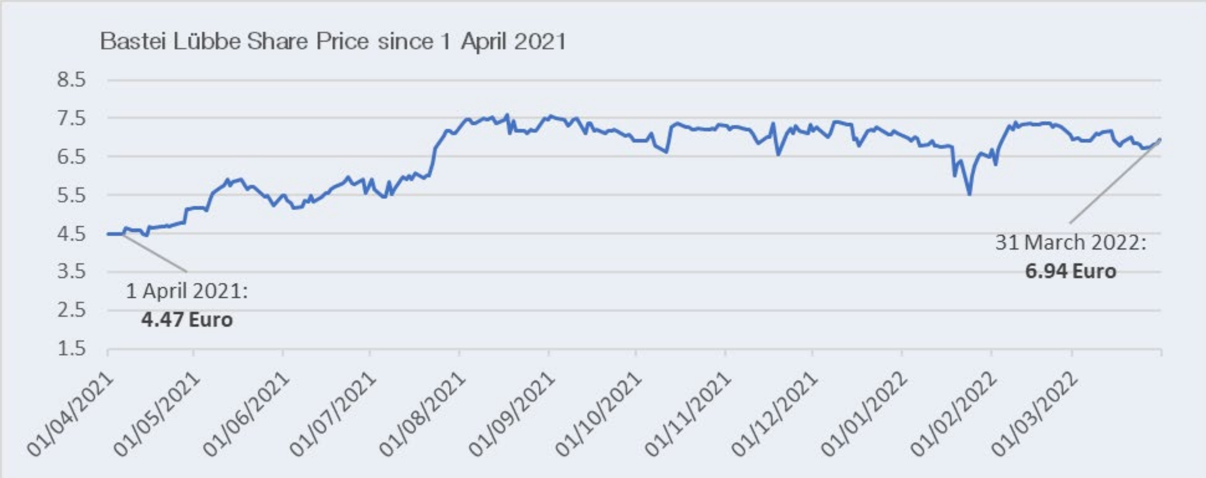
Soheil Dastyari
Chief Executive Officer
joined Bastei Lübbe in: 2022
(front right)

Simon Decot
Chief Programme Officer
joined Bastei Lübbe in: 2015
(back right)

Joachim Herbst
Chief Financial Officer
joined Bastei Lübbe in: 2020
(back left)

Sandra Dittert
Chief Marketing and Sales Officer
joined Bastei Lübbe in: 2020

Bastei Lübbe on the capital market



Situation on the capital market

Generally speaking, 2021 was a turbulent year for the capital markets. This trend also continued in the first quarter of 2022, which likewise saw heavy volatility. The fluctuations in 2021 were largely caused by the COVID-19 pandemic, whereas in the first quarter of 2022 the Russian invasion of Ukraine was the main contributory factor. The German benchmark DAX index entered 2021 at 13,726 points and continued to climb from January to April, reaching one all-time high after another. This was despite the fact that many companies faced new challenges in addition to the already familiar pandemic-induced problems: raw material shortages and higher prices gained momentum, while "just in time" production became increasingly difficult. Nevertheless, some sectors also benefited from the pandemic, e.g. vaccine producers, laboratory equipment suppliers, logistics companies and online service providers. In mid-November 2021, the DAX reached an all-time high of 16,290 points. With the discovery of the omicron variant in November 2021, considerable uncertainty once again spread across the global capital markets as it became clear that the pandemic was far from over. The DAX closed the trading year at 15,884 points on 30 December 2021, posting a gain for the year of 15.7%. The beginning of 2022 continued to be overshadowed by economic, inflation and interest-rate concerns. These were joined by the Russian war of aggression against Ukraine on 24 February 2022. This multitude of negative news also took its toll on the benchmark German index, causing it to recede to 14,414 points on 31 March 2022.

The Bastei Lübbe share on the capital market

Based on the Xetra starting price, the Bastei Lübbe share entered the financial year at EUR 4.47 on 1 April 2021, advancing by 55.3% to EUR 6.94 on 31 March 2022. Bastei Lübbe initially entered the 2021/2022 financial year with a significant decline in its share price to EUR 4.45 on 14 April 2021, which also marked the low for the year.

As retail stores started to open again in May 2021 and following the announcement on 21 July 2021 of the acquisition of the remaining shares in CE Community Editions GmbH, the share price gathered pace. The very encouraging quarterly figures and upbeat corporate news, such as the announcement of a dividend payment at the beginning of August 2021 and the appointment of Soheil Dastyari as the new CEO in January 2022, spurred the share sharply, causing it to substantially outperform the market as a whole. On 17 August 2021, the Bastei Lübbe share price reached a high for the financial year of EUR 7.60.

Average daily trading volumes (Xetra and Frankfurt Stock Exchange) amounted to 12.8 thousand Bastei Lübbe shares the 2021/2022 financial year (previous year: 32.64 thousand shares). Bastei Lübbe AG's market capitalisation as of 31 March 2022 stood at EUR 91.6 million based on 13.2 million shares and a closing price of EUR 6.94 (previous year EUR 58.9 million at a closing price of EUR 4.46).

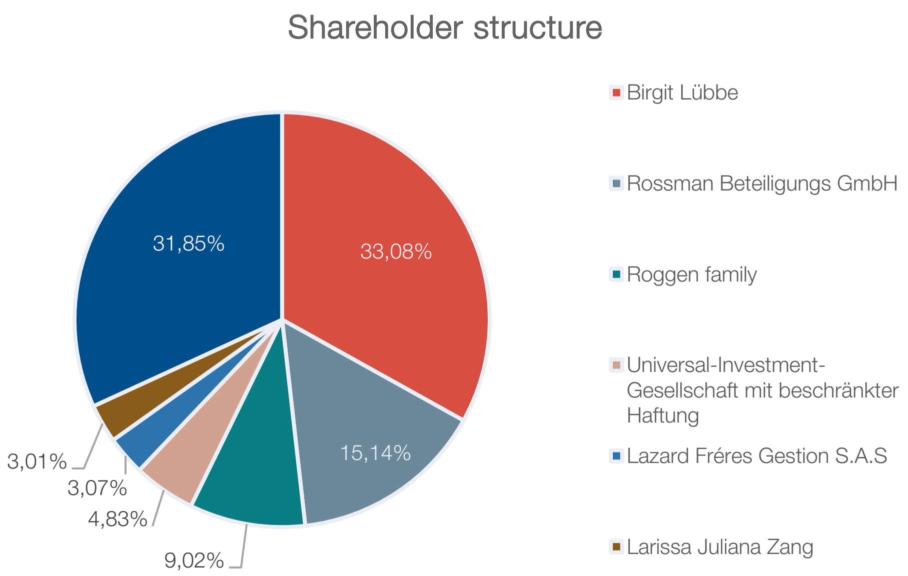
Share information

Total number of shares	13,300,000 no-par value shares
Share capital	EUR 13,300,000.00
ISIN	DE000A1X3YY0
WKN	A1X 3YY
Ticker	BST
Market segment	Regulated market (Prime Standard)
Designated sponsor	Oddo Seydler Bank AG
Closing price on 31 March 2022	EUR 6.94
12-month high (closing price) on 17 August 2021	EUR 7.60
12-month low (closing price) on 14 April 2021	EUR 4.45

Favourable analyst ratings

The Bastei Lübbe AG share is analysed and evaluated on an ongoing basis by DZ Bank as well as Warburg Research and Solventis. In their latest studies on Bastei Lübbe AG's business performance and outlook, the analysts give the share a buy rating. The consensus target price currently stands at between EUR 8.50 and EUR 9.70. The full studies can be downloaded from the Bastei Lübbe AG website at www.luebbe.com/en/investor-relations/the-share/research.

Stable shareholder structure (as of 27 June 2022)



The shareholder structure based on the latest available voting rights notifications is as follows: The largest shareholder of Bastei Lübbe AG continues to be Birgit Lübbe, who holds 33.1% of the voting rights. Rossman Beteiligungs GmbH has held 15.1% since March 2022 and is thus the second largest shareholder. The Roggen family holds 9.0% of the voting rights. Universal-Investment Gesellschaft mbH holds 4.8%, Lazard Frères Gestion S.A.S 3.1% and Larissa Juliana Zang 3.0% of the voting rights. 31.9% of the shares are free float.

Active investor relations activities

Bastei Lübbe AG communicates regularly and intensively with institutional investors, analysts, private investors and the editorial teams of financial and business media on the Company's business performance and outlook. In the 2021/2022 financial year, Bastei Lübbe attended the German Equity Forum in Frankfurt am Main, the Equity Forum spring conference and the Solventis Equity Forum, all of which were held in virtual form due to the pandemic-related restrictions.

The Bastei Lübbe share is listed in the strictly regulated Prime Standard of the Frankfurt Stock Exchange. Accordingly, Bastei Lübbe AG complies with all important disclosure and transparency standards and provides detailed and timely information on important events, which are published in the form of ad hoc announcements or press releases. Bastei Lübbe AG is continuing its targeted communications strategy and open dialogue with capital market participants in the current financial year. Further information is available to investors in the Investor Relations section of the website at www.luebbe.com/en/investor-relations/homepage-investor-relations.

Annual general meeting for the 2020/2021 financial year

Bastei Lübbe AG's annual general meeting was held in virtual form for the second time on 15 September 2021. The Supervisory Board and the Executive Board commenced the meeting with a review of the financial year. In its presentation, the Executive Board reported on the Company's successful year of both the book and novel booklet segments, based on the Company's success in all playout channels.

At the time of voting, approximately 50% of Bastei Lübbe AG's statutory share capital was represented at the annual general meeting. The activities of the members of the Executive Board and Supervisory Board were ratified for the 2020/2021 financial year by a large majority and all items on the agenda were approved. Details of the items of the agenda as well as the voting results can be downloaded from the Investor Relations section of the Company's website.

Dividend policy

Bastei Lübbe AG continues to pursue a policy of dividend continuity equalling 40-50% of distributable profits in order to allow shareholders to participate appropriately in the Company's success. In this context, long-term and sustainable business performance is seen as a prerequisite for the distribution of dividends. This safeguards the strategy as a value-oriented company, ensuring that shareholders can participate appropriately and continuously in its success.

Bastei Lübbe AG also plans to distribute a dividend to its shareholders in the 2021/2022 financial year. Accordingly, the Executive Board and the Supervisory Board will be asking the shareholders to approve the distribution of a dividend of 40 euro-cents per share at the annual general meeting on 14 September 2022. Allowing for the treasury stock, on which no dividend is payable, this is equivalent to a distribution of EUR 5.28 million or 47% of the distributable profit. Bastei Lübbe AG's annual financial statements for the 2021/2022 financial year, which are prepared in accordance with the German Commercial Code and form the basis for the resolution approving the dividend to be distributed, carry an unappropriated surplus of EUR 11.24 million for the 2021/2022 financial year. The remaining amount of EUR 5.96 million is to be carried forward.

CORPORATE GOVERNANCE

BOOKS FROM
SOCIAL MEDIA PERSONALITIES –
COMMUNITY EDITIONS

Report of the Supervisory Board

Robert Stein, Chairman of the Supervisory Board

Dear shareholders,

For Bastei Lübbe AG, the 2021/2022 financial year was again marked by the effects of the pandemic to some degree. The current situation in the commodity markets, inflationary trends and uncertainty in the general population caused by the conflict in Ukraine are exerting a greater influence on current business performance. The Executive Board is monitoring these developments continuously and drawing up measures to address them.

Once again, the Executive Board and the staff succeeded in generating earnings that exceeded our expectations in the financial year under review. The focus on core business and the optimisation of processes and cost structures form the basis for the significantly improved profit margins. It is again clear to see that our diversified product range and the high proportion of digital revenues provide an excellent basis for the Company's success even in such unusual times.

Of crucial importance for the future of Bastei Lübbe AG were the changes to the Executive Board as of 1 March 2022. Soheil Dastyari was appointed new Chief Executive Officer and, in this position, is particularly responsible for the Company's future strategic orientation. The Company's earnings situation and the strategic options that it has in both analogue and digital business have allowed us to expand the skills of the Executive Board by appointing a further member.

In view of the ongoing investigations by the public prosecutor and the initial findings, we propose that the activities of the former members of Company's governance body should not be ratified. Under the settlement, we had kept open the possibility of asserting further claims against these persons where appropriate and are currently in the process of examining the scope for recovering compensation.

In the financial year under review, we again took advantage of opportunities for inorganic growth. With the acquisition of the remaining 60% of the shares in CE Community Editions GmbH, the successful influencer publishing company co-founded by Bastei Lübbe was fully integrated within Bastei Lübbe AG. We had great success with our existing and new authors: "Never" by Ken Follett was certainly a very special highlight for the Company, while the follow-up novel "Der Zorn des Oktopus" by Dirk Rossmann and Ralf Hoppe also proved to be a very special success story.

During the financial year under review, the Supervisory Board closely monitored the activities of the Executive Board, regularly advising it on the management of the Company. As part of its advisory functions, the Supervisory Board participated in the development of the corporate strategy and the implementation of key measures and projects. It also closely monitored management on the basis of written and oral reports submitted by the Executive Board and through joint meetings. Furthermore, the Supervisory Board satisfied itself of the legality and appropriateness as well as the expediency and economic efficiency of the Company's management. In the financial year under review, we did not make use of the option of inspecting the Company's books and records (Section 111 (2) Sentence 1 of the German Stock Corporation Act). There was no reason to do so in view of the regular, intensive and satisfactory reporting by the Executive Board, the audit by and discussions with the independent auditors, as well as the supplementary monitoring measures described below. We were consistently involved in a timely and appropriate manner in all decisions that were of fundamental importance to the Company or in which the Supervisory Board was required to be involved by law, the articles of association or the rules of procedure.

A large number of issues were discussed in depth in the 2021/2022 financial year. These discussions were based on written and oral reports submitted by the Executive Board to the Supervisory Board. Thus, the Executive Board informed us regularly, promptly and comprehensively about the Company's course of business, its revenues, earnings and financial situation, the employment situation, compliance as well as its planning and strategic development. Deviations from the plans were explained in detail to the Supervisory Board. The risk situation and risk management were subject to careful consideration at all times.

Thanks to the reports of the Executive Board, the Supervisory Board was able to form a detailed opinion of the Company's economic situation at all times. The Chairman of the Supervisory Board maintained constant contact with the Executive Board outside the regular meetings, discussing important events and upcoming decisions with it.

The Supervisory Board was briefed immediately and comprehensively by the Executive Board in writing or orally on business transactions that were of material importance for the Company, including outside the regular meetings. The Supervisory Board monitored the Executive Board conscientiously and confirms that it acted lawfully, properly and economically in all respects.

Supervisory Board meetings and main content of the Supervisory Board's deliberations

In the 2021/2022 financial year, the Supervisory Body held a total of five ordinary meetings and one extraordinary meeting in accordance with Section 110 (3) Sentence 1 of the German Stock Corporation Act. Of these, five were held as video calls and one as a telephone conference. In addition, regular telephone conferences were held and four other resolutions passed in the form of written circulars. All members of the Supervisory Board attended all ordinary and extraordinary meetings as well as the telephone conferences.

The main subjects of the deliberations held in the financial year under review included:

- ongoing business performance in the 2021/2022 financial year,
- the analysis of the Company and its investments as well as the definition and implementation of strategic measures,
- the preservation of the Company's liquidity,
- planning and budget for 2022/2023,
- scheduling for 2022/2023 as well as the planning of the annual general meeting,
- the future development and strategy of the Company and its divisions,
- personnel planning and organisational structure,
- the integration of the new Executive Board in the organisation,
- the Group structure,
- corporate disposals and acquisitions,
- activities on the capital market.

Furthermore, we discussed the following key topics at the individual meetings during the 2021/2022 financial year:

Extraordinary meeting of 23 April 2021

At the meeting on 23 April 2021, the Supervisory Board and the Executive Board discussed the acquisition of the 60-percent stake in CE Community Editions GmbH, unanimously approving the transaction subject to certain conditions being met.

Resolution by written circular dated 19 May 2021

Following this discussion, the budget for 2021/2022 and the medium-term forecast were unanimously approved by the Supervisory Board in a written circular. In addition, the strategic goals were determined for the entire Executive Board as well as for each of its members for the 2021/2022 financial year. The Supervisory Board approved these goals unanimously in a written circular.

Resolution by written circular dated 25 May 2021

On the basis of a detailed draft resolution, the Supervisory Board approved a contract with a top author.

Ordinary meetings of 6 and 12 July 2021

At the meeting on 6 July 2021, the Executive Board reported to the Supervisory Board on the 2020/2021 annual financial statements. The Supervisory Board discussed the report in detail. The auditor attended the meeting for this item of the agenda. The Executive Board provided supplementary and explanatory information. The auditor reported on the key findings of the audit of the annual financial statements and the management report of Bastei Lübbe AG as of 31 March 2021 as well as the consolidated financial statements and the Group management report as of 31 March 2021. As the parent-company and consolidated financial statements were not yet formally available in their final form, they were approved at the meeting held on 12 July 2021. After a thorough review, the Supervisory Board approved the annual financial statements of the Company for the financial year ending 31 March 2021 prepared in accordance with the German Commercial Code (HGB), which were thus duly adopted. The consolidated financial statements as of 31 March 2021 prepared in accordance with IFRS were also approved. Furthermore, the Supervisory Board deliberated on the agenda for the 2021 annual general meeting including the resolutions proposed by the Company's management.

Ordinary meeting of 9 September 2021

The Executive Board and the Supervisory Board discussed in detail the Company's current business performance, especially against the backdrop of the pandemic. Furthermore, ongoing M&A projects were discussed and further steps in this regard coordinated. The framework for the reorganisation of corporate financing was agreed between the two boards.

Ordinary meeting of 25 November 2021

The Executive Board and the Supervisory Board discussed at length the Company's current business performance and considered possible earnings scenarios for the current financial year. This was followed by a presentation of and discussion on strategy planning. The Executive Board reported in detail on risk management and compliance matters. There were no special incidents. The Supervisory Board subsequently met on its own to discuss the efficiency review.

Resolution by written circular dated 25 January 2022

The Supervisory Board unanimously decided to increase the number of members of the Executive Board to four with effect from 1 March 2022. In addition, Soheil Dastyari was appointed to the Company's Executive Board with effect from 1 March 2022.

Ordinary meeting of 3 March 2022

The Supervisory Board and the Executive Board discussed a preliminary draft budget for the 2022/2023 financial year.

Self-assessment

As recommended by the German Corporate Governance Code, the Supervisory Board again examined the efficiency of its own activities in the 2021/2022 financial year with regard to effective control and advice of the Executive Board. The Supervisory Board is of the opinion that Bastei Lübbe AG has sufficient organisational structures and systems to enable the Supervisory Board to fulfil its legal and statutory duties appropriately. The rules of procedure for the Supervisory Board and the defined procedures, the determination of transactions requiring approval as well as the timely and sufficient submission of information to the members of the Supervisory Board are decisive factors in ensuring that it can fulfil its supervisory duties in the required manner. The Supervisory Board also believes that the existing risk management and compliance systems are suitable and appropriate for supporting it in the performance of its functions. The systems in question are regularly reviewed by the Supervisory Board. If any shortcomings are identified, efforts are made to eliminate them. Due to the systems in place and monitoring by the Supervisory Board, the Company is always managed in accordance with the law and the articles of association, and risks jeopardising the Company's going concern status are identified in a timely manner. On the basis of their qualifications and professional experience, the members of the Supervisory Board possess the knowledge required to fulfil their duties efficiently.

The members of the Supervisory Board make use on their own responsibility of the measures for training and further education required for the performance of their tasks. The Company supports the members of the Supervisory Board in an appropriate manner. In particular, the members of the Supervisory Board are informed both during their meetings and between the meeting dates about topics relevant to it, changes in the law and current developments relating to the Supervisory Board's activities. In addition, lectures or workshops with internal or external speakers may be held in the plenary sessions of the Supervisory Board on topics of particular relevance. Furthermore, the members of the Supervisory Board are able to access external information channels or attend specialist events with the Company's support. In the 2021/2022 financial year, the Supervisory Board participated in training and further education measures to only a limited extent due to the pandemic. This included attendance of external online seminars on topics relevant to the Supervisory Board as well as the receipt of ongoing information on changes in the law provided by the Company's legal advisors.

The Company provides appropriate onboarding support for new members of the Supervisory Board. In this connection, they are given the relevant information on the structure and governance of the Company and the Supervisory Board as well as on fundamental and current issues of relevance for the Company. In addition, new members of the Supervisory Board hold personal discussions with the members of the Executive Board and, on this basis, are briefed on topics of relevance for the Company. They also have an opportunity of interacting with the Company's managers and to visit its offices during the onboarding process.

In the financial year under review, no conflicts of interest subject to compulsory immediate disclosure arose among the members of the Supervisory Board.

German Corporate Governance Code

The Supervisory Board again dealt with the contents of the German Corporate Governance Code in the 2021/2022 financial year. Save for a few exceptions, Bastei Lübbe AG complies with the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and Supervisory Board passed a resolution on 4 July 2022 to issue a limited declaration of conformity in accordance with Section 161 of the German Stock Corporation Act. The current declaration of conformity as well as all previous ones have been made permanently available to shareholders on the Company's website. Further explanations on corporate governance can be found in the corporate governance statement.

Audit of the annual financial statements and the consolidated financial statements for 2021/2022

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, audited the annual financial statements prepared by the Executive Board in accordance with the provisions of the German Commercial Code and the consolidated financial statements prepared in accordance with IFRS, together with the combined Group management report and the management report of the Company for the 2021/2022 financial year, issuing an unqualified audit opinion. The aforementioned documents and the audit report prepared by Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, were submitted to the members of the Supervisory Board in a timely manner. They were dealt with in detail at the balance sheet meeting of the Supervisory Board on 5 July 2022, at which the Executive Board explained the annual financial statements, the consolidated financial statements and the combined Group management report and management report of the Company; the auditor Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, reported on the results of the audit in detail. During the meeting, all questions were answered exhaustively by the Executive Board and the auditor. After its own examination, the Supervisory Board had no reason to raise any objections to the annual financial statements, the management report, the consolidated financial statements or the Group management report. The Supervisory Board satisfied itself in a detailed examination that the mandatory disclosures made by the Executive Board in the combined management report and the Group management report were free of any errors or omissions. It concurred with the Executive Board in its assessment of the Company's situation and approved the annual financial statements, which were thus adopted, and the consolidated financial statements for the 2021/2022 financial year. We agree with the Executive Board's proposal to pay a dividend of 40 euro-cents per share.

Expression of thanks from the Supervisory Board

The past financial year was overshadowed by various external crises which the Company addressed successfully. This year's earnings exceeded the previous year again, something that could not be taken for granted and was not to be expected. Against the backdrop of this successful performance, we decided to expand the skills of the Executive Board and are pleased to have gained in Soheil Dastyari a very competent and experienced manager. We would like to thank the Executive Board as well as the employees and employee representatives of Bastei Lübbe AG for their passionate commitment in the financial year under review.

For me personally, it will be time to say goodbye at the end of the next annual general meeting after six years. This step was not an easy one for me to take, but in the future my other professional activities will no longer allow me to devote the amount of time that I believe is required to represent the shareholders' interests in the best possible way. These were in some cases difficult and challenging times, but the employees' enthusiasm and commitment convinced me from the outset that Bastei Lübbe has the potential to be a leading and innovative publisher. I would particularly like to express my gratitude to my colleagues on the Supervisory Board, the Executive Board and those who no longer work for us but have made excellent contributions in recent years. Many thanks for your confidence!

Cologne, July 2022

For the Supervisory Board

Robert Stein

Chairman of the Supervisory Board

Corporate governance statement

Underlying principles of corporate activity

Good corporate governance is the guarantee of responsible management of the Company. It encompasses the entire corporate management and supervision system. This includes the Company's organisation, its values, business principles and policies, as well as internal and external control and monitoring mechanisms. The goal of good and transparent corporate governance is to ensure responsible management and control of the Company geared towards value creation. This goal is embedded in the underlying conditions set by the German Corporate Governance Code among other things.

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

Corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code

The principles of responsible and good corporate governance determine the actions of Bastei Lübbe AG's Executive Board and Supervisory Board. The Executive Board and the Supervisory Board seek to align the management and supervision of the Company with national and international standards. Efficient cooperation between the Executive Board and the Supervisory Board within the framework of open and transparent corporate communication is indispensable for this.

In addition to the declaration of conformity with the recommendations of the German Corporate Governance Code, the corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) contains further information on corporate governance, particularly corporate governance practices, and a description of the working methods of the Executive Board and the Supervisory Board.

Declaration of conformity

The Executive Board and the Supervisory Board of Bastei Lübbe AG declare pursuant to Section 161 of the German Stock Corporation Act that, save for the following exceptions, the recommendations of the German Corporate Governance Code in the version dated 16 December 2019 (published in the official section of the Bundesanzeiger on 20 March 2020) (the "2020 Code") have been complied with since the last declaration of conformity was issued and that the recommendations of the German Corporate Governance Code in the version dated 28 April 2022 (published in the official section of the Bundesanzeiger on 27 June 2022) ("the 2022 Code") will be complied with in the future:

Supervisory Board committees (D.2 to D.5 of the 2020 Code, D.2 to D.4 of the 2022 Code)

The German Corporate Governance Code recommends that the Supervisory Board should form professionally qualified committees. As the Supervisory Board has only three members, it has not formed any committees at present as there would be no difference in the identity of their members. The members of the Supervisory Board thus hold joint responsibility for making decisions on all matters. If the Supervisory Board is enlarged in the future, a decision will be made on the formation of committees.

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

Contrary to the recommendation in F.2, the consolidated financial statements and the management report for the 2021/2022 financial year will not be made publicly available within 90 days of the end of the financial year due to the processes related to the audit of the annual financial statements.

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

The German Corporate Governance Code recommends that long-term variable remuneration components granted should be accessible to Executive Board members only after a period of four years. In view of the Company's business strategy and the business cycle, a period of three years until the accessibility of the long-term variable remuneration components is considered appropriate.

Relevant disclosures on corporate governance practices and working methods of the Executive Board and the Supervisory Board

As a German public limited company, Bastei Lübbe AG is subject to German stock corporation law and therefore has a dual management and supervisory structure consisting of an Executive Board and a Supervisory Board. The tasks, powers and responsibilities of these two bodies are clearly defined by law and segregated in personnel terms.

For Bastei Lübbe AG, the fundamental principle of responsible corporate governance is to ensure efficient cooperation between the Executive Board and the Supervisory Board through a responsible and transparent corporate management and supervisory structure. Thus, a large number of issues were discussed in detail between the Supervisory Board and the Executive Board in the 2021/2022 financial year. The Supervisory Board monitored the actions of the Executive Board carefully and regularly and supported its activities continuously in an advisory capacity.

The Supervisory Board was always involved in all major decisions in a timely and appropriate manner. The Executive Board informed the Supervisory Board regularly, promptly and comprehensively in written or oral form about the course of business, the earnings and financial situation, the employment situation and personnel policy, short-, medium- and long-term corporate and financial planning and the strategic further development of the Company and its subsidiaries and associates. Any deviations from the plans were explained in detail to the Supervisory Board. The risk situation and risk management were subject to careful consideration at all times.

The Chairman of the Supervisory Board also maintained contact with the Executive Board outside of the meetings, which took place at regular intervals, and discussed the essential processes and upcoming decisions with it.

The requirements with regard to compliance with statutory provisions and internal regulations are for the most part laid down in the compliance rules adopted by the Supervisory Board and the Executive Board. Bastei Lübbe AG has also engaged an external compliance officer to deal with matters relating to compliance, which is defined as the adherence to rules and legal requirements and the integrity of processes and conduct within the Company. He engages in research and consults with the members of the Executive Board, department heads, the works council, other individual employees and the departmental staff in departmental meetings. The employees and third parties have the possibility of reporting any compliance violations to the compliance officer in a whistleblowing system. This can also be done anonymously. Reports can be submitted by e-mail, letter, telephone or in person. For this purpose, the compliance officer also has an internal e-mail account, holds monthly office hours and invites staff to contact him openly or anonymously, while guaranteeing confidentiality.

The compliance officer submitted a report to the Executive Board at the end of the 2021/2022 financial year, coming to the following conclusion: "There are no notable compliance problems and particularly no serious or even existential ones."

Allocation of responsibilities and working methods of the Executive Board

Bastei Lübbe AG's Executive Board manages the Company with the aim of creating sustainable value on its own responsibility and in the Company's interests, i.e. primarily taking into account the interests of the shareholders, its employees and other stakeholders. In doing so, it is not bound by the instructions of any third parties and acts in accordance with the law, the articles of association and the rules of procedure issued by the Supervisory Board as well as the resolutions passed at the annual general meeting. When filling management positions within the Company, the Executive Board also pays attention to diversity and strives in particular for the appropriate inclusion of women. An enterprise-wide, formalised diversity strategy has not yet been implemented. The Executive Board and the Supervisory

Board are of the opinion that diversity can be promoted and established even in the absence of a formalised diversity strategy.

Notwithstanding the principle of shared responsibility, under which all members of the Executive Board are jointly responsible for the management of the Company's business, each member of the Executive Board manages the department assigned to him/her on his/her own responsibility and is solely authorised to do so. In doing so, each member may submit to the full Executive Board any matters requiring a resolution. As a rule, Bastei Lübbe AG's Executive Board meets on a weekly basis.

However, issues that are assigned to the full Executive Board by law, the articles association or the rules of procedure of the Executive Board are dealt with and decided on jointly by all members. In particular, the members of the Executive Board make all fundamental decisions on business policy and strategy in close consultation with the Supervisory Board. To this end, the Executive Board informs the Supervisory Board of all issues and key topics relevant to the Company as a whole. The Executive Board's information and reporting duties are defined in detail by the Supervisory Board in the Executive Board's rules of procedure.

The Executive Board currently consists of Soheil Dastyari (Chief Executive Officer since 1 March 2022, responsible for strategy, business development, strategic management of the subsidiaries, corporate communications and human resources), Joachim Herbst (responsible for finance, IT, risk management, compliance and M&A), Sandra Dittert (responsible for distribution, marketing, press, novels, production and contract management) and Simon Decot (responsible for programme development). All members of the Executive Board have been appointed for a term of three years.

Together with the Executive Board, the Supervisory Board ensures long-term succession planning. As part of the process for long-term succession planning, the Supervisory Board ensures that the knowledge, skills and experience of the members of the Executive Board are varied and balanced in the best interests of the Company, also taking diversity considerations into account. One basis for long-term succession planning is provided by discussions between the Supervisory Board and the members of the Executive Board, through which the Supervisory Board also obtains an idea of the requirements for potential new candidates for Executive Board positions. Vacant positions on the Executive Board are filled on this basis, taking into account a candidate profile prepared by the Supervisory Board in each case.

The Supervisory Board has set an age limit for members of the Executive Board. The office of member of the Executive Board may only be held by persons who have not yet reached the age of 68 years. The Supervisory Board must take this into account when appointing members of the Executive Board and when entering into the corresponding service contract.

In accordance with the statutory requirements, the Executive Board has installed professional risk management and internal control systems. Every year, the annual report provides information on how these systems are structured and what significant risks and opportunities have currently been identified.

Remuneration of the members of the Executive Board

The current remuneration system for the members of the Executive Board is in line with the German Corporate Governance Code. The remuneration system was submitted to and approved by the shareholders at the annual general meeting held on 15 September 2020. The resolution and the system for the remuneration of the members of the Executive Board as well as the remuneration report are publicly available at www.luebbe.com/de/investor-relations/.

Working methods of the Supervisory Board

The task of the Supervisory Board is to advise and supervise the Executive Board in the management of the Company. The rules of procedure for the Executive Board contain a catalogue of measures that require the approval of the Supervisory Board. This applies in particular to decisions that are of fundamental importance for the Company. Furthermore, certain transactions of the Company with related parties require the consent of the Supervisory Board in accordance with Section 111b of the German Stock Corporation Act. The Company's articles of association and the rules of procedure of the Supervisory Board contain comprehensive guidelines for the work of the Supervisory Board. The rules of procedure of the Supervisory Board can be found at www.luebbe.com/de/investor-relations/aufsichtsrat/geschaeftsordnung-fuer-den-aufsichtsrat.

The Supervisory Board of Bastei Lübbe AG consists of three members elected by the shareholders. When candidates are proposed for election to the Supervisory Board, particular attention is paid to the knowledge, skills and professional experience required to perform the task in question. In this way, the Supervisory Board members provide the most effective supervision and support possible for the Executive Board in matters of strategic orientation. In addition, only persons who have not yet reached the age of 68 years at the time they are elected may be nominated for election to the Supervisory Board.

The Supervisory Board consists of Robert Stein (Chairman of the Supervisory Board, Managing Director of Arcana Capital GmbH and GHP Germany GmbH), member of the Supervisory Board since 30 November 2016, Dr Mirko Alexander Caspar (Deputy Chairman of the Supervisory Board, Co-Chairman of the Executive Board of Mister Spex SE), member of the Supervisory Board since 30 November 2016 and Prof. Dr Friedrich L. Ekey (member of the Supervisory Board, lawyer and professor of business law at Rheinische Fachhochschule in Cologne), member of the Supervisory Board since 30 November 2016. The function of financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is fulfilled by Mr. Robert Stein, who holds special knowledge of and experience in accounting and auditing. Dr. Mirko Caspar is also a financial expert with expertise in the field of accounting. A woman is to be included on Bastei Lübbe AG's Supervisory Board by the end of the current term of office at the latest. The Chairman coordinates the Supervisory Board's work, chairs its meetings and is responsible for its concerns and external representation. He maintains constant and regular contact with the Executive Board, in particular with the Chief Executive Officer, and discusses with him, both during and outside meetings, the main processes and upcoming decisions concerning the Company, particularly strategy and business performance as well as the risk situation, risk management and compliance. None of the members of the Supervisory Board are formerly members of the Executive Board.

At its meeting on 25 November 2021, the Supervisory Board discussed and reviewed the efficiency of its own activities with regard to effective supervision of and advice to the Executive Board. The Supervisory Board is of the opinion that Bastei Lübbe AG has sufficient organisational structures and systems to enable the Supervisory Board to fulfil its legal and statutory duties appropriately. The rules of procedure for the Supervisory Board and the defined procedures, the determination of transactions requiring approval as well as the timely and sufficient submission of information to the members of the Supervisory Board are decisive factors in ensuring that it can fulfil its supervisory duties in the required manner. On the basis of their qualifications and professional experience, the members of the Supervisory Board possess the knowledge required to fulfil their duties efficiently.

The Supervisory Board has adopted the following competence profile for the entire Board:

The Supervisory Board should be composed in such a way that its members jointly possess the necessary expertise, skills and professional experience to properly perform their duties. In particular, the Supervisory Board considers the following areas of competence and knowledge to be essential for the performance of its duties within the Company (competence profile): national and international business experience, management experience, understanding of the Company's business in the key areas of activity, digitalisation, finance, accounting, auditing, controlling/risk management, human resources, governance/compliance. The members of the Supervisory Board in their entirety must be familiar with the sector in which the Company operates as a result of their own experience in the media industry. At least one member of the Supervisory Board must have expertise in accounting and at least one other member of the Supervisory Board must have expertise in auditing (financial experts within the meaning of Section 100 (5) of the German Stock Corporation Act).

The Supervisory Board has specified the following objectives for its composition:

- The Supervisory Board as a whole should have the knowledge, skills and professional experience required to perform its duties properly. With regard to its composition, the Supervisory Board strives to ensure that the aforementioned competence profile is fulfilled for the entire Board and that the areas of competence mentioned in it are duly covered.
- In addition, the Supervisory Board should have what it considers to be an appropriate number of independent members. For this purpose, more than half of the shareholder representatives should be independent of the Company and the Executive Board. If the Company has a majority shareholder, at least one shareholder representative should be independent of such majority shareholder.
- The Supervisory Board also takes account of diversity in its election proposals by encouraging a plurality of opinions and experience on the part of the candidates, for example with regard to age, gender, educational or professional background as well as international profile.
- The Supervisory Board aims to have one woman among its members by the end of the current term of office at the latest.
- At least one member of the Supervisory Board should have international business experience or another international connection.
- In accordance with the age limit determined by the Supervisory Board and specified in its rules of procedure, only candidates who have not yet reached the age of 68 years at the time they are elected may be nominated for election to the Supervisory Board.
- Conflicts of interest on the part of members of the Supervisory Board impede independent advice to and supervision of the Executive Board. The Supervisory Board determines its response to potential or actual conflicts of interest in each individual case within the framework of the law and in the light of the German Corporate Governance Code. Conflicts of interest should be avoided in the composition of the Supervisory Board.

The Supervisory Board believes that its current composition meets the aforementioned objectives and fulfils the competence profile. The members of the Supervisory Board as a whole possess the knowledge, skills and experience required to properly perform their duties. The Supervisory Board includes what it considers to be an appropriate number of independent members. The Supervisory Board believes that all its members are independent within the meaning of the German Corporate Governance Code.

Proposals of the Supervisory Board to the shareholders take into account the aforementioned objectives and aim to ensure compliance with the competence profile for the entire Supervisory Board. The Supervisory Board's decision on the election proposal to the shareholders is always guided by the Company's best interests in the light all the circumstances of the individual case.

The Supervisory Board also considers the effectiveness of the audit of the financial statements and prepares the proposed resolution for submission to the annual general meeting concerning the election of the independent auditor. It discusses the auditing activities together with the independent auditor and assesses their quality in this connection.

Remuneration of the members of the Supervisory Board

The motion for a resolution on the remuneration of the Supervisory Board members submitted to the shareholders at the annual general meeting on 15 September 2021 and the remuneration report are publicly available at www.luebbe.com/en/investor-relations/homepage-investor-relations.

Determination of targets and deadlines under Section 76 (4) and Section 111 (5) of the German Stock Corporation Act and current status of implementation

On 27 March 2019, the Supervisory Board decided that a woman should be included on the Supervisory Board after the end of the current term of office at the latest. Currently, the Supervisory Board does not have any female members, meaning that this target has not yet been reached. For the Executive Board, the Supervisory Board set a target gender representation ratio of 0 to 30% on 27 March 2019 and a deadline for achievement of this target by 30 June 2023. As the Executive Board has included a woman since 1 August 2020, this target has already been achieved.

On 2 September 2020, the Executive Board decided to set a target gender representation ratio of 50% for the two management levels below the Executive Board. As of the reporting date, the proportion of women in the top two management levels stood at 54%. Accordingly, the target figure has been achieved.

Avoidance of conflicts of interest

In the financial year under review, the members of the Executive Board and the Supervisory Board of Bastei Lübbe AG did not have any conflicts of interest subject to immediate compulsory disclosure to the Supervisory Board. No member of the Executive Board was a member of any other supervisory board required to be established by law or of a comparable domestic or foreign supervisory body.

Transparency

It is Bastei Lübbe AG's goal to ensure the greatest possible transparency and to provide all stakeholders with the same information at the same time. All stakeholders can obtain information on current developments at the Company via the Internet. The Company's ad hoc announcements are published in the "Investor Relations" section of the Bastei Lübbe AG website. Press releases and other corporate news are also made available there and our shareholders are kept informed of important dates by means of a financial calendar.

Information on corporate governance practices is available at www.luebbe.com/en/investor-relations/corporate-governance.The current and previous corporate governance declarations pursuant to Sections 289f and 315d of the German Commercial Code, the current and previous declarations of conformity to the German Corporate Governance Code, the non-financial statement pursuant to Sections 289c and 315c of the German Commercial Code (HGB) and the articles of association are also available there.

Securities transactions subject to compulsory disclosure

Under Article 19 of the EU Market Abuse Regulation, persons performing management duties, particularly the members of the Executive Board and Supervisory Board, as well as persons closely related to them, must report any trading transactions involving shares in the Company and related financial instruments. These are also published on the website at www.luebbe.com/en/investor-relations/corporate-governance/directors-dealings. No such transactions were reported to the Company during the reporting period.

Reporting and audit of the financial statements

The consolidated financial statements of Bastei Lübbe AG and the interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU. The annual financial statements of Bastei Lübbe AG are prepared in accordance with the provisions of the German Commercial Code (HGB). Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, was elected as auditor for the 2021/2022 financial year at the annual general meeting held on 15 September 2021. Ebner & Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft ensures through internal rotation procedures that the audit activities are carried out with the necessary distance from the Company and, in particular, that the responsible auditors terminate their involvement in the audit of the Company's financial statements no later than five years after their initial appointment. Before being proposed for election at the annual general meeting, the auditor declared to the Supervisory Board that there were no circumstances with respect to the relationship between him and the Company liable to cast any doubts on his independence. Under the terms of his engagement, it was agreed that he would inform the Chairman of the Supervisory Board without delay of all findings and occurrences of significance for his duties that came to his attention during the performance of the audit. It was also agreed that the auditor would inform the Chairman of the Supervisory Board without delay and make a note in the audit report if, during the performance of the audit, he ascertained any facts indicating any misstatements in the declaration on the German Corporate Governance Code issued by the Executive Board and the Supervisory Board.

Cologne, July 2022

For the Supervisory Board	For the Executive Board
Robert Stein Chairman of the Executive Board	Soheil Dastyari Chief Executive Officer

COMBINED MANAGEMENT REPORT

DIGITAL ONLY – beHEARTBEAT AND beTHRILLED
FICTION – LÜBBE AND EICHBORN
NOVEL BOOKLET – BASTEI

Company profile

Group business model

Bastei Lübbe AG is a German general-interest publisher based in Cologne, specialising in the publication of books, audio books and ebooks featuring fiction and popular science content as well as periodicals in the form of novel booklets. Furthermore, licensing forms part of Bastei Lübbe’s business activities.

Bastei Lübbe divides its business activities into the “Book” and “Novel Booklets” segments. The “Book” segment includes all of Bastei Lübbe AG’s print, audio and ebook products, which are sold under the imprints Lübbe, Lübbe life, Quadriga, Eichborn, Baumhaus, Boje, ONE, LYX, LYX.audio, be-ebooks and Lübbe Audio. In addition, the Czech associate Moravská Bastei MOBA s.r.o. (“Moba”) and the associates Business Hub Berlin UG (“smarticular”) and CE Community Editions GmbH (“Community Editions”, since 1 August 2021) are allocated to the “Book” segment. In the year under review, the novels “Never” by Ken Follett and “Der Zorn des Oktopus” by Dirk Rossmann and Ralf Hoppe as well as the 16th volume of the “Diary of a Wimpy Kid” series “Big Shot” by Jeff Kinney and the non-fiction book “Endspiel des Kapitalismus” by Norbert Häring were particularly successful.

In the “Novel Booklets” segment, classics such as “Der Bergdoktor”, “Jerry Cotton”, “Geisterjäger John Sinclair” and westerns by cult author G. F. Unger continue to achieve annual print runs in the millions. The Company’s success in the “Novel Booklet” segment has continued unabated since 1953.

Non-consolidated associates

As of 31 March 2022, Bastei Lübbe AG held investments in the following non-consolidated companies:

▪ Siebter Himmel Bastei Lübbe GmbH, Cologne	100%
▪ Bastei Ventures GmbH, Cologne	100%
▪ Räder GmbH, Essen	20%
▪ Various press wholesalers	2-5%

The above-mentioned subsidiaries in which Bastei Lübbe AG holds interests of 100% are not consolidated as they are of subordinate importance for the Company’s net assets, financial position and results of operations.

Objectives and strategies

As a German general-interest publisher, Bastei Lübbe offers media content that entertains, inspires and educates its readers and is consistently geared towards their needs. Within this framework, we apply the mechanisms of the modern, digital world as a beneficial component of our economic activities. This includes – where possible and appropriate – using modern, digital end-customer communications to create communities for our imprints. These communities connect users who feel an affinity with a label, find and exchange ideas on social media, attend events, share their enthusiasm, provide input, buy our products and recommend them to others. This enables effective and efficient brand communications, creating a financially valuable pull effect at the sales level as well as generating positive momentum that ideally generates organic growth.

Our wide brand portfolio allows us to address different target groups precisely and gives the Group a broad position that diversifies risk. With respect to books for children and young people with the Baumhaus, Boje and ONE imprints, the Company publishes "Diaries of a Wimpy Child", the world's most successful children's book series. With LYX, we have established an imprint that once again amassed the greatest volume of revenues in the new adult segment in 2021, also generating a very high level of brand loyalty in the community. In fiction, international top-selling authors such as Ken Follett, Dan Brown and the duo Dirk Rossmann and Ralf Hoppe are published on the Lübbe imprint. Eichborn gives us a strong position in upmarket literary entertainment. Accordingly, we cover a broad range of fiction.

In the non-fiction segment, relevant voices on social and political debate are published under the Quadriga imprint. Lübbe publishes gripping life stories, and under Lübbe life we focus on innovative topics of contemporary interest in the growth area of health and lifestyle. Our subsidiary smarticular generates content on sustainability with the support and involvement of an organically assembled online community. A fully consolidated subsidiary since 1 August 2022, CE Community Editions GmbH has been exceptionally successful in influencer book business.

Under the Lübbe Audio and LYX.audio imprints, we are successfully exploiting our own as well as licensed content in audio formats and continuing to achieve high growth rates in streaming and download business. Following extraordinary growth in the previous year, our beTHRILLED and beHEARTBEAT digital-only imprints, which are aimed at the ebook market, generated largely stable revenues in the year under review. Overall, Bastei Lübbe garnered around 32% of its revenues from digital formats in the 2021/2022 financial year, a figure which puts it above the industry average.

Against this backdrop, the cornerstones of our short- and medium-term strategy are as follows:

- We exploit opportunities for digitalisation by expanding digital media products, additional distribution channels and customer touchpoints as well as by implementing digital processes.
- In marketing and programme work, we seek a close connection to our readers and develop communities (especially LYX, ONE, Community Editions, smarticular) and digital marketing measures to address specific target groups.
- Backed by a broad and diverse retail partner network, we reach our target groups in both stationary retail and online channels.
- Together with our authors, we design content that is a perfect fit for our target groups and also maintain and develop a close network in the rights market.
- We are seeking both organic and inorganic growth and, to this end, are focusing on our key performance indicators, namely revenues and EBIT.

Corporate governance

Governance bodies

As a stock corporation under German law, Bastei Lübbe AG has a dual management and supervisory structure consisting of an Executive Board and a Supervisory Board. The Executive Board consists of the four members Soheil Dastyari (Chief Executive Officer, since 1 March 2022), Joachim Herbst (Chief Financial Officer), Sandra Dittert (Chief Marketing and Sales Officer) and Simon Decot (Chief Programme Officer). The Executive Board reports regularly to the Supervisory Board. These reports mainly cover business policy and strategies as well as current business activities. The Supervisory Board is informed of all events liable to have a significant influence on the Bastei Lübbe Group's future.

The Supervisory Board appoints the members of the Executive Board and supervises and advises them in the management of the companies. The three members of the Supervisory Board represent the shareholders. The shareholder representatives are elected at the annual general meeting. The members of the Supervisory Board are Robert Stein (Chairman of the Supervisory Board), Dr Mirko Alexander Caspar (Deputy Chairman of the Supervisory Board) and Prof. Dr Friedrich L. Ekey.

Internal corporate control system

Bastei Lübbe's overarching goal is to consistently increase the Company's enterprise value through growth and by focusing on business areas that offer attractive opportunities for expansion and for improving or stabilising profitability.

The Executive Board and the Supervisory Board use various measures to manage the Company. The basis of strategic corporate planning is formed by an annually updated three-year plan with profit and loss calculations as well as investment and liquidity planning. For the financial year following the planning process, a bottom-up revenue budget in volume and value terms is prepared and adopted in addition to the top-down target definition. The Company is monitored by means of a daily revenues analysis as well as a monthly P&L target/actual deviation analysis and the forecast scenarios derived from it in relation to total revenues, segment revenues and earnings.

At Bastei Lübbe, the following financial performance indicators are of primary importance for corporate management (comprising a comparison of actual, target (budgeted) and the previous year's performance in each case):

- Revenue and EBIT (earnings before interest and taxes) performance at the Group level
- Revenue and EBIT performance of the segments

Non-financial performance indicators

Non-financial performance indicators such as employee numbers or social commitment are not used to manage Bastei Lübbe, as no quantifiable statements can be made about the causal relationships.

Research and development

Bastei Lübbe AG does not conduct any research and development in the narrower sense. Nevertheless, we develop content by identifying and incorporating the needs of our potential readers and make it available on all playout channels. We thus complement the successful "push business" of a publishing company with "pull-oriented" content. For example, we incorporate the lifestyles and interests of our more than 100,000 LYX followers on Instagram in our programme planning. At smarticular, sustainability-related topics are also tested and developed in the online community. In addition, we offer digital-only content in innovative structures via our beHEARTBEAT, beTHRILLED and LYX imprints. With these measures, our publishing company has also been able to achieve an above-average share of digital business in its revenues compared to other publishers. In addition, the Group tracks the latest technological trends on an ongoing basis. In particular, the use of artificial intelligence (AI) can generate added value in various areas, for example circulation control or the automated management of author contracts. The Bastei Lübbe Group works with renowned technology partners and research institutions in these areas.

Employees

At the end of the financial year, Bastei Lübbe had 280 employees in continuing operations, up from 247 as of 31 March 2021.

Training and further education

Our employees provide the basis for the Group's success. Special attention is therefore paid to promoting and developing them both professionally and personally. We want to support our employees in performing their current and future tasks as effectively as possible. To this end, we coordinate training and further education with them and offer internal and external training courses in a wide range of areas aligned to the needs of individual target groups. We attach importance to encouraging the use of tools such as Microsoft Teams and OneNote to digitize our activities and foster collaborative working practices.

In the financial year under review, we continued to focus on the further development of our managers and our leadership culture, which is based on the concept of empowerment, and to entrench it within the Group. Interdisciplinary executive workshops additionally enhanced our managers' leadership skills and optimised the collaborative approach in our matrix organisation. Specifically geared towards our managers, this concept is overseen by an experienced coach; the relevant programmes are being continued.

With the help of various training methods, we are able to attract book- and digital-savvy talent to our Company. Through our apprenticeships, traineeships and student internships, we offer a wide range of opportunities for career beginners interested in entering the publishing industry and are thus able to train qualified junior staff internally. We also welcome career beginners at the junior level. Above all, the large internal network, an understanding of interdepartmental relationships and publishing and industry expertise on the part of our young talents provide us with material benefits.

Over the past few years, our trainees and our Company as an employer offering apprenticeships have regularly received awards from the Chamber of Industry and Commerce for our training courses and results. In the near future, we are also planning to expand our training system to include trainee programmes to gain young high potentials for our Company on an even more targeted basis. Thus, media management trainees are to be hired in the 2022/2023 financial year. In addition, we support part-time study programmes by making a contribution to the costs and also granting paid leave.

Favourable work/life balance and other benefits

Once again, the reconciliation of personal and job requirements took on great importance in the year under review.

Due to the pandemic, our staff mainly worked from home last year, something that we made possible by providing modern technical equipment and rewarded with the payment of a further pandemic bonus. In order to provide our employees with a modern working environment, we entered into a company agreement on mobile working. In addition, a project was initiated for our future office and workplace structures. Together with our employees, we are working on possible ideas for our future working world. In this way, we want to continue providing the framework for additionally reinforcing flexible working time models and modern working methods in the future as a basis for strengthening our employees' satisfaction.

As a family-friendly employer, we support our employees by offering in conjunction with a partner free counselling and childcare and childminding facilities as well as the care of relatives in need. In the area of childcare, we also offer company-sponsored placements and help our employees find nursery school places. In combination with different part-time working models, this allows parents to return to work on an earlier and plannable basis.

We also offer our employees various other benefits, such as a company pension scheme, capital-formation benefits, meal and travel allowances, free and discounted book orders, massages, weekly fruit baskets and free coffee, among other things.

Engaging with society

As a general-interest publisher, we are aware of our high responsibility towards society. With our novel booklets, printed books, ebooks and audio books, we reach many millions of readers each year. We are extremely pleased that our stories and narratives resonate with a broad audience across society and thus make an important contribution to the promotion of education and reading. The content we distribute has an impact on the way readers form their opinions. When putting together our programme, we are aware of our responsibility for each individual title. With our non-fiction programme in particular, we try to reflect social and political discussions. The Group also regularly supports corresponding organisations with appropriate donations on special occasions.

Economic report

Macroeconomic environment

According to the International Monetary Fund (IMF), the global economy expanded by 6.1% in 2021 compared to the previous year, which had been heavily impacted by the pandemic and saw a decline of 3.5% compared to 2019.[1] [2]The economic upswing is primarily due to the successful response to the COVID-19 pandemic and, resulting from this, the positive effects on economic conditions. It was mainly for this reason that the Eurozone economy grew by 5.3% in 2021.[3] After a decline in the number of coronavirus infections, the restrictions that had been imposed in Germany were also eased, although this was accompanied by a comparatively muted recovery, with gross domestic product expanding by 2.9%.[4] Growth in Germany was more subdued than originally hoped, due in particular to shortages of materials and the continued disruption of supply chains in some industries. Among other things, this also affected paper, for which some supply bottlenecks arose, accompanied by significant price increases.[5] On an encouraging note, Eurozone unemployment stood at 7.0% at the end of 2021, thus falling short of the pre-crisis figure.[6]

Quarter-on-quarter GDP growth (%)	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Eurozone	2.2	2.3	0.2	0.6
Germany	2.2	1.7	-0.3	0.2
Austria	4.3	3.4	-0.8	1.5
Luxembourg	0.8	0.9	1.0	1.2
Switzerland	2.0	1.9	0.2	0.5
Czech Republic	1.4	1.7	0.8	0.9

Source: Eurostat (adjusted for price-based, seasonal and calendar effects), as of 8 June 2022

Consumer spending in Germany continued to be heavily influenced by the pandemic-related restrictions in 2021, declining by a further 0.2%. For the second year, it fell roughly 5% short of the level reached in the pre-crisis year of 2019. This was particularly noticeable in the case of consumer durables and services in 2021.[7] The disposable income of private households rose by 6.2% year on year in 2021[8], accompanied by an already significantly higher inflation rate of 3.2%[9].

The Bastei Lübbe Group generates the vast majority of its revenues in Germany. The remaining portion of revenues mainly arises in Austria, Switzerland, Luxembourg and the Czech Republic. The Group's publishing products compete with numerous other consumer goods and are therefore also dependent on consumer confidence. Consequently, macroeconomic developments that have an impact on consumer sentiment and demand for the Company's products have a bearing on its business performance.

In the year under review, Bastei Lübbe generally continued to operate in a volatile and challenging overall economic environment, which left noticeable traces on the consumption patterns of the Group companies' potential customers.

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022
[2] https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
[3] https://ec.europa.eu/commission/presscorner/detail/de/ip_22_926
[4] https://de.statista.com/statistik/daten/studie/74644/umfrage/prognose-zur-entwicklung-des-bip-in-deutschland/
[5] https://www.handelsblatt.com/unternehmen/industrie/materialknappheit-verlage-und-druckereien-leiden-unter-papiermangel/27580396.html
[6] https://ec.europa.eu/eurostat/documents/2995521/14233878/3-01022022-AP-DE.pdf/7f669d10-d5ee-3123-b01b-9811cd6b0a7e?t=1643709864161
[7] https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/03/PD22_112_811.html
[8] https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/lrvgr04.html
[9] https://www.destatis.de/Europa/DE/Thema/Wirtschaft-Finanzen/Inflation.html

Industry environment in the Bastei Lübbe business segments

Once again, the data collected for 2021 testifies to the resilience of the book industry in a crisis situation. Despite the economic turbulence, the book market acquitted itself well. According to industry association Börsenverein des Deutschen Buchhandels (German Publishers & Booksellers Association), revenues in the main distribution channels (retail book trade, e-commerce including Amazon, railway station book stores, department stores, consumer electrics stores and chemists) were up 3.2% on the previous year. At the same time, volume sales increased by 1.6%. As a result, revenues in the book market rose by 0.8% compared to the pre-pandemic year of 2019. That said, stationary retail business, which is important for publishers and was particularly affected by the months-long shop closures, failed to return to the levels seen in the previous year. Revenues in the 2021 calendar year contracted by 3.1% over 2020, falling short of the prepandemic year of 2019 by as much as 11.5%. Across all sales channels, the children's and youth books segment achieved very pleasing growth of 9.4% compared to 2020. Fiction, the most important segment in terms of revenues, recorded a 4.2% increase, while non-fiction was up 1.6%.[10] [11]

Up 3.2%, the ebook market continued to grow in the wake of the coronavirus pandemic in Germany in 2021. Whereas the first quarter of the year was very strong, business in the final quarter of 2021 declined significantly, falling roughly 9.2% short of the revenues recorded in the fourth quarter of 2020.[12] This means that ebooks accounted for a total of 5.7% of total book revenues in the 2021 calendar year. In terms of volume, ebook sales were up 6.0% in 2021, rising from 35.8 million to 38.0 million units. The average price buyers paid for an ebook fell by 2.7% to EUR 6.45. The average number of ebooks purchased per buyer, on the other hand, rose significantly by 18% to 11.3 units. Per capita expenditure increased by 14.8% to almost EUR 73. Accordingly, growth in the ebook market is particularly being driven by greater intensity and, hence, increased expenditure per ebook customer. Library ebook lending services recorded growth, which may explain the slower expansion of the to-own market. The number of ebook buyers declined slightly in 2021. Compared to the previous year, there were roughly 380,000 fewer buyers. Accordingly, the share of the population that buys ebooks stands at 5.1%, down from 5.6% in the previous year.[13]

Audio books continue to enjoy growing popularity in Germany. Over the past twelve months, around 42% of all Germans listened to audio books, podcasts or radio plays.[14] Of these, two thirds say they prefer to consume audiobooks at home, while doing housework for example. Digitalisation is also making mobile use increasingly popular, whether on public transport, in the car, on holiday or during sports.[15] On the other hand, audio revenues in bricks-and-mortar book retailing are gradually falling due to the significant decline in the use of physical audio books. As expected, there is a continuing shift in the format mix towards streaming and download formats.[16] Accordingly, physical audiobooks saw a 13.8% decline in revenues in 2021, down from 17.1% in the previous year.[17]

German press wholesalers closed 2021 with a decline of 4.3% in revenues from press products, such as novel booklets. Overall, press wholesale revenues fell from EUR 1.76 billion to EUR 1.69 billion in 2021. Revenues from the core press range contracted by 4.6%. At the same time, total sales of newspapers, magazines and press-related non-press products declined by 7.1% to 1.13 billion copies. The press wholesale sector continued to consolidate, with the number of press retail outlets shrinking from 93,600 in the prior year to 89,212.[18]

With a market share of 5.1% (previous year: 3.8%), Bastei Lübbe, ranked 5th among German general-interest publishers in the hardcover fiction segment, which included corresponding titles published by CE Community Editions GmbH for the first time, in the 2021 calendar year according to Media Control. In the paperback segment, Bastei Lübbe held first place with a market share of around 18.2% (previous year: 13.8%). In the paperback fiction segment, Bastei Lübbe ranked 7th with a market share of 6.0% (previous year: 5.0%). It was also one of the top five general-interest publishers in Germany in children's book (up to eleven years) and in the top four in the audio physical segment, with

[10] https://www.boersenverein.de/presse/pressemitteilungen/detailseite/buchmarkt-2021-mit-umsatzplus-das-buch-ist-krisenfest/
[11] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1906&tx_boev_pi14[backend_layout]=pagets__newsletter
[12] https://www.boersenverein.de/markt-daten/marktforschung/e-books/ (E-Book in Deutschland:2021 – presentation (PDF)
[13] https://www.boersenverein.de/markt-daten/marktforschung/e-books/ (E-Book in Deutschland:2021 – presentation (PDF)
[14] https://magazin.audible.de/audible-hoerkompass-2021/
[15] https://magazin.audible.de/audible-hoerkompass-2020/
[16] https://de.statista.com/statistik/daten/studie/4099/umfrage/musikindustrie-absatz-von-cd-alben/
[17] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1906&tx_boev_pi14[backend_layout]=pagets__newsletter
[18] https://www.pressegrosso.de/fileadmin/user_upload/Presse-Grosso_in_Zahlen/Presse-Grosso_in_Zahlen__nur_Gesamt_.pdf

market shares of 5.2% (previous year: 8.9%) and 6.0% (previous year: 5.9%), respectively.[19] Generally speaking, we continue to rate the industry environment, which is particularly characterised by increasing digitalisation, as neutral to challenging.

Group business and financial performance

General statement on business performance and economic situation

Bastei Lübbe AG can look back on a successful 2021/2022 financial year. At EUR 94.5 million, revenues were up on the previous year, coming within the range of EUR 90 to 95 million projected at the beginning of the financial year. With respect to earnings, the EBIT of EUR 14.7 million was substantially higher than in the previous year, also exceeding the original forecast of EUR 11 to 12 million, although it remained within the range of EUR 14.5 to 15.5 million indicated in the most recent forecast of February 4, 2022. EBIT in the year under review includes unplanned income of EUR 1.2 million from the dividend distributed by Räder GmbH and from the repayment of an impaired loan of EUR 1.4 million, which was recognised through profit and loss. Special mention should also be made of the favourable business performance despite the factors placing a strain on consumption, which were beyond the Company's control. Thus, for example, the second pandemic-induced lockdown phase implemented at the beginning of the financial year continued until May 2021. On 24 February 2022, a despicable war of aggression began in the heart of Europe, unleashing a sustained negative impact on overall economic conditions and consumer confidence. Despite these underlying conditions, the book market, which saw a 3.2% year-on-year increase in revenues in the 2021 calendar year, shows that books as a cultural asset have preserved their resilience in all playout channels in the face of a crisis. In stationary book retailing, revenues declined by 3.1%, while the increase in expenditure on book content was also attributable to the dynamic growth rates of digital formats.

After the acquisition of Business Hub Berlin UG ("smarticular") in the previous year (December 2020), inorganic growth was again achieved in the 2021/2022 financial year within an innovative and promising publishing model. With the acquisition of the remaining 60% stake, CE Community Editions GmbH, Cologne, which is successful in the influencer segment, was fully consolidated for the first time on 1 August 2021.

The Group revenues of EUR 94.5 million substantially exceeded the previous year by EUR 1.8 million, mainly as a result of the revenues of EUR 87.4 million contributed by the "Book" segment. CE Community Editions GmbH, which was fully consolidated for the first time, accounted for EUR 5.7 million of Group revenues. As expected, Bastei Lübbe AG's revenues were down slightly on the previous year, primarily as a result of the exceptionally successful topselling books by Ken Follett and Dirk Rossmann in the previous year. The bestsellers by star authors ("Never" by Ken Follett and "Der Zorn des Oktopus" by Dirk Rossmann and Ralf Hoppe), which were published in the 2021/2022 financial year, reached number two and number one, respectively, in the Spiegel bestseller list, although the revenues they generated were slightly below those attributable to the previous year's bestsellers. In the audio sector, the material decline in revenues from physical audio recordings was again made up for by growth in the digital exploitation channels. Cross-segment revenues from ebooks, which had particularly benefited from pandemic-related increases in the previous year, were slightly down on the previous year for the Bastei Lübbe Group.

The revenues of EUR 7.1 million recorded in the "Novel Booklets" segment came close to the previous year's figures despite the persistent pandemic-related obstacles.

The Group EBIT of EUR 14.7 million is the result of the continued successful focus on publishing content in all playout channels. A year-on-year increase of EUR 3.8 million (up EUR 34.8) was achieved, with the "Book" segment contributing EUR 13.9 million and the "Novel Booklets" segment EUR 0.8 million. EBIT in the "Book" segment includes the aforementioned exceptional income of EUR 2.6 million. It should be borne in mind that the previous year's figures also included a positive non-recurring effect of EUR 1.1 million from the settlement with the former members of the governance bodies. Adjusted for the two above-mentioned sources of exceptional income, the Group generated EBIT

[19] Own calculations based on Media Control figures; 2021 data including Community Editions, previous year without Community Editions

of EUR 12.1 million in the period under review, translating into a very satisfactory adjusted EBIT margin of 12.8% (15.5% before adjustment).

The continuation of the Group's favourable business performance is also reflected in the still stable cash flow of EUR 12.8 million from operating activities. As a result, net financial assets (cash and cash equivalents less liabilities to banks) increased from EUR 9.7 million to EUR 14.2 million as of 31 March 2022 despite the distribution of a dividend of EUR 3.8 million and the internally financed acquisition of the 60% interest in CE Community Editions GmbH in the year under review.

Results of operations

Bastei Lübbe generated Group revenues of EUR 94.5 million in the 2021/2022 financial year, up from EUR 92.7 million in the previous year. The increase of EUR 1.8 million (up 1.9%) was primarily underpinned by revenue growth in the "Book" segment (up EUR 2.0 million on the previous year). In particular, the initial consolidation of CE was responsible for this revenue growth.

Finished goods and work in progress were valued at EUR 1.2 million in the 2021/2022 financial year, compared with EUR -3.3 million in the previous year.

Other operating income amounted to EUR 1.4 million, down from EUR 1.8 million in the previous year. Of this, the settlement with the former members of the governance bodies approved at the annual general meeting in September 2020 had accounted for EUR 1.1 million in the previous year. In the year under review, income was mainly attributable to the reversal of loss allowances for author advances and liabilities totalling EUR 0.8 million.

At EUR 46.7 million, the cost of materials was EUR 2.1 million higher than in the previous year (EUR 44.6 million), mainly as a result of increased printing and paper costs.

Personnel expenses climbed from EUR 17.1 million to EUR 18.8 million. The main reason for the higher personnel expenses was the increase in the number of employees, including as a result of the full consolidation of Community Editions, the 1.8% increase in salaries at Bastei Lübbe AG on 1 April 2021 under the collective agreement[20], higher performance-tied salaries and the payment of a significantly higher "pandemic bonus" than in the previous year.

Other operating expenses rose slightly in the year under review by EUR 0.8 million from EUR 16.2 million to EUR 17.0 million primarily as a result of higher advertising expenses.

Amortisation and depreciation climbed from EUR 2.5 million in the previous year to EUR 2.7 million in the year under review and include the depreciation of right-of-use assets of EUR 1.4 million (previous year: EUR 1.3 million) under leases. The fair-value remeasurement gains on financial assets include the reversal of the impairment of EUR 1.4 million resulting from the repayment of a previously impaired loan granted to the former associate Daedalic.

Group earnings before interest and taxes (EBIT) increased to EUR 14.7 million in the 2021/2022financial year, up from EUR 10.9 million in the previous year, with the EBIT margin widening accordingly to 15.5%, up from 11.7% in the previous year. In the year under review, this included investment income of EUR 1.2 million from Räder GmbH and income of EUR 1.4 million from the reversal of the impairment of the loan to Daedalic. In the previous year, it had included the extraordinary income of EUR 1.1 million from the settlement entered into with former members of the governance bodies.

The share of profit of associates came to EUR 0.4 million (previous year: EUR 0.2 million) and includes income of EUR 0.3 million from the full consolidation of Community Editions, which had previously been recognized using the equity method of accounting.

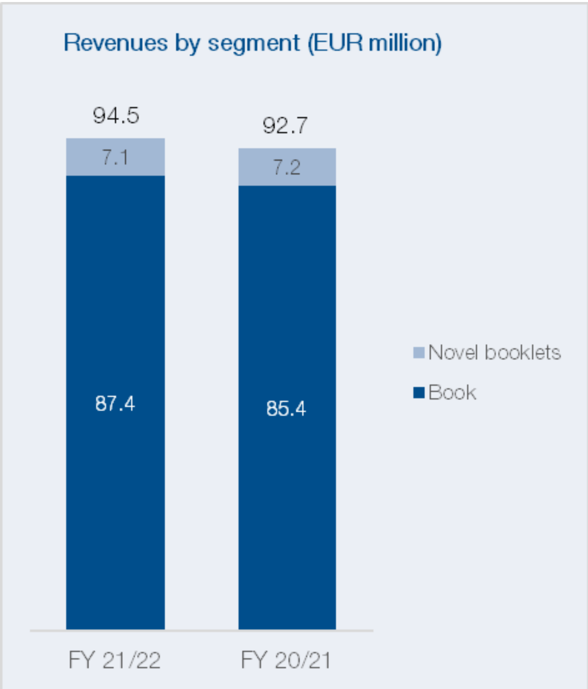
[20] Collective Agreement of the Employers' Association of Publishers and Bookshops in North Rhine-Westphalia e.V.

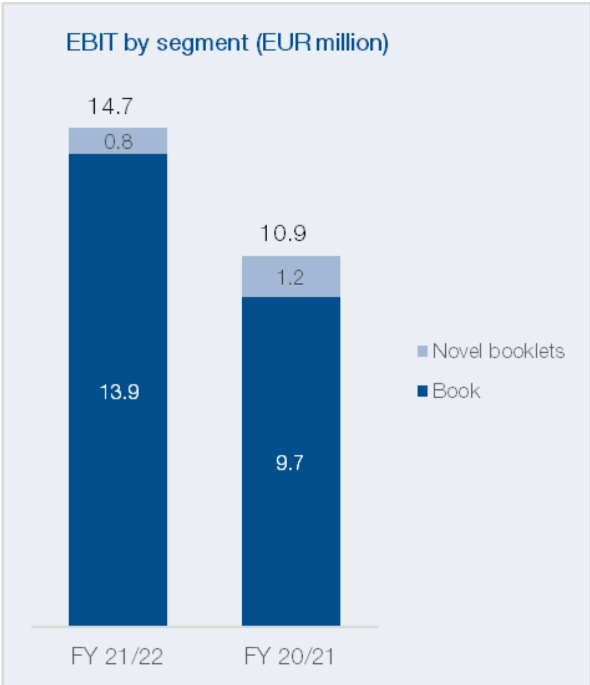
Other net finance expense came to EUR -0.2 million, thus improving by EUR 0.1 million over the previous year (EUR -0.3 million). Group earnings before taxes reached EUR 14.8 million in the year under review, exceeding the previous year's figure of EUR 10.7 million by EUR 4.1 million. After income taxes of EUR 3.8 million (previous year: EUR 3.5 million), net profit for the period from continuing operations came to EUR 11.0 million (previous year: EUR 7.2 million). Of this, EUR 11.0 million (previous year: EUR 7.3 million) is attributable to the equity holders of Bastei Lübbe AG.

In the previous year, net profit of EUR 0.6 million had been generated from discontinued operations. Including the discontinued operations, net profit for the period had come to EUR 7.9 million. Of this, EUR 7.5 million was attributable to the equity holders of Bastei Lübbe AG.

This translates into earnings per share of EUR 0.83, up from EUR 0.57 in the previous year.

Business performance by segment





Revenues in the "Book" segment increased from EUR 85.4 million to EUR 87.4 million, primarily as a result of the first-time inclusion of Community Editions in the consolidated financial statements. The forecast range had been EUR 83 to EUR 88 million. As expected, revenues in the fiction segment were slightly down on the previous year. In the Lübbe Audio segment, the anticipated decline in revenues from physical audiobook CDs (EUR 1.2 million) was offset by higher download and streaming revenues. While the revenues contributed by Eichborn and children's and young people's books matched the previous year, revenues from non-fiction, digital and LYX were slightly down.

Operating earnings (EBIT) in the "Book" segment rose from EUR 9.7 million in the previous year to EUR 13.9 million. With the exception of the dividend of EUR 1.2 million paid by Räder GmbH and the repayment of the loan of EUR 1.4 million by Daedalic, both of which were allocated to the "Book" segment, earnings in the year under review did not include any exceptional effects. In the previous year, impairments of EUR 2.9 million had been recognised on inventories in the "Book" segment. Adjusted for the unplanned exceptional effects, EBIT came to EUR 11.3 million, thus slightly exceeding the forecast range of EUR 9.8 to 10.8 million.

The "Novel Booklets" segment generated revenues of EUR 7.1 million, compared with EUR 7.2 million in the previous year. Consequently, the forecast of EUR 7.6 million was not reached as the expected recovery in physical revenues after the lockdown months failed to materialise, accompanied by further shrinkages in the number of sales outlets. Segment EBIT fell from EUR 1.2 million in the previous year to EUR 0.8 million in the year under review. This was mainly due to increases in the cost of materials and personnel expenses in connection with the expansion of digital skills in subscriber business and e-commerce. The EBIT forecast of EUR 1.2 million was not achieved mainly due to the failure to reach the projected revenues.

Financial position

Principles and objectives of financial and capital management

Objectives

The Bastei Lübbe Group's financing strategy continues to serve the following purposes:

- To maintain business operations in the long term
- To secure liquidity and financial flexibility
- To avert financial risks

The following key performance indicators are of particular importance for financial and capital management:

- Group equity ratio
- Ratio of net debt to consolidated EBITDA

Bastei Lübbe generally strives for an equity ratio of greater than 40% and a ratio of net debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less at the Group level. At 54%, the equity ratio substantially exceeded this target as of 31 March 2022. The ratio of net debt to consolidated EBITDA stood at 0 as of the reporting date. Accordingly, instead of net debt, the Group has net financial assets of EUR 14.2 million. The covenant provided for in the syndicated loan agreement is tied to gearing (adjusted financial liabilities less cash in hand divided by EBITDA) as shown in the consolidated financial statements.

Financing mix

To ensure financial flexibility, Bastei Lübbe relies on a balanced mix of equity and external finance. External finance is made up of the following components as of the reporting date:

- Working capital facility
- Acquisition loan
- Factoring

In accordance with the Group structure, Bastei Lübbe AG and the other Group companies are funded separately.

The following criteria are applied in selecting financing instruments:

- Terms
- Flexible drawdowns
- Covenants
- Maturities profile

Dividend policy

The Executive Board confirms the goal communicated in earlier periods of pursuing a dividend policy aligned to continuity with a dividend ratio of 40 - 50% of the Group's distributable profit as long as this is warranted by the Group's funding and earnings situation and its long-term sustainable business performance. The Executive Board and the Supervisory Board will be asking the shareholders to approve the distribution of a dividend of 40 euro-cents per share, equivalent to 47% of the distributable profit, at the annual general meeting.

Capital structure

As of 31 March 2022, the Group's liquidity reserves are composed of cash and cash equivalents of EUR 18.0 million (previous year: EUR 14.5 million). Credit limits of a total of EUR 10.0 million are available under the existing loan agreements. These facilities had not been drawn upon as of the reporting date. Liabilities to banks in the form of an acquisition loan arranged in January 2021 are valued at EUR 3.8 million (previous year: EUR 4.8 million). In addition, a large part of the receivables from sold books (physical) are subject to non-recourse factoring.

The Bastei Lübbe Group had current and non-current financial liabilities of EUR 15.2 million on 31 March 2022 (previous year: EUR 18.9 million). Of these, an amount of EUR 5.9 million is due for settlement within the next twelve months as of 31 March 2022 (previous year: EUR 5.1 million) . The current and non-current financial liabilities include lease liabilities of EUR 7.7 million as of 31 March 2022 (previous year: EUR 8.5 million).

As of 31 March 2022, net financial assets were valued at EUR 14.2 million (previous year: EUR 9.7 million). This increase is primarily due to the Group's favourable business performance.

Liquidity analysis and capital spending

The following explanations relate to the cash flows from continuing operations.

In the year under review, cash flow from operating activities fell from EUR 17.5 million in the previous year to EUR 12.8 million despite the higher net profit for the period of EUR 11.0 million (previous year: EUR 7.9 million). This is mainly due to significantly higher non-cash expenses in the previous year, especially the loss allowances for author fees, impairments of inventories and an increase in provisions. In addition, the earnings for the period under review include income of EUR 1.5 million attributable to investing activities.

The cash flow from investing activities came to EUR -2.8 million in the year under review, after EUR 5.3 million in the previous year. This primarily reflects the payment of the purchase price for the acquisition of the remaining 60% stake in CE Community Editions GmbH. This was offset by the repayment of the loan granted to Daedalic Entertainment GmbH (EUR 1.4 million) and the investment income from Räder GmbH (EUR 1.2 million).

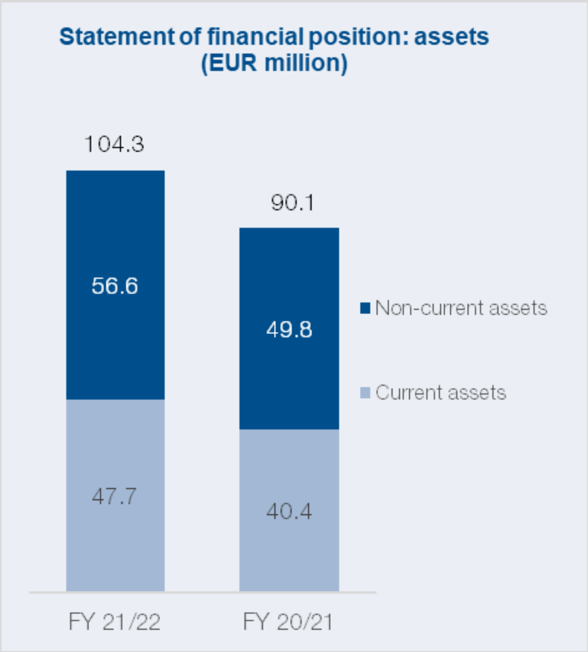
The cash flow from financing activities yielded an outflow of EUR -6.6 million in the year under review (previous year: EUR -0.7 million). The year under review included the dividend of EUR 3.8 million paid to the shareholders of Bastei Lübbe AG. In addition, loan liabilities were reduced by EUR 1.0 million. Payments made to settle lease liabilities stand at EUR 1.5 million (previous year: EUR 1.5 million).

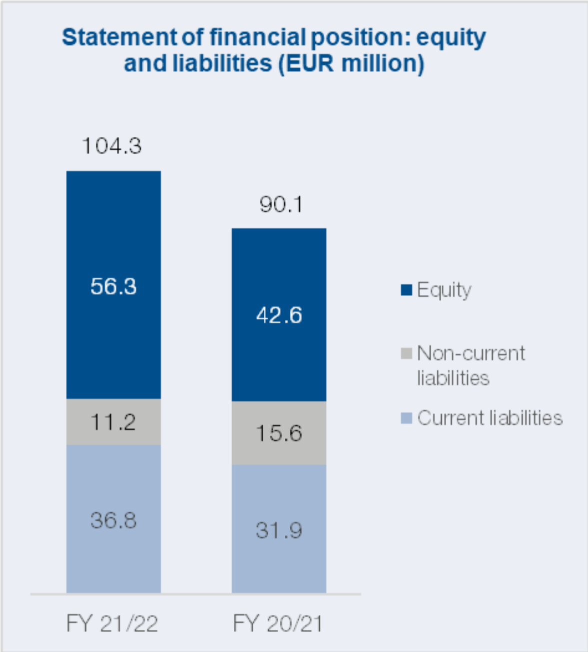
Net assets

As of the reporting date, there was a material change in the Group's assets over the previous year due to the initial consolidation of the subsidiary Community Editions ("smarticular").

Non-current assets are valued at EUR 56.6 million, up from EUR 49.8 million as of 31 March 2021. This is mainly due to the recognition of goodwill and the disclosure of hidden reserves in trademarks and rights to internally produced books following the acquisition of CE Community Editions GmbH as well as fair-value remeasurement gains on the investment in Räder GmbH.

Author advances rose slightly from EUR 19.8 million to EUR 20.1 million.





Current assets rose by EUR 7.3 million from EUR 40.4 million to EUR 47.7 million as of 31 March 2022. This was primarily attributable to the increase in cash and cash equivalents from EUR 14.5 million to EUR 18.0 million as of 31 March 2022. Inventories climbed from EUR 9.4 million to EUR 11.8 million as of 31 March 2022 mainly due to the first-time consolidation of Community Editions and stock-piling at Bastei Lübbe AG, the latter partly due to reporting-date effects.

At EUR 56.1 million, the proportion of equity attributable to the equity holders of the Parent Company was significantly higher than in the previous year (EUR 42.5 million). In addition to the net profit recorded for the period, this is due to the increase of EUR 6.3 million in the fair value of equity instruments (Räder GmbH). The opposite effect arose from the dividend distribution of EUR 3.8 million to the shareholders of Bastei Lübbe AG.

Non-current liabilities are valued at EUR 11.2 million, down from EUR 15.6 million as of 31 March 2021. The decline is mainly attributable to the lower contingent purchase price liabilities in connection with the acquisition of Business Hub Berlin UG (down EUR 2.6 million) and the repayment of bank loans of EUR 1.0 million in the year under review.

Non-current liabilities are valued at EUR 36.8 million as of 31 March 2021, up from EUR 31.9 million as of 31 March 2022. In the year under review, income tax liabilities increased from EUR 1.9 million to EUR 5.2 million.

Material events occurring after the reporting date

See Note 50 to the consolidated financial statements for the corresponding details.

Outlook

Macroeconomic environment

The economic outlook deteriorated considerably in the first half of the 2022 calendar year. The main reason for this is the Russian war of aggression against Ukraine, which is causing significant dislocations in the energy and commodity markets in particular. These effects are additionally fuelling the high inflation rates that have been emerging since last year and carry the risk of massive monetary countermeasures in the form of significant interest rate hikes that may exert a drag on economic growth. Accordingly, in its World Economic Outlook of 19 April 2022, the International Monetary Fund (IMF) scaled back its growth forecast for the global economy to 3.6%.[21] Yet, this outlook is also subject to material uncertainties. In particular, the limited forward visibility with regard to the further course of the war in Ukraine and the ongoing supply chain constraints caused by the strict zero COVID strategy in China, plus a general resurgence of the COVID-19 pandemic pose imponderable risks. Germany is painting a comparable picture. Thus, the German federal government likewise reduced its growth forecast substantially in April 2022 and is now expecting expansion of only 2.2% (previously 3.6%). At the same time, it forecasts an annual inflation rate of 6.1% for 2022 (previously 3.3%).[22] It is particularly these high inflation expectations in connection with the war-related uncertainties that could place a further damper on consumer confidence.

This prompted the EU Commission to lower its growth forecast for the EU to 2.7% in May 2022 (previously 4.0%). The inflation rate for 2022 as a whole is also expected to reach 6.1%.[23] This forecast is also exposed to great uncertainties and actual developments could deviate considerably due to the risk factors already mentioned.

Industry environment in the Bastei Lübbe business segments

The book market as a whole also proved to be stable during the COVID-19 pandemic in the 2021 calendar year. However, stationary book retailers particularly suffered from the measures taken to combat the pandemic, sustaining a further decline of 3.1% in revenues in 2021. In the first three months of 2022, however, stationary retail revenues bounced back as expected after the very muted first quarter of 2021, which had been overshadowed by the effects of the lockdown.[24]

The experts at PricewaterhouseCoopers (PwC) project an annual decline of 1.8% in revenues for books, ebooks and audiobooks between now and 2025. In that year, total revenues from private book purchases should reach EUR 4.3 billion. This trend will be primarily underpinned by the printed segment. An average annual decline of 2% is projected between now and 2025 for the printed book category (across all segments). According to PwC, user preferences, which have also changed as a result of the pandemic, will continue to strongly favour digital media formats. As a result, PwC projects an average annual growth rate of 1.4% for ebooks and digital audiobooks and revenues of EUR 265 million by 2025[25].

[21] https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022
[22] https://www.n-tv.de/wirtschaft/Habeck-rechnet-mit-hoher-Inflation-article23288042.html
[23] https://ec.europa.eu/commission/presscorner/detail/de/ip_22_3070
[24] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1975&tx_boev_pi14[backend_layout]=pagets__newsletter
[25] https://www.pwc.de/de/technologie-medien-und-telekommunikation/gemo/2021/german-entertainment-media-outlook-2021-2025.pdf

Expected earnings and financial position of the Group

Despite the cautious forecasts mentioned above for the overall market, the Bastei Lübbe Group continues to expect an attractive market due to the development of its programme tailored to the needs of its readers, professional community management and the increasingly digitalised channels via which it reaches its readers. Community-oriented programme work can be continued and expanded in a more targeted manner through the full acquisition of CE Community Editions GmbH, among other things. The Group's confidence with regard to the market is bolstered by the financing terms negotiated in the previous year, which match customary market levels, as well as the sufficient availability of liquidity and financing options for funding capital spending and the scope available for the planned further development of the communities. The Executive Board expects to be able to achieve attractive earnings in the 2022/2023 financial year.

However, the unusual accumulation of macroeconomic risks calls for a constant review of the possible impact on the Group's business. The inflationary tendencies that had already emerged before the start of the war on 24 February 2022 and the supply-side risks in the markets for paper and printing services, which have been additionally exacerbated by the war in Ukraine, may exert pressure on the Bastei Lübbe Group's cost situation beyond the assumptions underlying its budget. That said, the Executive Board of Bastei Lübbe AG is confident that it has taken sufficient account of the cost and revenue risks under its risk management and that it will be possible to achieve the defined targets.

"Lonely Heart", the new novel by our best-selling author Mona Kasten was published under the LYX label in April 2022, encountering great interest in the target group. We assume that Volume 2, which has already been announced, can be published in the current financial year. In addition, we have an exceptionally attractive programme for our successful LYX label in the current financial year, with numerous publications by established, popular authors. As well as this, another top-selling author, Rebecca Gablé, has announced an extremely promising publication for September 2022. Entitled "Drachenbanner", the 7th volume of her extremely successful "Waringham Saga" will be released. We are very pleased to be able to mark the 25th anniversary of the "Waringham Saga" with extensive marketing campaigns and anniversary editions of these successful titles. We are looking forward to publishing Volume 17 of "Diaries of a Wimpy Child" by top-selling international author Jeff Kinney in time for the 2022 Christmas trading season. In the non-fiction sector, we are enjoying success with socio-critical publications; for example, we are expecting the new book by Nobel Peace Prize winner Maria Ressa in November 2022. CE Community Editions GmbH published new titles by the two very successful authors Paluten and Arazhul in April 2022, both of which reached the top of the bestseller lists in their respective genres. The next works by the two authors will be published in November 2022 and thus in the current financial year. The Executive Board of Bastei Lübbe AG is also confident that Lübbe Audio will continue on its successful trajectory of the past few years by leveraging the growth opportunities offered by audiobooks.

In the 2022/2023 financial year, the Bastei Lübbe Group is targeting revenues in a range of EUR 90 to 95 million (year under review: EUR 94.5 million). Of this, the "Book" segment should contribute EUR 83 to 88 million (year under review: EUR 87.4 million). The "Novel Booklets" segment looks set to post revenues of around EUR 7.0 million (year under review: EUR 7.1 million) in the 2022/2023 financial year.

The Executive Board assumes that in view of the aforementioned risks EBIT of EUR 9.5 to 10.5 million can be achieved (year under review: EUR 14.7 million; adjusted for exceptional effects[26]: EUR 12.1 million). An EBIT margin of 10% to 11% is being targeted for the current year (year under review:15.5%; adjusted for exceptional effects: 12.8%). Of this, the "Book" segment should contribute EBIT of EUR 9.0 to 10.0 million (year under review: EUR 13.9 million). EBIT in the "Novel Booklets" segment is also expected to come to around EUR 0.8 million in the current financial year (year under review: EUR 0.8 million).

With regard to financial planning, we assume that a free cash flow of EUR 4 to 5 million can be achieved in the current financial year (year under review: EUR 10.1 million).

[26] The exceptional income of EUR 2.6 million comprises investment income from Räder GmbH (EUR 1.2 million) and the reversal of an impairment as a result of the repayment of the loan granted to Daedalic Entertainment GmbH (EUR 1.4 million).

General statement on the Group’s expected performance

The Executive Board is convinced that the focus on developing popular and progressive content will remain a successful and attractive business model. Various innovative forms of community-based models are being expanded. Thanks to modern marketing measures that appeal to young users in particular in digital channels, we are well positioned for the future. Nonetheless, risks are being posed by global inflation trends, the still ongoing COVID pandemic and the unpredictable consequences of the Russian war of aggression. In future quarterly statements as well as the half-year report, the Executive Board will, as usual, be setting out its expectations and describing the future outlook in the light of the latest developments, adjusting it if necessary.

In the previous year, the Executive Board announced its target of achieving revenues of around EUR 100 million in the medium term with an EBIT margin of at least 10%. In addition, it stated that the balance sheet ratios – particularly the equity ratio and gearing – would remain at a level appropriate in the light of the Company’s risk profile. Due to more muted consumer confidence, we now see a revenue target of EUR 90 - 95 million, contrary to our original forecast for the 2022/2023 financial year. We aim to exceed the aforementioned EBIT margin of 10% despite the risks described above.

Bastei Lübbe is focusing on its core publishing business with great commitment. The Executive Board is confident that it will continue to successfully serve readers’ interests by offering them emotional and contemporary content and, in this way, remain an attractive partner for both investors and employees.

Risk report

Risk management system

One of the essential tasks of the Executive Board is to secure the Company's success in the long term and to expand it on a sustainable basis. In the course of its activities in its areas of business the Bastei Lübbe Group is exposed to the fundamental and individual risks which inescapably accompany corporate activity. The Executive Board addresses this risk situation with a risk management system which is updated and reviewed on a regular basis.

This risk management system (hereinafter RMS) seeks to identify risks for the Group at an early stage to allow countermeasures to be taken and checks to be performed. The principles of risk management are governed by binding guidelines. Manageable, appropriate and controllable risks are deliberately accepted if they lead to the generation of appropriate returns. Where possible and if sensible, risks are covered by insurance. For all other risks, suitable countermeasures are determined and adherence to the measures is monitored at regular intervals. The countermeasures and the risk situation are revised and updated as required, at least every six months. This was also done in the 2021/2022 financial year.

The RMS includes all consolidated subsidiaries. Risks are classified in accordance with uniform predefined categories and documented in a risk inventory. Subsequently the risks are assessed on the basis of the probability of occurrence and the extent of damage.

The Bastei Lübbe Group's RMS classifies risks as follows:

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

The Executive Board bears overall responsibility for risk management. It specifies the risk monitoring structures and, in the case of significant risk positions, decides in consultation with the risk officers on the risks to be accepted as well as the management and control measures. If risks with a material impact on the Company occur, the Executive Board is informed immediately. The Executive Board holds regular discussions about the risk situation during its meetings and reports regularly to the Supervisory Board on risk management.

Despite this institutionalised structure for the detection and reduction of material risks, the opportunity and risk management system cannot guarantee complete certainty regarding the achievement of the associated goals. Like all other discretionary decisions, control systems may prove to be insufficient or contain fundamental flaws. Controls may not be fully functional due to errors or mistakes in individual cases, and changes to the underlying variables may be identified late despite ongoing monitoring. The same is true of intentional actions by people and systems that are designed to cause damage.

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

Accounting-related RMS and the ICS still aim to ensure the reliability of external and internal financial reporting and to provide information and analysis promptly. The reporting system and the reporting itself are designed to provide a true and fair view of the Group's net assets, financial position and results of operations. One key function of the accounting and financial reporting processes is to manage the Bastei Lübbe Group and its operating units.

The Bastei Lübbe Group has an internal control system which is geared to the size of the Group. As a general rule, the dual control principle is used for every single payment instruction, in reporting and in the financial reporting processes.

Organisational measures are also in place in connection with access authorisations for accounting and financial systems. The accounting-related business data of the consolidated Group companies is compiled at the Group's head office. Alongside monitoring compliance with the accounting provisions, the Group head office also ensures that work processes are followed. The internal control systems are subject to a permanent audit and improvement process. Any potential improvement that is identified is discussed and implemented promptly.

Material information and facts relevant for Group accounting are discussed with the relevant departments before being used and are subjected to a critical assessment by Accounting to ensure they comply with the applicable accounting regulations. The content of the financial statements of the consolidated Group companies is analysed regularly and checked for accuracy with the involvement of other departments. Where necessary, Bastei Lübbe receives external specialist support in the preparation of its consolidated financial statements.

To prepare the consolidated financial statements, the single-entity financial statements and supplementary information are entered in the consolidation software LucaNet and checked. If the single-entity financial statements do not comply with the IFRS accounting guidance, adjustment entries ("HB-II entries") are made. All consolidation processes and the transfer of the local single-entity financial statements to the IFRS accounting standard are implemented and documented centrally.

In addition to non-compliance with accounting rules, risks may result from the failure to observe formal dates and deadlines. Bastei Lübbe has prepared a financial statement calendar in order to avoid such risks and to document the work processes to be carried out as part of the preparation of the consolidated financial statements. It provides information on the chronological sequence and the responsibilities. Bastei Lübbe uses this calendar to monitor compliance with stipulated deadlines. This allows progress to be tracked so that as a rule risks can be recognised and eliminated in good time.

Material risks

In addition to the general business risks, the Group is exposed to the risks outlined below as of 31 March 2022. During an observation period of two years they are classified into categories A, B and C in descending order according to the expected potential loss, as shown in the chart below. The potential loss stated is derived from a net analysis of the impact on EBIT.

Potential loss (EUR million)	(5) very low (0 to 10)	(4) low (11 to 25)	(3) medium (26 to 50)	(2) high (51 to 75)	(1) very high (76 to 100)
(1) very high (> 5)	B	A	A	A	A
(2) high (2.5 to < 5)	B	B	A	A	A
(3) medium (1 to < 2.5)	B	B	B	A	A
(4) low (0.5 to < 1)	C	C	B	B	A
(5) very low (0.25 to < 2.5)	C	C	C	C	B

Probability of occurrence (%)

All category A and B risks of the Bastei Lübbe Group are described below. Category C risks are not listed individually because their impact is not material. They are not aggregated as they are not connected to each other.

Risk of associates not performing as planned

Bastei Lübbe's economic success is also dependent on the future results of its associates. Associates harbour the risk of the expected results not being achieved, which may lead to an impairment of goodwill and other assets.

Bastei Lübbe manages associate on an earnings-oriented basis. Monthly business performance evaluations are submitted by the associates. They are regularly compared against the planned figures and analysed, as well as being discussed with the management of the associate.

In this way, Bastei Lübbe AG is kept informed at an early stage about the business performance and results of its associates and has the opportunity to establish appropriate countermeasures in the event of any undesirable developments.

Following the acquisition of Business Hub Berlin UG in the previous year and of CE Community Editions GmbH in the year under review, the Bastei Lübbe Group recognises material amounts of goodwill in its statement of financial position for the financial year ending 31 March 2022. As a result, a potential risk of the associates not performing as planned must increasingly be taken into account.

In addition, the 20% interest in Räder GmbH with a carrying amount of EUR 15.1 million, which is measured at fair value through other comprehensive income, has a significant influence on the Group's equity ratio. Negative business performance and, resulting from this, a reduction in fair value would cause a corresponding decline in other comprehensive income within equity.

The resultant risk is classified as a category A risk with a low probability of occurrence and very high potential loss.

Risks from changes to the price of paper and paper availability

Prices of commodities and printing services are rising steadily due to the effects of the pandemic, the war of aggression against Ukraine and manufacturers' previously short-term procurement practices in the spot markets. As a key commodity, paper is also greatly affected by rising energy prices, particularly gas. In addition, the shutdown of paper production mills or changes in the purposes for which they are used in favour of packaging materials is spurring demand, thus curtailing supply. Exports of paper to North America and Asia have also continued to increase.

The disruptions in the supply chain for raw materials for paper and print production, which have arisen since the outbreak of the pandemic, have been further exacerbated by the war in Ukraine and the associated further sharp rise in energy prices. In addition, there are logistics problems, mainly due to the lockdowns in China, the sharp rise in diesel prices and a shortage of truck drivers. In some cases, this accumulation of risks has already meant that firm orders for paper are not being delivered in part or in full.

The developments described have significantly heightened the risk of further increases in paper prices and the risk of shortfalls in the delivery of paper in some cases in recent months.

For this reason, print orders have been placed even further ahead of the printing date, so that the printers can obtain the raw materials from the suppliers in good time. In addition, further advances have been made in the standardisation of materials and formats to increase printing and ordering volumes and to improve flexibility in the use of the available paper. In four-colour printing, the number of suppliers was also expanded.

The resultant risk is classified as a category A risk with a very high probability of occurrence and medium potential loss.

Risks resulting from excessive advances

In the determination of author advances, there is a risk that writedowns will need to be made due to sales falling below budgeted levels, which may weigh on Bastei Lübbe's EBIT. All rights are therefore calculated in advance and their expected earnings potential evaluated in a documented process. When the potential of a title to be acquired is assessed, previous titles and, particularly in the case of new authors, comparable titles from other publishers are taken into account. In addition, targets based on sales expectations are defined for future programmes, with the acquisition of new rights based on these structures.

High advances are paid to authors of international best sellers in particular. There is therefore a high probability of correspondingly high impairments on author advances. A standardised impairment test is carried out annually and as required on the basis of expected cash flows. All other titles are also reviewed annually and as required for potential future negative contribution margins using a standardised process. The large number of titles under review may result in impairments.

The resultant risk is classified as a category B risk with a medium probability of occurrence and medium potential loss.

Absence of potentially successful titles in the programme

There is a risk that, at the beginning of a given financial year, an insufficient number of titles, especially top titles, were purchased in the “Book” segment to generate the necessary revenues and profits for that year. As a general rule, Bastei Lübbe plans its content with a lead time of 12 to 24 months. Contracts with international bestselling authors are signed with a longer lead time. In some segments, such as non-fiction and LYX, the lead time may be shorter. For the “Book” segment, programme targets have been set, arranged by size cluster and genre. The degree to which the targets have been met is updated regularly and analysed. This report serves as a basis for acquiring new titles, making it possible to determine whether the defined revenue targets can be achieved. As a result of the existing lead times, it may be possible to bring forward existing titles or acquire additional ones in order to generate revenues.

There is also a risk that an author fails to meet the contractually stipulated deadlines for the submission of the manuscript and that the manuscript is received only subject to a delay or not at all. Although in such cases a request can be made for the return of any advances already made, the failure to publish top titles, in particular, could lead to EBIT falling below the forecast figure.

Material revenue shortfalls may cause EBIT to drop below the forecast figure given the existing overheads structure of Bastei Lübbe AG and thus the Group.

The resultant risk is classified as a category B risk with a low probability of occurrence and medium potential loss.

Compliance risks

Compliance refers to the adherence to legally binding requirements and company-specific guidelines. A large number of measures are taken to ensure that the conduct of the management bodies and all employees complies with all legal and regulatory requirements. The requirements with regard to compliance with statutory provisions and internal regulations are laid down in the compliance rules adopted by the Supervisory Board and the Executive Board. In addition, Bastei Lübbe AG has engaged an external compliance officer.

The adoption of the General Data Protection Regulation (GDPR) on 25 May 2018 has substantially increased the importance of data protection, and entails extensive documentation and reporting requirements. Data needs to be handled responsibly and in accordance with the law in order to avert financial loss and reputational damage. The provisions of the German Federal Data Protection Act (BDSG) have been adopted by the Bastei Lübbe Group and implemented in its operations. Organisational and technical measures for handling customer data have been put in place in order to ensure compliance with statutory provisions. On top of this, internal processes (also with the use of external technical advice) and the IT landscape are regularly optimised. An enterprise-wide data protection committee has been established within Bastei Lübbe AG and holds regular discussions about recent legislation, current corporate processes and the experience gained in the handling of personal data. The external data protection officer is also a member of the data protection committee. In addition, data protection is closely linked with the issue of information security. Regular IT security reviews are conducted.

As a listed company, Bastei Lübbe AG is exposed to risks with regard to capital market compliance. The prohibition of insider trading and market manipulation, ad hoc disclosure requirements and other obligations under capital market law have been regulated since July 2016 in the EU Market Abuse Regulation (MAR) and numerous other national and European regulations as directly applicable law in Germany. Bastei Lübbe AG has taken organisational measures to comply with the provisions of the MAR. Furthermore, matters in connection with ad hoc disclosure requirements are always coordinated with external experts.

The resultant risk is classified as a category B risk with a low probability of occurrence and high potential loss.

IT risks

The threat to IT systems from external attacks poses a permanent and significant risk. In addition to disruptions to the work processes, the unlawful appropriation of protected works (manuscripts, etc.) as well as the encryption of data may result in economic damage. Disruptions to operational procedures due to the failure of key IT systems constitute a permanent risk for the Group. Bastei Lübbe has its own IT department. Data backup operations have for the most part been outsourced, meaning that the Company is able to remain operational for at least a certain period of time even in the absence of internal IT structures. Employees undergo regular training to prevent malware from penetrating the internal systems.

This risk is classified as a category B risk with a medium probability of occurrence and medium potential loss.

Credit losses

There is a risk that customers will not be able to pay for goods delivered, or pay only in part, or that a trading partner will default due to insolvency. Bastei Lübbe uses non-recourse factoring for a large part of its receivables from physical sales, transferring the risk of default to the factor. The credit risk lies with Bastei Lübbe for the remaining portion of the trade receivables, especially receivables from digital sales partners.

The resultant risk is classified as a category B risk with a very low probability of occurrence and high potential loss.

Recoverable value of inventories

The value of inventories of books and physical audiobook CDs is largely dependent on the price that can be obtained for aged stocks, with the market for physical audiobooks experiencing fundamental change. Increasingly, customers are buying audio books as downloads or from streaming portals. On top of this, the number of opportunities for selling off older titles is declining, a trend which is also emerging for print editions. Changing customer preferences at bookstores and consumer electronics markets in the light of the social distancing rules that still apply are increasingly preventing the use of remainder tables. There is a risk that in such an environment the marketing potential for physical audio books and “last remaining stocks” will decline, with a corresponding impact on achievable prices and the value of the these products. Over the last few years, risks have been taken into account by recognising impairments of inventories, but the inventories need to be monitored continuously and the potential for realisation examined.

The resultant risk is classified as a category B risk with a medium probability of occurrence and low potential loss.

The following potential risks which are not quantified in the risk management system (RMS) in any greater detail are also under constant observation:

Financial risks

The Bastei Lübbe Group is exposed to financial risks such as typical credit and liquidity risks. The credit risk is addressed through the above-mentioned measures (non-discourse factoring). To avoid liquidity risks, a regular cash forecast is drawn up as part of the planning process and on an ongoing basis in connection with the daily sales reports.

Essentially, the companies of the Bastei Lübbe Group operate in the euro currency area, so their dependence on exchange rates outside the euro currency area is limited. Furthermore, there is a risk that loan agreements may be terminated if the agreed covenants are breached, in addition to the risk from interest rate adjustment due to changes in the Group's debt load.

Liquidity risks result from the Bastei Lübbe Group's potential inability to meet existing or future payment obligations due to the insufficient availability of cash. As a publishing company, the Bastei Lübbe Group must prefinance most of its business. Authors usually receive their advances by the publication date of the book. Booksellers and platforms have long payment terms. The same principle applies to the secondary markets. Bastei Lübbe's financial risk is spread over several shoulders. For one thing, Bastei Lübbe AG funds itself via non-recourse factoring, while, for another, it has been granted credit facilities by renowned banks.

The Executive Board considers the risk of loan agreements being terminated as a consequence of a future covenant breach to be low as the Group has sufficient additional financing under the agreed covenants and the Executive Board considers the core business to be stable and robust. There are no material risks from previous investments.

As part of its liquidity management, the Bastei Lübbe Group makes efforts to ensure that it has sufficient funds available for its ongoing business operations and for investments. Credit risks are limited by means of factoring, creditworthiness assessments and credit management systems.

War in Europe and ongoing COVID-19 pandemic

The war of aggression against Ukraine, which began on 24 February 2022, has had a significant impact on global economic developments, taking its toll on consumer confidence. For this reason, the risk has been included in the risk report for the first time.

It remains to be hoped that the armed conflict can be brought to an end in the near future. Above all, the Bastei Lübbe Group views prudent and forward-looking cash management as a means for addressing this imponderable risk as far as possible.

It appears that pandemic-related constraints will not jeopardise business in the summer months. Once the colder weather returns, there is a risk that virus variants with greater infectiousness and/or more severe symptoms may once again necessitate lockdown measures. As the Group has been able to address the pandemic-related restrictions relatively successfully in recent months, we do not anticipate the pandemic posing any existential risks in the coming months, assuming similar developments.

The combination of the above factors is taking its toll on consumer confidence. In particular, the currently unpredictable burden on households as a result of rising energy and cost-of-living expenses carries the risk of a further decline in consumer confidence. In such a scenario, this may increasingly curtail consumers' willingness to spend money on books.

Overall assessment of the Bastei Lübbe Group's risk situation

As things stand at present, it can be said on the basis of information currently known that there are no risks liable to jeopardise the Company's going-concern status and that no such risks are discernible in the future. An assessment of the current situation has shown that the risks can be largely tolerated or kept under control. For further details, please refer to the outlook.

Opportunities

As the Executive Board sees it, risk management not only entails the prevention and reduction of risks but also involves the structured identification of opportunities that ensure the Company's long-term success. As part of its strategic planning, Bastei Lübbe assesses future options while monitoring the competition and the changing interests of our readers. Opportunities are particularly seen in the following areas:

- Strategic opportunities, such as market opportunities, changes in competition, developments with customers and suppliers
- Operational opportunities
- Financial opportunities
- Personnel opportunities

The significant opportunities that have been identified are described below:

Strategic opportunities

Media entertainment has been gaining in importance for decades, with consumers spending more time and money on it. Within the various types of entertainment, the book as a source of entertainment and a cultural heritage including its digital playback channels is a reliable and future-proof constant. Through a high degree of digitisation, progressive orientation to its target groups and a community-oriented acquisition strategy, Bastei Lübbe plans to leverage consumers' changing reading and information-gathering preferences to expand its content-oriented business models.

The continuing growth of the digital audio market offers opportunities via heightened demand for audio production and serial content. Generally speaking, demand for high-quality audio products is continuing to grow. Bastei Lübbe is one of the few major market players to have its own recording studios and develops audio productions largely on an in-house basis with its own employees, thereby ensuring outstanding content and technical quality. The opportunities for audio exploitation are discussed with the editors and taken into account at an early stage. One focus is also on the potential development of serial content. This early focus on the needs of audiobook users in the context of rights exploitation goes hand in hand with a structured approach to the marketing potential of the corresponding productions from the outset. Bastei Lübbe began to develop and market digital content early on. It sees the long-term skills amassed within its organisational structures as a strategic market advantage that it will be additionally stabilising and expanding.

Opportunities through further expansion of the digital dialogue with readers

Traditional publishing business currently offers only limited opportunities for direct contact with end customers. Bastei Lübbe is therefore using digital touchpoints with readers as an additional important building block to gain an even better understanding of their needs. In addition to the indispensable contact with our retail partners we therefore see attractive opportunities in the establishment of target group communities, e.g. on the relevant social media channels. One example of this are the more than 100,000 followers of our LYX imprint on Instagram. With our presence on TikTok, we have expanded our digital dialogue with selected target groups on a further, increasingly relevant channel. Via the Buchstabenbande.com website, we have created a digital home where children and parents can find additional content for fun and games that binds them to our children's book stories and characters.

The digital community dialogue aids the tailored development of content for our readers. Bastei Lübbe is seeking the focused expansion of target group communities and views this as an important factor in the success of programme development and end-customer marketing.

Other opportunities

Furthermore, Bastei Lübbe sees further promising opportunities in the publishing industry for safeguarding its earnings potential, for example, through the acquisition of promising titles on attractive terms by using the information and experience it has gathered on the needs of its readers. As well as this, scope for permanent process optimisation is systematically sought and identified in order to improve business results while ensuring that expenses remain the same or are lower (operational opportunities). Bastei Lübbe is also constantly on the lookout for opportunities for expanding its existing publishing portfolio through acquisitions.

It also sees opportunities in expanding its employer branding efforts to attract qualified management employees possessing digital skills. In addition, opportunities are particularly seen in the provision of continuing education for highly qualified employees. Thus, the training that has begun is being expanded, with the content and findings permanently anchored within the Company in order to continue developing (leadership) skills in a contemporary and self-confident manner (personnel opportunities).

Supplementary disclosures on Bastei Lübbe AG (in accordance with the German Commercial Code)

Business performance and results of operations of Bastei Lübbe AG

As the parent company of the Bastei Lübbe Group, Bastei Lübbe AG is dependent on the performance of the "Book" and "Novel booklets" segments, on the one hand, and on the performance of its associates, on the other hand, with respect to the course of its own business and expected development including significant opportunities and risks.

Income statement for the period from 1 April 2021 until 31 March 2022 in accordance with the German Commercial Code

	2021/2022 kEUR	2020/2021 kEUR
Revenues	87,050	91,555
Changes in inventories of finished goods and work in progress	1,376	-2,647
Other operating income	991	1,725
Cost of materials	-42,101	-43,795
Personnel expenses	-16,529	-15,940
Depreciation and amortisation	-682	-814
Other operating expenses	-18,548	-19,002
Share of profit of associates	2,085	391
Income from other securities and loans of financial assets	1,485	–
Depreciation of financial assets and securities held as current assets	-8	-592
Other interest and similar income	15	116
Interest and similar expenses	-300	-582
Income taxes	-3,453	-2,094
Other taxes	-142	–
Net profit/loss for the period	11,241	8,322
Profit/loss carried forward	4,447	-46
Unappropriated surplus/accumulated deficit	15,688	8,276

As expected, the revenues of Bastei Lübbe AG of EUR 87.1 million fell short of the previous year's figure of EUR 91.6 million. This mainly reflected the sales figures for the two top sellers by Ken Follett ("Never") and Dirk Rossmann and Ralf Hoppe ("Der Zorn des Oktopus"), which fell short of the extremely successful sales figures that had been generated in the previous year ("The Evening and the Morning" and "Der neunte Arm des Oktopus").

At EUR 87.1 million, Bastei Lübbe AG's revenues were slightly below the forecast range of EUR 88 to 91 million. This is primarily due to the fact that revenues fell short of the budget in the first quarter of 2022.

The business performance of the "Book" and "Novel Booklets" segments is described on page 38 in the segment report.

The main components of other operating income are income from the reversal of provisions (EUR 0.3 million) and income from the reversal of impairments (EUR 0.4 million). In the previous year, this item had included income of EUR 1.1 million from the settlement entered into with former members of the Company's governance bodies.

The share of profit of associates of EUR 2.1 million (previous year: EUR 0.4 million) is composed of dividends received from Räder GmbH (EUR 1.2 million), MOBA (EUR 0.4 million), Community Editions (EUR 0.3 million), smarticular (EUR 0.2 million) and various press wholesalers.

The fair-value remeasurement gains on financial assets and securities held as current assets are accompanied by the reversal of impairments on the loans granted to Daedalic (EUR 1.4 million) and J.P. Bachem Editionen (EUR 0.1 million). In the previous year, an impairment of EUR 0.3 million had been recognised in connection with the subsidiary J.P. Bachem Editionen.

Bastei Lübbe AG had an average of 222 employees in the 2021/2022 financial year (previous year: 204).

The forecast for EBIT of EUR 10 to 11 million was substantially exceeded due, among other things, to the unplanned investment income. Net profit for the year came to EUR 11.2 million, up from EUR 8.3 million in the previous year.

Bastei Lübbe AG’s financial position

As of 31 March2022, Bastei Lübbe AG’s liquidity reserves are composed of cash and cash equivalents of EUR 15.6 million (previous year: EUR 13.1 million). Credit facilities of a total of EUR 10 million (previous year: EUR 10 million) are available under the existing loan agreements. These facilities had not been drawn upon as of the reporting date. Bastei Lübbe AG had liabilities to banks of EUR 3.8 million on 31 March (previous year: EUR 4.8 million).

Bastei Lübbe AG’s net assets

ASSETS (kEUR)	31 March 2022	31 March 2021
Fixed assets		
Intangible assets	1,045	894
Tangible assets	853	1,172
Financial assets	12,206	6,152
	14,104	8,219
Author advances	19,858	19,695
Current assets		
Inventories	10,124	8,735
Receivables and other assets	12,891	12,997
Cash at banks	15,583	13,114
	38,598	34,846
Deferred income	737	710
Total assets	73,297	63,470

Compared with 31 March 2021, total assets rose by EUR 9.8 million to EUR 73.3 million (previous year: EUR 63.5 million).

The increase in fixed assets is primarily due to the acquisition of the remaining 60% of the shares in CE Community Editions GmbH.

Author advances increased from EUR 19.7 million to EUR 19.9 million.

Current assets climbed from EUR 34.8 million to EUR 38.6 million. As a result of the favourable business performance, bank balances widened from EUR 13.1 million to EUR 15.6 million. Inventory increased from EUR 8.7 million in the previous year to EUR 10.1 million.

EQUITY AND LIABILITIES (kEUR)	31 March 2022	31 March 2021
Equity		
Issued capital	13,200	13,200
Share premium	8,900	8,900
Retained earnings	100	100
Unappropriated surplus	15,688	8,275
	37,888	30,475
Provisions	16,970	13,836
Liabilities		
Liabilities to banks	3,750	4,750
Prepayments received on account of orders	125	–
Trade payables	13,582	13,767
Other liabilities	982	642
	18,438	19,158
Deferred income	–	–
Total equity and liabilities	73,297	63,470

At EUR 37.9 million, equity was up on the previous year's figure of EUR 30.5 million mainly due to the net profit for the year of EUR 11.2 million. The opposite effect came from a dividend distribution of EUR 3.8 million in September 2021.

Provisions are valued at EUR 17.0 million, up from EUR 13.8 million as of 31 March 2021. They include amounts of EUR 5.0 million (previous year: EUR 5.8 million) set aside for returns as well as provisions for outstanding invoices, bonuses, taxes and onerous author contracts. Tax provisions increased by EUR 3.3 million over the previous year. The provisions for onerous author contracts were widened by EUR 0.5 million following a reassessment of the expected revenues for a best-selling author.

Liabilities fell from EUR 19.2 million to EUR 18.4 million, mainly due to the repayment of EUR 1.0 million in loan liabilities.

Bastei Lübbe AG's risk situation

The risk situation is essentially the same as that of the Bastei Lübbe Group and is presented in the risk report.

Forecast for Bastei Lübbe AG

Revenues of EUR 83 to 86 million are expected for the 2022/2023 financial year (year under review: EUR 87.1 million). Of this, the "Book" segment should contribute EUR 75 to 78 million (year under review: EUR 80.0 million) and the "Novel Booklets" segment roughly EUR 7 million (year under review: EUR 7.1 million). All in all, Bastei Lübbe AG projects earnings before interest and taxes (EBIT[27]) of EUR 9 to 10 million (year under review: EUR 15.0 million). Of this, the "Book" segment is expected to generate EBIT of EUR 8.5 to 9.5 million (previous year: EUR 12.5 million) and the "Novel Booklets" segment EBIT of around EUR 1 million (year under review: EUR 1.1 million). This includes income of EUR 0.4 million that is eliminated due to intra-group consolidation.

Material events occurring after the reporting date

The corresponding information can be found in the notes to Bastei Lübbe AG's single-entity financial statements.

[27] EBIT is defined as net profit for the year excluding income taxes, interest and similar expenses, other interest and similar income, depreciation of financial assets and securities held as current assets, as well as income from other securities and loans of financial assets.

Other disclosures in accordance with Sections 289a and 315a of the German Commercial Code

Composition of subscribed capital

The share capital amounts to EUR 13,300,000 and is divided into a total of 13,300,000 no-par value shares each with a notional share in the share capital of EUR 1.00. Under Article 23 (1) of Bastei Lübbe AG's articles of association, each share grants one vote. As in the previous year, treasury stock on the reporting date comprised 99,900 shares (see note 16).

Appointment and dismissal of the members of the Executive Board

The Supervisory Board determines the number of members of the Executive Board, their appointment and dismissal as well as the conclusion, amendment and termination of service contracts with them. The Supervisory Board may appoint one member of the Executive Board as Chairman or Speaker of the Executive Board and another member of the Executive Board as Deputy Chairman or Deputy Speaker of the Executive Board. Furthermore, it may grant individual representation rights to one or all members of the Executive Board. The Supervisory Board may authorise one or all members of the Executive Board to enter into self-contracting transactions as representatives of a third party (exemption from the restriction provided for in Section 181 Alternative 2 of the German Civil Code).

Amendments to the articles of association

The shareholders are responsible for amending the articles of association (Section 179 (1) Sentence 1 of the German Stock Corporation Act). Under Article 9 of Bastei Lübbe AG's articles of association, the Supervisory Board may pass resolutions to make amendments to the articles of association that only affect the wording.

Authorization of the Executive Board to issue or buy back shares

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

1. The Executive Board is authorised, subject to the consent of the Supervisory Board, to use the Company's treasury stock for all permissible purposes with the exception of trading, including but not limited to the sale of the treasury stock in its entirety or via the stock exchange or in another manner, in whole or in part, via the stock exchange or by means of an offer to all shareholders, provided that the treasury stock is sold at a price that is no more than 5% lower than the price on the stock exchange of shares of the Company of the same class at the time of the sale. This authorisation is limited to a maximum of 10% of the Company's share capital. The relevant stock exchange price within the meaning of the above provision is the average of the opening and closing prices of the Company's shares in XETRA trading (or a functionally comparable successor system) during the ten trading days preceding the sale of the share.
2. The Executive Board is furthermore authorised, subject to the consent of the Supervisory Board, to redeem the treasury stock in whole or in part without any further resolution of the annual general meeting.
3. The Executive Board is also authorised, subject to the consent of the Supervisory Board, to use the treasury stock as (partial) consideration for business combinations or for the acquisition of companies, interests in companies or parts of companies. The value (price) at which the Company's shares are used in accordance with the authorisation in this paragraph may not be more than 5% lower than the stock exchange price of the Company's shares of the same class at the time of the sale. The relevant stock exchange price within the meaning of the above provision is the average of the opening and closing prices of the Company's shares in XETRA trading (or a functionally comparable successor system) during the ten trading days preceding the use of the shares.

4. The shareholders' pre-emptive subscription rights are excluded in the execution of the measures outside the stock exchange listed above in 1. and 3. The authorisations referred to in 1. to 3. above may be utilised in full or in partial amounts.

Equity investments of more than 10%

Ms. Birgit Lübbe, Cologne, holds a stake of around 33% and Rossmann Beteiligungs GmbH, Burgwedel, a stake of around 15% in the Company's share capital. According to the notifications of significant voting rights received pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) and directors' dealings pursuant to Article 19 of the Market Abuse Regulation, no other shareholders held more than 10% of the voting rights as of the reporting date.

Material agreements subject to a change-of-control provision

Bastei Lübbe AG has entered into the following material agreements that contain provisions for the event of a change of control, such as may occur as a result of a takeover bid, among other things:

- Customary change-of-control clauses are included in all major financing and distribution agreements.

Special rights and control of voting rights

The Executive Board is not aware of any restrictions affecting voting rights or the transfer of shares, including those that may result from agreements between shareholders. Furthermore, the shares do not grant any special rights conferring powers of control.

Corporate governance

The Company again addressed the contents of the German Corporate Governance Code (the Code) in the 2021/2022 financial year. On 4 July 2022, the Executive Board and the Supervisory Board issued a declaration of conformity under Section 161 of the German Stock Corporation Act. Bastei Lübbe complies with the recommendations and suggestions of the Code with the exceptions described in the declaration of conformity. The current declaration of conformity as well as all previous ones have been made permanently available to shareholders on the Company's website (see www.luebbe.com/en/investor-relations/corporate-governance/statement-of-compliance).

Further disclosures on corporate governance can be found in the separate section of the annual report entitled "Corporate governance statement".

The combined corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code is publicly available in the annual report and on the Company's website at www.luebbe.com/en/investor-relations/corporate-governance/corporate-governance-statement.

Cologne, 4 July 2022
Bastei Lübbe AG

Soheil Dastyari Chief Executive Officer	Joachim Herbst Chief Financial Officer	Sandra Dittert Chief Marketing and Sales Officer	Simon Decot Chief Programme Officer

CONSOLIDATED FINANCIAL STATEMENTS

NONFICTION –
LÜBBE LIFE, LÜBBE SACHBUCH, QUADRIGA
SUSTAINABILITY GUIDES –
SMARTICULAR

Consolidated statement of financial position as of 31 March 2022

	Notes	31 March 2022 kEUR	31 March 2021 kEUR
Non-current assets			
Intangible assets	6.	11,177	8,375
Author advances	7.	20,144	19,759
Property, plant and equipment (including right-of-use assets)	8.	8,435	9,585
Investments in associates	9.	–	1.090
Financial assets	10.	15,496	9,318
Deferred tax assets	11.	1,370	1,634
		56,622	49,762
Current assets			
Inventories	12.	11,806	9,423
Trade receivables	13.	14,143	13,963
Financial assets	10.	210	204
Income tax refund claims	11.	522	208
Other receivables and assets	14.	3,014	2,110
Cash and cash equivalents	15.	17,974	14,472
		47,668	40,380
Total assets		104,291	90,142
Equity			
Equity attributable to the parent company's equity holders			
Subscribed capital	16.	13,200	13,200
Share premium	16.	9,045	9,045
Unappropriated surplus/accumulated deficit	16.	18,678	11,550
Other comprehensive income	16.	15,163	8,723
		56,086	42,519
Shares held by non-controlling shareholders	16.	206	109
Total equity		56,292	42,628
Non-current liabilities			
Provisions*	18.	201	212
Deferred tax liabilities	11.	1,358	1,042
Financial liabilities	20.	9,315	13,799
Trade payables	21.	351	592
		11,225	15,646
Current liabilities			
Financial liabilities	20.	5,895	5,147
Trade payables	21.	16,291	15,774
Income tax liabilities	11.	5,156	1,874
Provisions	18.	7,733	7,765
Other liabilities*	22.	1,698	1,308
		36,773	31,868
Total liabilities		47,998	47,514
Total equity and liabilities		104,291	90,142

* Previous year adjusted, see Note 18

Consolidated income statement for the period from 1 April 2021 to 31 March 2022

	Notes	2021/2022 kEUR	2020/2021 kEUR
Continuing operations			
Revenues	23.	94,507	92,688
Changes in inventories of finished goods and work in progress	24.	1,191	-3,268
Other operating income	25.	1,406	1,780
Cost of materials	26.	-46,678	-44,565
Personnel expenses	27./28.	-18,849	-17,109
Other operating expenses	29.	-16,968	-16,181
Share of profit of associates	30.	1,235	27
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)		15,844	13,372
Amortisation and depreciation	31.	-2,652	-2,500
Impairment/remeasurement gains on financial assets	31.	1,467	–
Earnings before interest and income taxes (EBIT)		14,659	10,871
Share of profit of associates		377	185
Net finance income/expenses	32.	-236	-337
Earnings before income taxes (EBT) from continuing operations		14,800	10,719
Income taxes	33.	-3,779	-3,470
Net profit for the period from continuing operations		11,021	7,250
Net profit for the period from discontinued operations		–	624
Consolidated net profit for the period		11,021	7,874
Of which attributable to:			
Equity holders of Bastei Lübbe AG			
Net profit from continuing operations		10,956	7,253
Net profit from discontinued operations		–	242
		10,956	7,495
Shares held by non-controlling shareholders	34.		
Net profit from continuing operations		65	-3
Net profit from discontinued operations		–	382
		65	378
Earnings per share in euros (basic = diluted) (based on the net profit for the period attributable to the shareholders of Bastei Lübbe AG)	17.	0.83	0.57

Consolidated statement of comprehensive income for the period from 1 April 2021 to 31 March 2022

	Notes	2021/2022 kEUR	2020/2021 kEUR
Consolidated net profit for the period		11,021	7,874
Amounts that cannot be recycled to profit and loss in the future		6,345	6,770
Changes in the fair value of equity instruments	35.	6,345	6,770
Amounts that can be recycled to profit and loss in the future		106	-46
Foreign currency translation differences		106	-46
Other comprehensive income		6,451	6,724
Consolidated comprehensive income		17,471	14,598
Of which attributable to:			
Equity holders of Bastei Lübbe AG		17,396	14,224
Shares held by non-controlling shareholders		76	374

Consolidated cash flow statement for the period from 1 April 2021 to 31 March 2022

	kEUR	2021/2022	2020/2021*
Net profit/loss for the period		11,021	7,874
+/-	Depreciation and amortisation of intangible assets and property, plant and equipment	2,652	2,500
+/-	Impairment/writeups of financial assets	-1,467	–
+/-	Depreciation/writeups of author fees	11,497	13,034
+/-	Other non-cash expenses/income	-44	-184
+/-	Share of profit and loss of associates	-377	-185
+/-	Increase/decrease in provisions	-353	2,086
-/+	Profit/loss from the disposal of intangible assets and property, plant and equipment	8	–
-/+	Profit/loss from the sale of other financial assets	–	13
-/+	Profit/loss from the sale of fully consolidated companies	–	155
-	Author advances	-11,675	-17,447
-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-393	-479
+/-	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	109	6,554
+/-	Interest expenses/income	236	455
+/-	Income tax expenses/income	3,779	3,606
+/-	Tax payments made	-911	-502
-	Other investment income	-1,235	–
Cash flow from operating activities		12,848	17,480
+	Payments received from the disposal of intangible assets	–	–
-	Payments made for purchases of intangible assets	-299	-790
+	Payments received from the disposal of property, plant and equipment	5	–
-	Payments made for purchases of property, plant and equipment	-253	-565
-	Payments received from the repayment of loans granted	1,584	985
-	Payments made for the acquisition of fully consolidated companies, less cash and cash equivalents acquired	-5,159	-4,407
+	Payments received from the sale of fully consolidated companies less cash and cash equivalents sold	-3	-647
+	Payments received from the sale of shares in other associates	110	–
+	Dividends from companies accounted for using the equity method	–	94
+	Loans to other associates	1,235	–
+	Interest received	3	103
Cash flow from investing activities		-2,777	-5,226
-	Payments to the shareholders of the Parent Company (dividends)	-3,828	–
-	Payments made to non-controlling interests (dividends)	-40	-31
+	Payments received from raising borrowings	–	5,136
-	Payments made for the discharge of loans	-1,000	-3,625
-	Payments made for lease liabilities	-1,463	-1,464
-	Interest paid	-303	-701
Cash flow from financing activities		-6,633	-685
	Changes to cash and cash equivalents recognised in the cash flow statement	3,437	11,569
	Exchange-rate and valuation-related changes to cash and cash equivalents	64	–
+	Cash and cash equivalents at the beginning of the period	14,472	2,903
=	Cash and cash equivalents at the end of the period	17,974	14,472

* Previous year adjusted, see Note 36

Consolidated statement of changes in equity for the period from 1 April 2021 to 31 March 2022

	Parent Company						Non-controlling interests	Group equity
(all amounts in kEUR)	Subscribed capital	Share premium	Unappropriated surplus	Other comprehensive income	Currency translation valuation reserve	Equity	Equity	Equity
Amount on 1 April 2020	13,200	9,045	4,055	1,989	5	28,295	-940	27,354
Changes in companies consolidated	–	–	–	–	–	–	706	706
Dividend distributions to shareholders	–	–	–	–	–	–	-31	-31
Net profit/loss for the period	–	–	7,495	–	–	7,495	378	7,874
Other comprehensive income	–	–	–	6,770	-42	6,728	-4	6,724
Comprehensive income	–	–	7,495	6,770	-42	14,224	374	14,598
Amount on 31 March 2021	13,200	9,045	11,550	8,759	-36	42,519	109	42,628
Amount on 1 April 2021	13,200	9,045	11,550	8,759	-36	42,519	109	42,628
Changes in companies consolidated	–	–	–	–	–	–	61	61
Dividend distributions to shareholders	–	–	-3,828	–	–	-3,828	-40	-3,868
Net profit/loss for the period	–	–	10,956	–	–	10,956	65	11,021
Other comprehensive income	–	–	–	6,345	95	6,440	11	6,451
Comprehensive income	–	–	10,956	6,345	95	17,396	76	17,471
Amount on 31 March 2022	13,200	9,045	18,678	15,104	59	56,086	206	56,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NEW ADULT - LYX
YOUNG ADULT – ONE

Contents

1. General disclosures

Bastei Lübbe AG (hereinafter also the “Parent Company”) has its registered office at Schanzenstraße 6 - 20, 51063 Cologne, Germany.

It is a media company operating as a general-interest publisher. In the pursuit of its business activities, Bastei Lübbe publishes books, audio books, ebooks and other digital products with fiction and popular science content as well as periodicals in the form of novels. With economic effect from 1 August 2021, Bastei Lübbe AG acquired the remaining 60% of the shares in CE Community Editions GmbH (“Community Editions”, with registered offices in Cologne) under a notarised deed dated 20 July 2021 and is now the sole shareholder of that company. Community Editions publishes books and stationery products by influencers with a generally large penetration. The range primarily covers topics such as gaming, lifestyle, beauty and do-it-yourself as well as cooking and nutrition.

Bastei Lübbe AG sold its 75-percent interest in J.P. Bachem Editionen GmbH to J.P. Bachem Verlag GmbH with economic effect from 30 September 2021.

The main areas of activity of the Bastei Lübbe Group (“Bastei Lübbe”) are described in the notes on segment reporting (Note 38).

As a listed public limited company, Bastei Lübbe AG is required under Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of international accounting standards to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) in the form endorsed by the European Union (EU).

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

The consolidated financial statements for the financial year from 1 April 2021 to 31 March 2022 were prepared by the Executive Board and approved for publication on 4 July 2022 and will be submitted to the Supervisory Board on 5 July 2022 for approval.

Reference should be made to Note 50 with regard to events between the reporting date and 4 July 2022that could be material for an assessment of the Group’s net assets, financial position and results of operations as well as its cash flows.

2. Basis of preparation

a) Underlying accounting rules

The consolidated financial statements as of 31 March 2022 have been prepared in accordance with the accounting rules in force on the reporting date in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), London. In addition, the German statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB) are observed.

b) Measurement of assets and liabilities

The consolidated financial statements are prepared on the basis of the historical cost principle, with the exception of the shares held in Räder GmbH, which are measured at their fair value in accordance with IFRS 13.

c) Currency translation

The consolidated financial statements of economically independent foreign Group companies are translated into the Group currency in accordance with the functional currency method. For the purposes of translating these financial statements, all assets and liabilities are converted at the closing rate, while income and expense items are converted at the average rate for the reporting period. Equity components of subsidiaries are translated at the corresponding historical exchange rate at inception. The differences arising from currency translation are recognised as a currency translation adjustment item within other comprehensive income or non-controlling interests. Transactions in foreign currencies are translated at the applicable daily exchange rate. Monetary items are translated at the mean spot exchange rate on the reporting date. The foreign exchange gains and losses resulting from such currency translation are recognised in profit and loss.

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 that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the reporting date and the reported amounts of revenues and expenses.

Assumptions and estimates subject to uncertainty relate in particular to discounted future cash flows in connection with impairment tests for author advances and goodwill, the determination of amortisation processes for author advances and the expected rate of return of sold goods for the determination of corresponding provisions as well as the measurement of provisions for onerous contracts. In addition, assumptions and estimates subject to uncertainty relate to the impairment of inventories, the determination of the fair values of assets in connection with purchase price allocation, the measurement of contingent purchase price liabilities and the fair value of the investment in Räder GmbH. The significant assumptions and estimates used in the measurement of lease liabilities are set out in Note 3 l). Reference should be made to the corresponding notes for further disclosures that were determined on the basis of estimates.

Significant discretionary decisions relate in particular to the depreciation of author advances and the methods for identifying impairments of inventories.

As of the date on which the consolidated financial statements were prepared, the Executive Board does not anticipate any significant changes in the underlying assumptions, estimates and discretionary decisions. Adjustments to previous assumptions are explained in the individual disclosures where applicable.

3. Summary of significant accounting policies

For the sake of clarity, individual items are aggregated in the statement of comprehensive income and in the statement of financial position and disaggregated in the notes. Assets and liabilities that are realised or settled within one year are classified as current, while all others are classified as non-current.

e) New accounting guidance applied for the first time in the year under review

Accounting standards and interpretations that had been revised, supplemented and newly issued by the IASB were applied for the first time provided that they had been endorsed by the EU and were thus mandatory for Bastei Lübbe AG in the 2021/2022 financial year.

The application of the standards, clarifications and interpretations that are mandatory from 1 April 2021 had no material impact on the presentation of the net assets, financial position and results of operations.

f) New accounting guidance not yet applied in the financial year

In the year under review, the Bastei Lübbe Group did not make use of the option to early adopt new standards and interpretations. It plans to apply the standards and interpretations from the date on which they become mandatory.

The application of new standards and interpretations is not expected to have any material impact on the Group's net assets, financial position and results of operations. In accordance with the transitional guidance contained in the respective IFRS, restatement of the previous year's figures is waived as far as permissible.

g) Consolidation principles and reporting date

Fully consolidated companies are generally accounted for using the purchase method at the time control is established (acquisition date). The assets and liabilities of the consolidated companies are measured at fair value provided that the corresponding purchase price allocations have already been completed.

Non-controlling interests are reported separately within equity. In the case of business combinations, hidden reserves and charges attributable to non-controlling interests are also disclosed and shown in equity under "Non-controlling interests". The option to recognise goodwill attributable to non-controlling interests has not been exercised.

Intragroup revenues, expenses and income as well as receivables and liabilities are offset against each other and eliminated.

Intercompany profits from intra-group deliveries and services as well as from the sale of property, plant and equipment between consolidated Group companies are eliminated unless the influence on the Group's net assets, financial position and results of operations is of only minor significance.

For the purposes of consolidation accounting, the income tax effects are taken into account and, if necessary, deferred taxes are recognised.

One fully consolidated Group company and one Group company that is not consolidated for reasons of materiality have a financial year that matches calendar year and thus differs from the Group's financial year. In the case of the fully consolidated company, the annual financial statements corresponding to the calendar year are included in the consolidated financial statements for reasons of economic efficiency. Material transactions between the reporting date of the Group company and the reporting date of the consolidated financial statements are duly taken into account where applicable.

h) Intangible assets

Intangible assets (with the exception of the author advances shown under (e)) are measured at historical lost less straight-line amortisation distributed over their respective useful lives in cases in which they are considered to have finite useful lives. Internally generated intangible assets are recognised at historical cost and amortised on a straight-line basis over their expected useful lives. Systematic amortisation is based on the following useful lives and rates:

	Useful life Years	Amortisation rate %
Other intangible assets		
Software	3-7	14.29-33.33
Book rights	1.5-8	12.5-66.67
Publishing and title rights	8-15	6.67-12.5

Impairment tests are carried out at least annually on goodwill and intangible assets for which a useful life cannot be determined; in the case of intangible assets subject to scheduled amortisation, impairment tests are carried out whenever there are any indications of impairment. Impairment losses are recognised if this is required as a result of impairment testing. If the reasons for the impairment cease to apply, the impairments previously recognised are reversed except in the case of goodwill. The total amount of the reversal may not exceed the amortised carrying amounts.

Under the option provided for in IFRS 1.15 and Appendix B, goodwill from acquisitions prior to 1 April 2011 is carried forward in accordance with the treatment under previous law. This means that the amortisation and impairment losses recognised in previous periods are retained, while goodwill recognised in equity is not subsequently recycled to profit and loss.

i) Author advances

Author advances relate to guaranteed payments for manuscripts for which Bastei Lübbe has acquired exploitation rights as well as advances made on these. They are each measured at cost.

Systematic depreciation is generally calculated on the basis of the revenue generated. If the revenues achieved fall short of a typified revenue trend, this is used as a basis for calculating depreciation. Author advances are generally amortised over five years. There is a close correlation between revenues and the consumption of the economic benefit of the exploitation rights. Author advances and part payments made are also reviewed at least once a year (usually on the reporting date) to determine whether there are any indications of impairment. If so, the expected net income before fee expenses and the future share of revenue accruing to the author is compared with the guaranteed royalties on the basis of an estimate of future sales volumes and the revenue calculated on this basis. In connection with impairment testing of the guaranteed royalties, a DCF (discounted cash flow) method with an average WACC (weighted average cost of capital) of 5.1% is applied. The WACC is calculated on the basis of the data for a group of suitable peers. In cases in which the guaranteed royalties exceed the expected net income before royalty expenses, corresponding impairments are made or - if necessary - provisions recognised for onerous contracts. The resulting expenses are recognised within the cost of materials. Remeasurement gains are recognised within other operating income.

All expenses in connection with author advances are included in a separate item entitled “Author fees and depreciation of author fees” within the cost of materials as these expenses are directly tied to the revenues used to cover them and must therefore be included in gross profit in the interests of economically appropriate allocation.

j) Property, plant and equipment

Property, plant and equipment are recognised in accordance with IAS 16 (Property, Plant and Equipment) at historical cost less cumulative systematic depreciation and impairment losses. Historical cost includes the purchase price, commissioning costs and transaction costs. No borrowing costs within the meaning of IAS 23 (Borrowing Costs) were recognised.

Costs for the repair of property, plant and equipment are recognised through profit and loss. They are only recognised as an asset if the costs result in an expansion or significant improvement of the respective item.

Immovable property, plant and equipment (leasehold improvements) are subject to depreciation calculated on a straight-line basis over their expected useful lives. This also applies to movable property, plant and equipment. Residual values remaining after the expiry of the normal useful life are taken into account when the amount of depreciation is calculated.

When property, plant and equipment are sold or decommissioned, the gain or loss from the difference between the sales proceeds and the residual carrying amount is recognised under other operating income or expenses.

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

	Useful life Years	Amortisation rate %
Land and buildings		
Leasehold improvements	8-10	10.00-12.50
Technical equipment and machinery	5-10	20.00-10.0
Other equipment, operating and business equipment		
Fleet	6-9	11.11-16.67
Operating equipment, office machines and equipment	3-13	7.69-33.33
Low-value assets (up to 800 euros)	<1 year	100

If necessary, impairment losses are recognised if there are any indications of impairment. If the reasons for the impairment cease to apply, the impairment loss is reversed.

k) Impairment testing

Bastei Lübbe tests assets for impairment at least once a year on the reporting date or during the year if any special events are identified and - if and to the extent that an independent measurement of the assets concerned is not possible - at the next higher level of the cash-generating units (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 through business combinations are allocated to a group of CGUs that are expected to benefit from the synergistic effects of the business combination. This group of CGUs represents the lowest level at which these assets are monitored for management purposes. These are usually individual companies or publishers.

(II) Impairment testing

For the purposes of impairment testing, the residual carrying amounts of the individual cash-generating units are compared with their respective recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the present value of future payments forecast for the next three years under Bastei Lübbe Group’s current planning calculated using a discounted cash flow method, broken down by company or division and primarily based on historical data.

The calculation of value in use is based on the following key assumptions:

- Discount rate
- Sustainable growth rate
- Free cash flow planning

To determine the present value, the discount rate is calculated on the basis of the weighted cost of capital applying an underlying interest rate which is currently (as of the reporting date) 0.4% and a market risk premium of 7.5% (upper end of the range recommended by IDW).

Impairment losses are reversed if the recoverable amount exceeds the carrying amount of the asset due to changes in the estimates on which the measurement is based. The reversal of impairment losses is capped at the amount that would have resulted if no impairment losses had been recognised. Impairment losses on goodwill are not reversed.

Business Hub Berlin UG ("smarticular")

As of 31 March 2022, a weighted cost of capital of 11.61% before tax and 8.10% after tax was calculated for Business Hub Berlin UG.

The cash flows after the detailed planning period are extrapolated for Business Hub Berlin UG on the basis of a sustainable growth rate of 1.0%.

The material assumptions in accordance with IAS 36.134 for Business Hub Berlin UG, which were used for estimating the recoverable amount, are presented below. The values assigned to the key assumptions represent the Executive Board's assessment of future developments in the relevant sectors and are based on historical data obtained from external and internal sources:

	Business Hub Berlin UG
Basis of recoverable amount	Value in use
Procedure and key assumptions for cash flow planning	The company did not achieve its goals in the 2021/2022 financial year due, among other things, to the more muted interest in sustainability-related topics during the COVID pandemic and upon the beginning of the war. In this respect, the strategy development process will be relaunched in the 2022/2023 financial year and the target groups honed and refocused again. Thanks to the support of the resulting increase in access numbers, the Executive Board is confident that the book titles planned and already in production can be successfully placed on the market and that demand for the attractive back catalogue can be re-activated to a greater extent again. The next milestone in the form of the initial publication of new releases by the second smarticular community "Precious Nature" is being prepared in the 2022/2023 financial year and the Executive Board expects this to generate further impetus for broadening the reach of our platforms. Despite the declining traffic figures, e-commerce business is steady; looking forward, the Executive Board expects wider shop range to generate higher basket values. On a 3-year basis, a CAGR of 17% is budgeted for revenues and will primarily be achieved as a result of growing traffic numbers and the expansion of the attractive book programme (including Eco-Kids, Precious Nature). A free cash flow of EUR 582k has been budgeted for the 2025/2026 financial year and beyond.
Detailed planning period	3 years
Value in use (kEUR)	6,711
Carrying amount (kEUR)	5,545
Difference between value in use and carrying amount (kEUR)	1,166
Change in free cash flow in perpetuity resulting in value in use equal to the carrying amount (kEUR)	-105
Change in growth rate resulting in value in use equal to the carrying amount	-1.56 percentage points
Change in WACC resulting in value in use equal to the carrying amount	1.25 percentage points

CE Community Editions GmbH

As of 31 March 2022, a weighted cost of capital of 9.49% before tax and of 6.41% after tax was calculated for CE Community Editions GmbH.

The cash flows after the detailed planning period are extrapolated for CE Community Editions GmbH on the basis of a sustainable growth rate of 1.0%.

The material assumptions in accordance with IAS 36.134 for CE Community Editions GmbH, which were used for estimating the recoverable amount, are presented below. The values assigned to the key assumptions represent the Executive Board's assessment of future developments in the relevant sectors and are based on historical data obtained from external and internal sources:

	CE Community Editions GmbH
Basis of recoverable amount	Value in use
Procedure and key assumptions for cash flow planning	CE Community Editions GmbH has established a strong position in influencer titles. In the 2021 calendar year, revenues increased by approximately 32% over the previous year. A short financial year from 1 January 2022 until 31 March 2022 was inserted to bring the company's financial year into line with that of the Parent Company. The 2022/2023 financial year commenced on a successful note, with the authors Arazhul and ViktoriaSarina each reaching top place in the relevant bestseller lists. These authors will be publishing another title in the 2022/2023 financial year. In addition, Pietro Lombardi, a book author with an exceptionally high number of followers, was signed up by CE. Over the next three years, the company thus plans to expand its successful series together with new and high-circulation authors, as well as with smaller authors in online-only business alongside its growing e-commerce business. A free cash flow of EUR 460k has been budgeted for the 2025/2026 financial year and beyond.
Detailed planning period	3 years
Value in use (kEUR)	7,510
Carrying amount (kEUR)	6,985
Difference between value in use and carrying amount (kEUR)	525
Change in free cash flow in perpetuity resulting in value in use equal to the carrying amount (kEUR)	-34
Change in growth rate resulting in value in use equal to the carrying amount	-0.44 percentage points
Change in WACC resulting in value in use equal to the carrying amount	0.37 percentage points

l) Leases

From 1 April 2019, leases are reported as a right-of-use asset and a matching liability on the date on which the leased asset becomes available for use by the Group. Assets and liabilities under leases are initially recognised at their present value. Lease liabilities include the present value of the following lease payments:

- Fixed payments, less any leasing incentives to be provided,
- Variable lease payments linked to an index, initially measured using the index at the commencement date.

The measurement of the lease liability also includes lease payments based on reasonably certain utilisation of options to extend the lease.

Lease payments are discounted at the implied interest rate underlying the lease as far as this can be determined without difficulty. Otherwise – and this is usually the case for the Group – the lessee's incremental borrowing rate is applied.

This corresponds to the interest rate that the lessee would have to pay if it had to borrow funds to acquire an asset of a comparable value for a comparable term with comparable security under comparable conditions in a comparable economic environment.

To determine its incremental borrowing rate, the Bastei Lübbe Group obtains data on interest rates from external financial sources and makes certain adjustments to take into account the lease terms and the nature of the asset.

The Bastei Lübbe Group is exposed to the possibility of future increases in variable lease payments arising from any changes in an index or interest rate. These potential changes in lease payments are not included in the lease liability until they take effect. As soon as changes in an index or interest rate affect the lease payments, the lease liability is adjusted against the right-of-use asset.

Lease payments are split into payments of principal and payment of interest. The interest component is recognised through profit and loss for the duration of the lease so that a constant periodic interest rate is applied to the outstanding amount of the liability for each period.

Right-of-use assets are measured at cost, which breaks down as follows:

- The amount of the initial measurement of the lease liability,
- All lease payments made when or before the leased asset becomes available less any lease incentives received,
- All direct costs initially incurred by the lessee,
- Estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located or returning the underlying asset to the condition specified in the lease agreement.

Depreciation of right-of-use assets is calculated on a straight-line basis over the useful life of the asset or the duration of the underlying lease, whichever is the shorter.

Payments under short-term leases for technical equipment and machinery as well as vehicles and leases for low-value assets are recognised as expense through profit and loss on a straight-line basis. Short-term leases are leases with a duration of less than 12 months. Low-value assets are all leases with an initial right-of-use asset of less than EUR 5k.

The Bastei Lübbe Group has a number of real estate leases that include options to extend or terminate the lease. Such contractual terms are used to maintain maximum operational flexibility with respect to the assets used. Most of these options can only be exercised by the Bastei Lübbe Group and not by the lessor in question.

In determining the duration of leases, management considers all facts and circumstances offering an economic incentive to exercise options to extend the lease or to refrain from exercising options to terminate the lease. Any changes to the duration of leases resulting from the option to extend or terminate the lease are only included in the duration of the lease if it is reasonably certain that an option to extend the lease will be exercised or an option to terminate the lease will not be exercised.

Most of the options to extend the leases of road vehicles, warehouse vehicles and operating and business equipment have not been included in the determination of the duration of the respective lease and, hence, the lease liability as it is possible for the Group to replace these assets without any material costs or disruptions.

The assessment is reviewed when an option to extend a lease is actually exercised or not exercised. The original assessment is revised upon the occurrence of a significant event or change in circumstances liable to influence the previous assessment. In the year under review, the lease for the office building used by Business Hub Berlin UG was extended. This led to the recognition of a right-of-use asset on account of the fixed term of the lease. The lease had previously been previously classified as a short-term lease due to the short-term notice periods for both sides. In addition, the right-of-use asset and the lease liability for the publishing building (including rented parking spaces) were remeasured as a result of an increase in the lease payments linked to a consumer price index. Other than this, there were no changes in the current reporting period as a result of the remeasurement of leases or modifications and adjustments to the lease durations.

When the Group acts as a sublessor, it classifies each lease as either a finance lease or an operating lease at the inception of the lease.

For the purpose of classifying each lease, the Group has made an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this case, the lease is classified as a finance lease and otherwise as an operating lease. In making this assessment, the Group considers certain indicators, such as whether the lease covers the major part of the economic life of the asset.

m) Financial instruments

(III) Financial assets

In accordance with IFRS 9, financial assets are assigned to one of the following three categories:

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

Financial assets are initially recognised at fair value. In the case of financial assets other than those classified as at fair value through profit and loss, transaction costs directly attributable to the acquisition of the asset are also taken into account.

Financial assets are categorised upon being initially measured. Reclassifications, if permissible and necessary, are made at the beginning of the financial year. All customary purchases and sales of financial assets are recognised on the trading date, which is the date that the Company undertakes to purchase or sell the asset. Customary purchases and sales are purchases or sales of financial assets that require the delivery of assets within the period generally established by regulation or convention in the marketplace.

(IV) Impairment of financial assets

The Group recognises impairments for expected credit losses on financial assets measured at amortised cost. These impairments equal the amount of the expected credit losses over the term of the instrument in question and are calculated using a three-level method.

Level 1: All instruments are assigned to Level 1 upon receipt. In this case, the present value of the expected credit losses resulting from possible default events within 12 months after the reporting date must be recognised as expense. Interest is recognised on the basis of the gross carrying amount, i.e. the effective interest method is applied on the basis of the carrying amount before the loss allowance is taken into account.

Level 2 includes all instruments that exhibit a significant increase in the risk of credit losses as of the reporting date compared with the date of receipt. The loss allowance must reflect the present value of all expected losses over the remaining term of the instrument. Interest is recognised on the basis of the gross carrying amount, i.e. the effective interest method is applied on the basis of the carrying amount before the loss allowance is taken into account.

Level 3: If, in addition to a significant increase in the risk of credit losses as of the reporting date, there is also an objective indication of impairment, the loss allowance is also measured on the basis of the present value of the expected losses over the remaining term. However, the interest recognised is adjusted in subsequent periods so that the interest income is calculated in the future on the basis of the net carrying amount, i.e. the carrying amount after deduction of the loss allowance.

A financial asset is considered to be onerous if it is unlikely that the debtor will be able to settle its liability without recourse to any collateral provided.

(V) Derecognition of financial assets

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

- The contractual rights to cash flows from a financial asset have expired or have been transferred.
- The Company retains the rights to receive cash flows from financial assets but assumes a contractual obligation to pay the cash flows immediately to a third party under an arrangement that meets the conditions of IFRS 9.3.2.5 (pass-through arrangement), or the Company has transferred its contractual rights to receive cash flows from a financial asset, whereby either (a) substantially all the risks and rewards of ownership of the financial asset are transferred, or (b) substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, but control of the asset is transferred.

(VI) Cash and cash equivalents

Cash and cash equivalents recognised in the statement of financial position comprise cash in hand, balances with banks and other short-term deposits with an original term of less than three months. They are recognised upon receipt. Cheques are recognised upon receipt and incoming payments when they are credited to the bank account.

Cash and cash equivalents are measured at amortised cost. Holdings in foreign currencies are translated at the spot rate on the reporting date. Currency translation changes on the date of recognition are recognised in profit and loss.

(VII) Other derivatives

Changes in the value of derivatives not designated as hedging instruments are measured at fair value and recognised in profit and loss.

(VIII) Trade receivables

The simplified procedure is always applied to trade receivables and other receivables that do not contain a significant financing component. With the simplified procedure, it is not necessary to record any changes in the risk of credit losses. Instead, a loss allowance equalling the expected credit loss over the entire term is recognised both upon initial recognition and upon subsequent remeasurement. For this purpose, estimated default rates derived from external ratings are applied. Credit loss risks within each category have been divided into risk classes based on the classification of the customers. A risk rate is calculated for the expected credit loss for each segment.

(IX) Other financial assets

Other financial assets are measured at amortised cost if their fair value cannot be determined with sufficient certainty. Any impairment loss is recognised in profit and loss.

(X) Financial liabilities

The Company determines the classification of its financial liabilities upon initial recognition. As of the reporting date, it almost exclusively had liabilities in the "measured at amortised cost" category. Liabilities measured at fair value relate to the contingent purchase price liabilities in connection with the acquisition of Business Hub Berlin UG.

Financial liabilities are initially recognised at fair value and, in the case of loans, directly attributable transaction costs. They are subsequently remeasured at amortised cost. Gains and losses are recognised in profit and loss when the liabilities are derecognised and through the amortisation process using the effective interest method. Amortised cost is calculated taking into account any fees or costs that are an integral part of the effective interest rate. Amortisation calculated using the effective interest method is reported in the income statement within finance costs. Financial liabilities are derecognised when the underlying obligation is settled, extinguished or cancelled.

n) Financial assets

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

o) Inventories

The inventories reported in accordance with IAS 2 (Inventories) are recognised at the lower of cost and the net realisable amount. Historical cost is calculated on the basis of a weighted average. Production costs include all material and printing costs directly attributable to production activities as well as production-related overheads.

Net realisable amount represents the estimated selling price less costs to sell. The net realisable amount of work in progress is determined retroactively on the basis of the net realisable amount of the finished goods, taking into account the costs still to be incurred until completion. To account for inventory risks, loss allowances for excess stock are recognised in the case of non-marketable inventories. To identify excess stocks, the age of the respective titles (based on the initial date of publication) is considered in addition to the historical sales volumes of the last few months.

The impairment is duly reversed if the reasons for recognising it cease to apply.

p) Other provisions

In accordance with the criteria specified in IAS 37 (Provisions, Contingent Assets and Contingent Liabilities), provisions are recognised for uncertain obligations when it is considered probable in each case that a direct outflow of resources embodying future economic benefits will be required to settle a present obligation and the value of that obligation can be measured reliably, including in the form of estimates. All known uncertain liabilities and risks relating to the year under review are taken into account on the basis of the most likely settlement amount. If a change in the assessment results in a reduction in the expected liability, the provision is reversed proportionately and the proceeds recognised in other operating income.

In the case of non-current provisions, the portion that will not be paid out until after more than one year and for which a reliable estimate of the payment amounts or dates is possible is recognised at the present value determined by using an interest rate appropriate in the light of market conditions and the settlement period.

q) Recognition of revenues and expenses

Bastei Lübbe primarily generates product and licensing revenues. Revenues are recognised in accordance with the provisions of IFRS 15 at the time at which the promised goods and services are transferred to the customer, i.e. when the Group has fulfilled its performance obligation.

In the case of sales of physical products, invoices are issued at this time and are usually payable within 35 to 120 days. In the case of sales of digital products, invoices are issued at this time and are usually payable within 30 days.

Revenues are recognised in the amount that Bastei Lübbe can expect to receive as consideration for the transfer. Discounts and taxes are deducted from revenues. Discounts granted on total sales are allocated to the respective products in proportion to their individual sales prices. Discounts granted on only certain products, on the other hand, are only allocated to such products.

Product revenues primarily arise from the sale of books, audio books and novel booklets to wholesalers and retailers. For products subject to a contractual right of return, adjustments are made to revenues on the basis of historical data.

Revenue-based licensing income arises from the transfer of exploitation rights for ebooks and digital audio books via digital distribution portals.

Other licensing income is generated from the resale of purchased and already exploited rights to licensees in Germany and other countries. Revenues are recognised in accordance with the terms of the underlying contract.

Other income is recognised when the economic benefits associated with the transaction can be measured reliably and have been received during the reporting period.

Operating expenses are taken to the income statement upon the service in question being used or as of the date on which they occur.

Finance income mainly comprises interest income and interest expenses. Interest income and expenses are recognised using the effective interest method. Interest expenses include interest expenses on loans as well as discount factor unwind effects on non-current liabilities. Dividends and impairments on financial investments are reported in the share or profit of associates. Dividends are recognised through profit and loss when the legal claim to payment arises. This is the point in time at which it is probable that the economic benefits will flow to the Group and the income can be reliably measured.

r) Income taxes

Tax expenses include current income taxes paid or owed as well as deferred taxes. Current income taxes, including refund claims and liabilities, are calculated on the basis of the applicable laws and regulations.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the IFRS statement of financial position and the tax base. They are calculated on the basis of the individual tax rates expected to apply as of the date of realisation in accordance with the tax legislation in force or enacted as of the reporting date.

Deferred tax assets are only recognised to the extent that it appears sufficiently certain that the temporary differences will actually reverse with an effect on tax.

If deferred taxes relate to transactions that are recognised directly in equity or in other comprehensive income, they are likewise recognised directly in equity or in other comprehensive income. Otherwise, they are always recognised through profit and loss.

s) Share-based payments

In the case of cash-settled share-based payments for the Executive Board, a liability for the services received is recognised and measured at fair value upon initial recognition using an option pricing model. Until the liability is settled, the fair value is remeasured in each reporting period and at the settlement date. Any changes in fair value are reported through profit and loss within personal expenses.

4. Companies consolidated and shareholdings

The following table sets out the Group's main subsidiaries and changes in the companies consolidated (see Note 5) in the 2021/2022 financial year.

Fully consolidated companies

	Domicile	Share held 31 March 2022	Share held 31 March 2021
Moravská Bastei MOBA s.r.o.[1)]	Brno, Czech Republic	89.76%	89.76%
CE Community Editions GmbH [2)]	Cologne	100.00%	40.00%
Business Hub Berlin UG	Berlin	100.00%	100.00%
J.P. Bachem Editionen GmbH[3)]	Cologne	0.00%	75.00%

1) Different financial year from 1 January 2021 until 31 December 2021 included in the consolidated financial statements

2) Consolidated for the first time from 1 August 2021

3) Deconsolidated as of 30 September 2021

The shares in Moravská Bastei MoBa s.r.o., Business Hub Berlin UG ("smarticular") and CE Community Editions GmbH are allocated to the "Book" segment. Moba, Community Editions and smarticular distributed a dividend in the year under review. Moba additionally distributed a dividend in the previous year. Other than this, there were no dividend payments from the other fully consolidated subsidiaries in the previous two financial years.

Non-controlling interests

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

	Domicile	Shares held by non-controlling shareholders 31 March 2022	Shares held by non-controlling shareholders 31 March 2021
Moravská Bastei MOBA s.r.o.[1)]	Brno, Czech Republic	10.24%	10.24%
J.P. Bachem Editionen GmbH[2)]	Cologne	0.00%	25.00%

1) Different financial year from 1 January 2021 until 31 December 2021 included in the consolidated financial statements

2) Deconsolidated as of 30 September 2021

The following table sets out summarised financial information on the subsidiaries mentioned (before intercompany eliminations):

	Moba		Bachem	
(kEUR)	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Non-current assets	102	108	–	339
Current assets	2,228	1,986	–	239
Non-current liabilities	–	–	–	9
Current liabilities	310	327	–	534
Net assets	2,021	1,767	–	34
Net assets attributable to non-controlling interests	206	180	–	-72
Revenues	2,271	2,054	–	1,139
Total profit/loss for the period	537	476	–	-208
Total profit/loss attributable to non-controlling interests	55	49	–	-52

Non-consolidated subsidiaries and other investments

Subsidiaries and associates are not included in the consolidated financial statements if they are of only minor importance for the assessment of the Group's net assets, financial position and results of operations – both individually and in their entirety – due to their size or insignificant economic activity, or because the Parent Company – with the exception of statutory minority rights – does not have any contractual or other rights allowing it to exert a significant influence on the company.

The shares in non-consolidated affiliated companies (share of more than 50%) reported within financial assets are as follows as of the reporting date:

(kEUR)	Domicile	Share held	Equity	Net profit/loss for the year
Siebter Himmel Bastei Lübbe GmbH[1)]	Cologne	100%	216	13
Bastei Ventures GmbH[2)]	Cologne	100%	9	-3

1) Figures taken from annual financial statements as of 31 March 2021

2) Figures taken from annual financial statements as of 31 December 2020

Shares in non-consolidated companies (share of between 20% and 50%):

(kEUR)	Domicile	Share held	Equity	Net profit/loss
Räder GmbH[1)]	Essen	20%	13,329	7,348

1) Figures taken from annual financial statements as of 31 December 2021

Bastei Lübbe AG does not exert any significant influence on Räder GmbH. There are no material transactions between the company and Bastei Lübbe AG. Bastei Lübbe AG does not perform any management duties and has no influence on the company's decision-making processes.

The other investments reported under financial assets (share of less than 20%) consist of investments (each less than 5%) in several "GROSSO" press distribution companies, mainly in Eastern Germany.

5. Significant changes to the companies consolidated

CE Community Editions GmbH

With economic effect from 1 August 2021, Bastei Lübbe AG acquired the remaining 60% of the shares in CE Community Editions GmbH ("Community Editions" with registered offices in Cologne under a notarised agreement dated 20 July 2021 and is now the sole shareholder of that company. Community Editions publishes books and stationery products by influencers with a generally large circulation. The range primarily covers topics such as gaming, lifestyle, beauty and do-it-yourself as well as cooking and nutrition. Bastei Lübbe has held a stake in the company since it was established 2016 and most recently held 40% of its capital. With the acquisition of Community Editions, Bastei Lübbe is expanding its business in products targeted at reader communities. The company is assigned to the "Book" segment.

As a result of the acquisition of control, the investment previously accounted for using the equity method is fully consolidated from the date of acquisition. The consideration amounted to EUR 6.0 million, which was fully paid using the Company's own funds. The acquisition of control led to a disposal of the investment which had previously been accounted for using the equity method and whose fair value amounted to EUR 1.1 million immediately before the acquisition date. The reclassification through profit and loss of the investment accounted for using the equity method and the remeasurement of the investment already held led to income of EUR 0.3 million, which was recognised within the share of profit of associates.

First-time consolidation contributed an increase in Group revenues of EUR 5.7 million and a reduction of EUR 0.2 million in Group EBIT in the first half of the financial year. If CE Community Editions GmbH had been consolidated from 1 April 2021, this would have resulted in an increase of EUR 7.3 million in Group revenues and a minor increase of EUR 0.2 million in Group EBIT.

Following purchase price allocation (PPA) effects, the fair values of the assets and liabilities of Community Editions at the time of initial consolidation (1 August 2021) are as follows:

(kEUR)	Carrying amounts on acquisition	PPA adjustments	Fair values
Intangible assets	–	1,545	1,545
Author advances	205	–	205
Property, plant and equipment	11	–	11
Deferred tax assets	11	–	11
Inventories	931	259	1,190
Trade receivables and other receivables	1,955	–	1,955
Cash and cash equivalents	841	–	841
Deferred tax liabilities	-55	-585	-640
Trade payables and other liabilities (including provisions)	-1,559	–	-1,559
Net assets (and liabilities)	2,340	1,219	3,559
Fair value of 100% share			7,467
Goodwill as of the date of initial consolidation			3,908
Acquisition costs for 60% share			6,000
Equity value of old shares as of 31 July 2021			1,167
Income from the remeasurement of the old shares at fair value			300

The PPA effects are included in these consolidated financial statements.

Purchase price allocation resulted in non-tax-deductible goodwill of EUR 3.9 million. With the purchase of the remaining 60% interest in Community Editions, the leading publishing house for books by influencers was taken over in full. As a result, the Group gained a further community model. The Executive Board expects synergistic benefits between the individual community models with respect to digital customer engagement and the accompanying e-commerce business. In particular, the top-selling authors who have been working closely with CE for a long time and therefore have a close and personal connection with the company, will generate future revenue potential. The fair value measurement of intangible assets indicated hidden reserves of an amount equalling the expected cash flows from the exploitation rights of the books already acquired for future release (EUR 0.3 million) as well as standard market licence rates for the brand (EUR 1.3 million). In addition, hidden reserves in an amount equalling the expected profit margins of the books stocked by Community Editions were identified within inventories (EUR 0.3 million). It is assumed that the hidden reserves in the intangible assets will be realised within 1.5 (book rights) or 15 years (brand rights) and the hidden reserves in the inventories within 7 years after acquisition.

J.P. Bachem Editionen GmbH

With economic effect from 30 September 2021, Bastei Lübbe AG sold 75% of the shares in J.P. Bachem Editionen GmbH with registered offices in Cologne to Bachem Verlag GmbH for a purchase price of one euro under a notarised deed dated 4 October 2021. The divestment resulted in a gain of EUR 0.2 million, which is reported within other operating income. The effects on the assets and liabilities on the date of deconsolidation are shown in the following table:

(kEUR)	
Property, plant and equipment	11
Deferred tax assets	1
Inventories	35
Trade receivables and other receivables	166
Cash and cash equivalents	3
Provisions	-2
Trade payables and other liabilities	-462
Net assets (and liabilities)	-248
Non-controlling interests	-61

Notes to the consolidated statement of financial position

6. Intangible assets

(kEUR)	Goodwill	Other intangible assets	Prepayments made	Total
Historical cost				
Amount on 1 April 2020	263	7,537	240	8,040
Changes in consolidated companies	4,042	3,497	–	7,539
Additions	–	37	200	237
Currency translation differences	–	-1	–	-1
Amount on 31 March 2021	4,305	11,070	440	15,815
Cumulative amortisation and impairment losses				
Amount on 1 April 2020	–	6,910	–	6,910
Changes in consolidated companies	–	10	–	10
Depreciation and amortisation	–	294	–	294
Impairment losses	228	–	–	228
Amount on 31 March 2021	228	7,213	–	7,441
Carrying amounts				
Amount on 1 April 2020	263	628	240	1,130
Amount on 31 March 2021	4,077	3,857	440	8,375
Historical cost				
Amount on 1 April 2021	4,305	11,070	440	15,816
Changes in consolidated companies	3,680	1,514	–	5,194
Additions	–	205	94	299
Reclassifications	–	196	-196	–
Disposals*	-2,315	–	–	-2,315
Currency translation differences	–	1	0	1
Amount on 31 March 2022	5,671	12,986	338	18,995
Cumulative amortisation and impairment losses				
Amount on 1 April 2021	228	7,213	–	7,441
Changes in consolidated companies	-228	-31	–	-259
Depreciation and amortisation	–	635	–	635
Currency translation differences	–	1	–	1
Amount on 31 March 2022	–	7,818	–	7,818
Carrying amounts				
Amount on 1 April 2021	4,077	3,857	440	8,375
Amount on 31 March 2022	5,671	5,168	338	11,177

* The disposal of the acquisition costs of goodwill results from the reduction in the contingent purchase price liability, which was netted against the goodwill of Business Hub Berlin UG ("smarticular") through other comprehensive income, see Note 20.

As of the reporting date, the carrying amounts of goodwill are allocated to the corresponding cash-generating units and segments as follows:

(kEUR)	31 March 2022	31 March 2021
Book		
CE	3,908	–
smarticular	1,727	4,042
Eichborn	35	35
	5,671	4,077

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

In the case of goodwill, the capitalised carrying amounts are tested once a year for impairments in accordance with IAS 36 and in the event of triggering events on the basis of groups of cash-generating units.

Other intangible assets mainly include title rights and trademarks totalling EUR 344k (previous year: EUR 394k) as of the reporting date, which are amortised over a useful life of 15 years. In connection with the purchase price allocation for CE Community Editions GmbH, hidden reserves on the brands and domains (carrying amount as of the reporting date: EUR 1,204k) and on the book rights acquired (carrying amount as of the reporting date: EUR 158k) were recognised as assets. These are written down over 15 and 1.5 years, respectively. In addition, hidden reserves on brands and domains (carrying amount as of the reporting date: EUR 2,058k, previous year: EUR 2,208k) and on internally produced books (carrying amount as of the reporting date: EUR 1,044k, previous year: EUR 1,198k) were recognised as assets as part of purchase price allocation for Business Hub Berlin UG. These are written down over 15 and 8 years, respectively. The remaining amounts mainly relate to software and licences, which are amortised over three to five years. They had a carrying amount of EUR 360k as of the reporting date (previous year: EUR 57k) Amortisation and impairment losses are included in the consolidated statement of comprehensive income in the item entitled “Amortisation of intangible assets and depreciation of property, plant and equipment”.

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

7. Author advances

(kEUR)	Author advances	Prepayments made	Total
Historical cost			
Amount on 1 April 2020	81,127	3,276	84,403
Additions	13,667	4,802	18,469
Disposals	-605	–	-605
Reclassifications	1,951	-1,951	–
Amount on 31 March 2021	96,140	6,127	102,267
Cumulative amortisation and impairment losses			
Amount on 1 April 2020	69,005	50	69,055
Depreciation and amortisation	12,898	–	12,898
Impairment losses[1)]	568	86	654
Reversals of impairment losses	-50	–	-50
Disposals	–	-50	-50
Amount on 31 March 2021	82,421	86	82,507
Carrying amounts			
Amount on 1 April 2020	12,121	3,226	15,348
Amount on 31 March 2021	13,719	6,041	19,759
Historical cost			
Amount on 1 April 2021	96,140	6,127	102,267
Changes to consolidated companies	399	–	399
Additions	11,015	1,752	12,766
Disposals	-1,067	-25	-1,092
Reclassifications	2,275	-2,275	–
Currency translation	9	–	9
Amount on 31 March 2022	108,771	5,578	114,349
Cumulative amortisation and impairment losses			
Amount on 1 April 2021	82,421	86	82,507
Changes to consolidated companies	194	–	194
Depreciation and amortisation	11,195	–	11,195
Impairment losses	706	8	713
Reversals of impairment losses	-411	–	-411
Disposals	–	–	–
Currency translation	7	–	7
Amount on 31 March 2022	94,111	94	94,205
Carrying amounts			
Amount on 1 April 2021	13,719	6,041	19,759
Amount on 31 March 2022	14,660	5,484	20,144

1) This includes reversals of provisions of 468k for onerous author contracts

In the year under review, impairment losses of EUR 713k (previous year; EUR 654k) were recognised where it was assumed that the net income expected in the future before fee expenses for the manuscript concerned would not cover the amount still recognised as an asset. In the year under review, remeasurement gains of EUR 411k (previous year EUR 50k) were recognised on author advances and prepayments where it was assumed that future recoupable sales-based fees for the manuscripts concerned would cover the amounts still recognised as an asset. Significant portions of the impairment losses and the reversals of impairment losses are based on changes in estimates of future expected revenues.

8. Property, plant and equipment (including right-of-use assets)

(kEUR)	Land and buildings	Technical equipment and machinery	Operating and business equipment	Total
Historical cost				
Amount on 1 April 2020	8,852	38	5,174	14,064
Changes to consolidated companies	–	–	38	38
Additions	2,184	–	944	3,127
Disposals	-14	–	-512	-526
Currency translation differences	–	–	-5	-5
Amount on 31 March 2021	11,022	38	5,639	16,699
Cumulative amortisation and impairment losses				
Amount on 1 April 2020	2,068	36	3,545	5,649
Changes to consolidated companies	–	–	26	26
Depreciation and amortisation	1,153	1	824	1,979
Disposals	-12	–	-511	-523
Reclassifications	-15	–	–	-15
Currency translation differences	–	–	-2	-2
Amount on 31 March 2021	3,195	37	3,881	7,114
Carrying amounts				
Amount on 1 April 2020	6,784	2	1,629	8,415
Amount on 31 March 2021	7,827	1	1,757	9,585
Historical cost				
Amount on 1 April 2021	11,022	38	5,639	16,699
Changes to consolidated companies	–	–	12	12
Additions	552	–	311	863
Disposals	-39	–	-174	-214
Currency translation differences	–	–	7	7
Amount on 31 March 2022	11,535	38	5,795	17,368
Cumulative amortisation and impairment losses				
Amount on 1 April 2021	3,195	37	3,881	7,114
Changes to consolidated companies	–	–	13	13
Depreciation and amortisation	1,190	1	826	2,017
Disposals	-33	–	-168	-201
Reclassifications	-15	–	–	-15
Currency translation differences	–	–	6	6
Amount on 31 March 2022	4,337	38	4,558	8,933
Carrying amounts				
Amount on 1 April 2021	7,827	1	1,757	9,585
Amount on 31 March 2022	7,198	–	1,237	8,435

No impairment losses were recognised in the year under review. All depreciation of property, plant and equipment is included under the item “Depreciation and amortisation” in the income statement.

Property, plant and equipment include right-of-use assets of EUR 7,484k (previous year: EUR 8,237k) in connection with leased assets (see Note 42).

As in the previous year, property, plant and equipment are not used as collateral for the Group’s own liabilities (with the exception of the customary retention of ownership rights for trade payables).

9. Investments in associates

With economic effect from 1 August 2021, Bastei Lübbe AG acquired the remaining 60% of the shares in CE Community Editions GmbH and is now the sole shareholder of that company. As a result of the acquisition of control, the investment previously accounted for using the equity method is fully consolidated from the date of acquisition.

CE Community Editions GmbH was accounted for using the equity method and reported under “Investments in associates” in the statement of financial position up until 31 July 2021.

(kEUR)	2021/2022	2020/2021
Revenues	1,974	5,789
Total profit/loss for the period	191	463
Dividend received from associate	–	94

No distributions were made by associates in the year under review (previous year: EUR 94k).

10. Financial assets

(kEUR)	31 March 2022	31 March 2021
Non-current (financial) assets		
Other investments	15,187	8,952
Other borrowings	133	175
Shares in affiliated companies	106	106
Net investment in a lease	70	85
	15,496	9,318
Current		
Creditors with debit accounts	160	123
Supplier bonuses	40	40
Derivatives	–	18
Net investment in a lease	15	15
Receivables from associates and joint ventures	–	2
Others	-5	6
	210	204

Shares in affiliated companies are not consolidated as they are of minor importance for the Group’s net assets, financial condition and results of operations.

The investment in Räder GmbH is accounted for using the equity method and measured at fair value through other comprehensive income (FVOCI). The investment is not held for trading purposes.

As of 31 March 2022, the share in Räder GmbH had a fair value of EUR 15,1 million (previous year: EUR 8.8 million). A dividend of EUR 1,200k was collected in the year under review (previous year: EUR 0).

The fair value of the investment in Räder GmbH is calculated on the basis of a multiplier procedure. To this end, an EBIT multiplier was derived from the capital market data for listed peer-group companies as well as comparable transactions. The EBIT expected to be reported by Räder GmbH for the 2022 financial year was taken into account in the calculation of the fair value: As part of the valuation of Bastei Lübbe’s 20% stake in the company, a tradability discount was applied to reflect the lower marketability of the non-controlling interest compared to shares in the listed peer-group companies.

The increased fair value of the shares in Räder GmbH reflects its significantly improved business performance. Revenues grew by an average of 22% per year from 2019 until 2021 despite the difficult market environment in the wake of the COVID-19 pandemic. EBIT increased by 33% per year in the same period. Net debt was also reduced significantly. This positive performance is also reflected in the dividend distribution in the year under review.

In a notarial deed of 4 February 2022, the principal shareholder of Daedalic Entertainment GmbH exercised an option to purchase the remaining shares and, on the basis of an offer dated 15 May 2020, acquired the remaining 10% of the shares for a purchase price of EUR 110k.

As of 1 April 2019, the Group subleased a retail outlet and classified the lease as a finance lease. Accordingly, the right-of-use asset under the main lease was transferred to the sub-lessee and a corresponding net investment in a sub-lease recognised.

Current financial assets are due for settlement within one year.

11. Income tax assets and liabilities

The following income tax assets and liabilities are shown separately in the statement of financial position:

(kEUR)	31 March 2022	31 March 2021
Deferred tax assets	1,370	1,634
Income tax refund claims	522	208
Deferred tax liabilities	-1,358	-1,042
Income tax liabilities	-5,156	-1,874
Net amount	-4,622	-1,074

As in the previous year, the current tax refund claims and tax liabilities mainly relate to domestic trade tax and corporate income tax.

The deferred taxes recognised can be allocated to the individual items of the statement of financial position according to their origin as follows:

(kEUR)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets*	Deferred tax liabilities
	Deferred taxes		Deferred taxes	
	31 March 2022		31 March 2021	
Other intangible assets	925	1,378	1,354	1,028
Property, plant and equipment	59	18	47	42
Financial assets	16	–	16	–
Inventories	–	–	–	17
Trade receivables	56	83	72	72
Other provisions	415	–	260	–
Financial liabilities	4	–	2	6
Other liabilities	1	–	6	–
Tax losses carried forward	16	–	–	–
	1,492	1,479	1,757	1,164
Net amount	-122	-122	-122	-122
Carrying amounts	1,370	1,358	1,634	1,042

* Previous year adjusted, see Note 18

Deferred tax assets on unused tax losses relate to CE Community Editions GmbH. On the basis of medium-term planning, they are expected to be utilised in the coming three years.

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

(kEUR)	31 March 2022		31 March 2021	
Deferred tax assets 1 April	1,634		3,043	
Deferred tax liabilities 1 April	-1,042	592	–	3,043
Deferred tax assets 31 March	1,370		1,634	
Deferred tax liabilities 31 March	-1,358	13	-1,042	592
= change in the net amount		-579		-2,451
+/- disposals/additions from changes to the companies consolidated		630		1,229
= Net deferred tax assets/liabilities as shown in the income statement		51		-1,222

Further information can be found in the explanations on income tax expenses in Note 33.

12. Inventories

(kEUR)	31 March 2022	31 March 2021*
Raw materials, supplies and consumables	103	101
Work in progress	553	453
Finished goods	11,035	8,773
Merchandise	89	96
Prepayments towards inventories	26	–
	11,806	9,423

* In the previous year, the merchandise was classified as finished goods.

Impairments of inventories amounted to EUR 0k in the year under review (previous year: EUR 2,853k). Inventories that relate to Bastei Lübbe AG and with the exception of customary retained ownership rights are used as collateral for the existing loan agreements.

13. Trade receivables

Trade receivables break down as follows:

(kEUR)	31 March 2022	31 March 2021
Receivables from		
third parties	14,549	14,327
less loss allowances	-406	-365
	14,143	13,963

All trade receivables are due for settlement within one year and are reported under current assets.

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

Accordingly, a lump-sum allocation to Level 2 is made upon addition and a transfer to Level 3 is recognised if there are any objective indications of impairment:

(kEUR)	31 March 2022	31 March 2021
Trade receivables		
Trade receivables from third parties	14,549	14,327
Lifetime expected credit losses (Level 2)	-177	-222
Individual loss allowances (Level 3)	-229	-142
Total trade receivables	14,143	13,963

Loss allowances in the financial year

(kEUR)	Lifetime expected credit losses (Level 2)	Individual loss allowances (Level 3)	Loss allowances
Trade receivables			
Amount on 1 April 2020	165	146	311
Changes in companies consolidated	10	–	10
Added	212	4	217
Utilised	-165	-5	-171
Reversed	–	-2	-2
Currency translation differences	–	-1	-1
Amount on 31 March 2021	222	142	365
Amount on 1 April 2021	222	142	365
Changes in companies consolidated	29	–	29
Added	2	100	102
Utilised	–	-1	-1
Reversed	-77	-14	-91
Currency translation differences	1	1	2
Amount on 31 March 2022	177	229	406

The credit risk for trade receivables (Level 2) as of 31 March 2022, broken down by customer group, is as follows:

(kEUR)	Average default rate	Carrying amount	Loss allowance
Wholesale book trade	2.1%	2,265	48
Digital portals	0.7%	8,296	59
Other retail book trade	2.1%	1,680	35
Other customers	1.7%	2,079	36
Lifetime expected credit losses (Level 2)	1.2%	14,320	177

Information on loss allowances for trade receivables as of 31 March 2021 (Level 2):

(kEUR)	Average default rate	Carrying amount	Loss allowance
Wholesale book trade	1.4%	2,294	33
Digital portals	1.6%	6,301	99
Other retail book trade	2.2%	1,088	24
Other customers	2.0%	3,267	66
Trade receivables not exposed to any credit risk	0.0%	1,235	–
Lifetime expected credit losses (Level 2)	1.7%	14,185	222

The trade receivables not exposed to any credit risk comprise receivables covered by credit insurance.

Trade receivables are used as collateral for the Group’s own liabilities on the reporting date.

14. Other receivables and assets

(kEUR)	31 March 2022	31 March 2021
Assets from expected returns	1,195	1,191
VAT refund claims	991	100
Other accruals and deferrals	766	765
Others	62	54
	3,014	2,110

All amounts can be collected within one year.

15. Cash and cash equivalents

(kEUR)	31 March 2022	31 March 2021
Cash at banks	17,967	14,461
Cash in hand	7	11
	17,974	14,472

This item is not subject to any ownership or alienation restrictions.

16. Equity

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

In the course of the IPO as well as in October 2014, the parent company acquired treasury shares under the authorisation granted at the annual general meeting held on 10 September 2013. As 100 of the 100,000 treasury shares previously held were awarded to an author free of charge in July 2015 in order to strengthen his ties to Bastei Lübbe, the number of treasury shares stood at 99,900 as of the reporting date. The treasury shares may be used for all legally permissible purposes. Accordingly, as in the previous year, there were 13,200,100 issued and fully paid-up no-par Bastei Lübbe AG shares outstanding on the reporting date. As in the previous financial year, there were no changes in this regard during the period under review.

The Group share premium mainly includes the premium from the capital increase in 2013. As of 31 March 2020, an amount of EUR 17,759,170.71 was reclassified as an unappropriated surplus in accordance with Section 270 (1) of the German Commercial Code.

The unappropriated surplus (including retained earnings) is made up of the net profit for the year plus the profit carried forward. As in the previous year, the profit carried forward includes amounts of EUR 1,920k from (re-)measurements in connection with the preparation of the opening IFRS statement of financial position as of 1 April 2011 as well as the income and expenses of previous years that deviate from the result under German commercial law and are recognised in profit and loss.

A dividend of EUR 3,828k was distributed to the equity holders of Bastei Lübbe AG in the year under review, equivalent to a payout of EUR 0.29 per share.

Non-controlling interests relate to the shares in equity attributable to minority shareholders and break down as follows in the year under review:

(kEUR)	J.P. Bachem Editionen	Moba	Total
Amount on 31 March 2021	-72	180	109
Proportionate net profit/loss for the period	10	55	65
Addition/disposal due to changes in the companies consolidated	61	–	61
Dividend	–	-40	-40
Currency translation differences	–	11	11
Amount on 31 March 2022	–	206	206

17. Earnings per share

Earnings per share (EUR 0.83 per share, previous year: EUR 0.57 per share) are calculated by dividing the weighted average net profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding (13,200,100 shares) less the treasury shares.

There was no dilution effect in the year under review or in the previous year.

18. Other provisions

Movements in other provisions break down as follows:

(kEUR)	Amount on 1 April 2021*	Changes in the companies consolidated	Utilised	Reversed	Added	Amount on 31 March 2022
Non-current						
Archiving costs	87	1	0	0	0	88
Provisions for anniversaries	125	0	-16	0	4	113
	212	1	-16	0	4	201
Current						
Returns	6,966	309	-7,275	0	6,480	6,480
Others	799	0	-44	-3	501	1,253
	7,765	309	-7,319	-3	6,980	7,733
	7,978	309	-7,335	-3	6,984	7,934

*) Previous year adjusted

The provisions for returns relate to contract liabilities in accordance with IFRS 15 from expected returns of publishing products. Customers are issued with credit notes covering the full invoice amount. In the case of novel booklets which are distributed subject to non-physical returns, no goods are returned. Only the corresponding credit note is issued. The return rate in the year under review is used as a basis for determining the provisions for returns. These are calculated separately for the individual areas. The chronological course of returns has been recorded statistically for several years and is stable over time. Accordingly, the provisions for returns can be estimated reliably. The liability is mostly settled within the first eight months after the reporting date. Experience shows that returns are completed within 18 months.

No further revenues arose from the provisions set aside in the previous year, as the returns either actually occurred or are expected.

The “Others” item includes provisions for an onerous contract with an author in an amount of EUR 1.3 million in the year under review.

The provisions for long-service benefits were recorded in non-current provisions in the year under review. In the previous year, they had been reported within other liabilities.

19. Phased retirement obligations

Bastei Lübbe agreed on phased retirement arrangements (block model) with three employees in the 2021/2022 financial year. Under these arrangements, the service time accruing during the total duration of the phased retirement period is distributed in such a way that services are provided in full in the first half of the phased retirement period. In the second half, the employees are released from their duties subject to continued payment of the phased retirement remuneration (remuneration for the phased retirement period plus a top-up).

The net liability breaks down as follows:

(kEUR)	31 March 2022	31 March 2021
Present value of the phased retirement obligation	129	233
Fair value of plan assets	-79	-161
	50	72

The provisions are secured by pension liability insurance pledged to the employees. The capital under the pension liability insurance is therefore classified as plan assets within the meaning of IAS 19.

The plan assets consist of pension liability insurance taken out with a life insurance company. Premium payments were made during the active phase of the phased retirement period. Benefits are paid out during the passive phase. The assets are invested in the life insurance company’s general cover pool. The restrictions of the German Federal Financial Supervisory Authority apply. The time value accounts are conventional insurance policies not linked to any fund investments. The return on these pension liability insurance policies is derived from the fixed guaranteed interest rate as well as from the variable surplus profit participation, which is set annually and results from risk or cost gains as well as from the return on the investment underlying the insurance contracts. The compensation for costs claimed by the life insurance company is netted.

20. Financial liabilities

(kEUR)	Amount on 31 March 2022 of which due for settlement in				Amount on 31 March 2021 of which due for settlement in			
	Total	Less than 1 year	More than 1 year, up to 5 years	More than 5 years	Total	Less than 1 year	More than 1 year, up to 5 years	More than 5 years
Liabilities (to/from)								
Banks	3,750	1,000	2,750	–	4,750	1,000	3,750	–
Lease liabilities	7,749	1,372	4,468	1,909	8,480	1,248	4,373	2,860
Employees	3,053	3,053	–	–	2,592	2,592	–	–
Contingent purchase price liabilities	469	281	188	–	2,984	168	2,816	–
Debtors with credit balances	188	188	–	–	132	132	–	–
Derivatives (interest rate swap)	–	–	–	–	6	6	–	–
Others	0	0	–	–	1	1	–	–
	15,209	5,895	7,406	1,909	18,945	5,147	10,939	2,860

The contingent purchase price liability represents the expected consideration under the future contingent purchase price payments to the sellers of Business Hub Berlin UG, the amount of which depends on the achievement of contractual targets in the four financial years following the purchase. On the basis of information capable of clarifying the amounts expected under the future purchase price payments as of 31 December 2021, the fair value of the liability was reduced to EUR 669k. The amount of the reduction in the liability (EUR 2,315k) was deducted from the goodwill attributable to Business Hub Berlin UG through other comprehensive income. The expected consideration was recognised at its fair value as of the reporting date. The fair value as of the reporting date dropped by EUR 200k compared with the amount measured as of 31 December 2021 to EUR 469k through profit and loss. This reduction resulted in income, which is recognised within finance income, from the reduction of the contingent purchase price liability.

Liabilities to employees mainly include bonuses to the Executive Board and other employees.

21. Trade payables

Trade payables (EUR 16,643k, previous year EUR 16,366 thousand) mainly relate to fees payable to authors and agencies, liabilities to printers and other publishers and liabilities under consulting services and rental agreements. The non-current liabilities of EUR 399k (previous year: EUR 627k) to a licensor have been discounted to their present value of EUR 351k (previous year: EUR 592k) as they are not subject to interest.

22. Other liabilities

(kEUR) Liabilities (to/under)	31 March 2022	31 March 2021*
Employees	553	557
Other taxes	478	289
Prepayments received on account of orders	–	13
Phased retirement obligations	50	72
Deferred income	21	19
Others	597	358
	1,698	1,308

* Previous year adjusted, see Note 18

In addition to the amounts for which the Company is liable as a taxpayer, the liabilities under other taxes also include taxes paid for the account of third parties (particularly payroll and church tax).

Of the amounts shown, none are due for settlement in more than one year.

Notes on the statement of comprehensive income

The income statement is broken down by type of expense (total cost method). The following explanations and breakdowns relate to the items in the statement of comprehensive income.

23. Revenues

Revenues and their development by segment and region are shown in the segment report (Note 38).

	2021/2022			2020/2021		
(kEUR)	Physical	Digital	Total	Physical	Digital	Total
Book	57,990	29,420	87,410	54,430	31,012	85,442
Novel booklets	6,663	434	7,096	6,818	428	7,246
Revenues			94,507			92,688

24. Changes in inventories of finished goods and work in progress

(kEUR)	Amount		Changes in inventories	
	31 March 2022	31 March 2021*	2021/2022	2020/2021*
Work in progress	553	453	100	-44
Finished goods	11,035	8,773	2,262	-2,247
			2,362	-2,291
Currency translation differences			-17	-6
Changes due to changes in the companies consolidated			-1,155	-971
			1,191	-3,268

* Previous year adjusted, see Note 12

The changes resulting from changes in the companies consolidated relate to the initial consolidation of CE Community Editions GmbH and the deconsolidation of J.P. Bachem Editionen GmbH.

25. Other operating income

(kEUR)	2021/2022	2020/2021
Income from the reversal of impairments	535	6
Income from the derecognition of liabilities	296	61
Non-cash remuneration	131	133
Off-period income	76	254
Currency translation gains	30	53
Income from the reversal of provisions	3	76
Income from asset disposals	3	3
Income from the settlement with former members of the executive bodies	–	1.059
Others	333	135
	1,406	1,780

26. Cost of materials

(kEUR)	2021/2022	2020/2021
Author fees and depreciation of author fees	28,379	28,532
Cost of services bought	17,704	15,671
Cost of raw materials and supplies	595	361
	46,678	44,565

27. Personnel expenses

(kEUR)	2021/2022	2020/2021
Wages and salaries	16,185	14,649
Retirement benefits and other social security contributions	2,664	2,460
Others	–	1
	18,849	17,109

28. Share-based payments

Bastei Lübbe AG has granted the members of the Executive Board who left the Company as well as the current members of the Executive Board share-based payments as defined by IFRS 2 in the form of a salary component. The variable remuneration for the three-year period from 2018 to 2021 for the former Executive Board members Klaus Kluge and Ulrich Zimmermann began on 1 April 2018. For the Chief Executive Officer Carel Halff, the first three-year period from 2019 to 2022 began on 1 April 2019. Under the agreements, the members of the Executive Board are entitled to collect a cash payment. The plan is structured in such a way that a number of virtual shares are issued in an amount equalling a contractually defined target on the grant date based on the average closing price of the Bastei Lübbe share over the 30 days prior to the respective start date (1 April), multiplied by a target achievement level as of the applicable reporting date. On the basis of the valuation as of 31 March 2022, 179,122 virtual shares were awarded for the three-year period from 2019 to 2022 and 238,893 virtual shares for the three-year period from 2020 to 2023. When the virtual shares are paid out, the period of activity in the respective three-year period is taken into account on a time-proportionate basis.

For the current Executive Board members Sandra Dittert and Simon Decot, this multi-year variable remuneration began for the first time on 1 April 2020 for the three-year period from 2020 to 2023 and subsequently on 1 April 2021 for the period from 2021 to 2024, and for Executive Board member Joachim Herbst for the first time on 1 April 2021 for the three-year period from 2021 to 2024. Under the agreements, the members of the Executive Board are entitled to collect a cash payment. The plan is structured in such a way that a number of virtual shares are issued in an amount equalling a contractually defined target on the grant date based on the average closing price of the Bastei Lübbe share over the 30 days prior to the respective start date (1 April), multiplied by a target achievement level as of the applicable reporting date. In this connection, 431,325 virtual shares were awarded to former and current Executive Board members for the three-year periods from 2020 to 2023 and from 2021 to 2024 on the basis of the measurement of 31 March 2022. When the virtual shares are paid out, the period of activity in the respective three-year period is taken into account on a time-proportionate basis.

The final number of virtual shares is linked to the achievement of a non-market target. The defined target achievement must be at least 75% and is capped at 150%. The number of virtual shares is adjusted at the end of the plan in accordance with average target achievement in a range of 0% - 150%. The share-based payments for the members of the Executive Board do not confer any right to claim shares in the Company.

The fair value of the virtual shares was determined using the Black-Scholes formula. Service and non-market performance conditions associated with the transactions were not considered in the calculation of fair value.

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

Measurement parameters in accordance with IFRS 2	Grant date 1 April 2020	Measurement date 31 March 2022	Measurement date 31 March 2021
Fair value (in euros)	1.72	5.17	3.82
Share price (in euros)	1.79	6.94	4.46
Expected volatility (weighted average, %)	43.40%	35.69%	43.77%
Expected term (in years)	3	1	2
Expected dividends (%)	0.0%	4.2%	4.5%
Risk-free interest rate (based on government bonds, %)	-0.7%	-0.6%	-0.7%

Measurement parameters in accordance with IFRS 2	Grant date 01.04.2021	Measurement date 31 March 2022
Fair value (in euros)	4.24	6.5
Share price (in euros)	4.46	6.94
Expected volatility (weighted average, %)	48.60%	41.37%
Expected term (in years)	3	2
Expected dividends (%)	6.6%	4.2%
Risk-free interest rate (based on government bonds, %)	-0.7%	-0.5%

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

The total expenses under cash-settled share-based payments come to EUR 860k (previous year: EUR 299k).

The total carrying amount of the liabilities under share-based payments stands at EUR 1,158k (previous year: EUR 299k).

29. Other operating expenses

(kEUR)	2021/2022	2020/2021
Marketing expenses	6,523	6,564
Advertising	3,857	3,301
Legal, consulting and acquisition costs	2,397	2,703
IT expenses	1,578	1,236
Rents, leases and other costs of premises	578	505
Other expenses	2,034	1,872
	16,968	16,181

30. Share of profit of associates

The share of profit of associates is derived from the dividend distribution of Räder GmbH of EUR 1,200k (previous year: EUR 0k) and of various press wholesale companies.

31. Depreciation and amortisation

(kEUR)	2021/2022	2020/2021
Systematic depreciation and amortisation		
Intangible assets	-635	-294
Property, plant and equipment	-2,017	-1,979
	-2,652	-2,272
Impairment losses		
Intangible assets	–	-228
Financial assets	-8	–
	-8	-228
Reversal of impairment losses		
Financial assets	1,475	–
	1,475	–
	-1,185	-2,500

The income from the reversal of impairment losses on financial assets mainly relates to the loan to Daedalic Entertainment GmbH, which was repaid by that company with effect from 3 February 2022.

32. Net finance income/expenses

(kEUR)	2021/2022	2020/2021
Finance income		
Interest income from affiliated companies/associates	2	43
Income from derivatives	12	28
Others	207	516
	221	587
Finance expense		
Interest expense on bank loans	-163	-346
Interest expense on factoring	-137	-236
Interest expense on lease liabilities	-130	-197
Processing fees for syndicated loan	–	-66
Others	-28	-80
	-457	-925
Net finance income/expenses	-236	-337

Other finance income includes the income from the reduction of EUR 200k in the contingent purchase price payable to the sellers of Business Hub Berlin UG. In the previous year, income of EUR 457k had arisen from the reduction of the liability under the put option.

33. Income tax expenses and income

(kEUR)	2021/2022	2020/2021
Income taxes refunded, paid or owed		
for the current year	-3,818	-2,275
for previous years	-12	27
	-3,830	-2,247
Deferred taxes		
on temporary differences	35	-152
on change in loss carryforwards	16	-1,071
	51	-1,222
	-3,779	-3,470

Please also refer to Note 11 for information on changes in the statement of financial position resulting from income taxes.

Actual income tax expense can be reconciled with the expected tax expense for the year under review as follows:

(kEUR)	2021/2022	2020/2021
Net profit/loss before tax	14,800	10,719
Expected income tax expense (32.45%)	4,802	3,478
Differences in tax rates	-88	-69
Depreciation of excess tax base amounts	-2,334	-82
Non-deductible operating expenses / tax-exempt income / special area	1,467	40
Trade tax corrections	29	49
Deconsolidation	-60	–
Non-recognition of deferred tax assets	69	115
Taxes for prior years	11	-27
Adjustment for previous years	–	-16
Net gains/losses from the measurement of associates using the equity method	-122	-60
Other	5	41
Actual income tax expense	3,779	3,470

The tax rate corresponds to the tax rate of the Parent Company and, as in the previous year, is derived from the corporate income tax rate of 15% plus the solidarity surcharge of 5.5% and trade tax with an average assessment rate of 475%.

34. Share of profit for the period attributable to non-controlling interests

The share of profit of EUR 65k (previous year: EUR 378k) attributable to non-controlling interests is the sum total of the respective shares in profit, see also Note 16. Further information regarding non-controlling interests can be found in Note 4.

35. Other comprehensive income

Other comprehensive income mainly includes unrealised gains of EUR 6,345k from changes in the fair value of equity instruments. Further information on the fair values of equity instruments can be found in Notes 10 and 40.

Reporting on other information

36. Notes on the cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the cash flow statement shows changes in cash and cash equivalents during the year under review as a result of cash inflows and outflows. The cash flow statement distinguishes between cash flows from operating activities (indirect method), investing activities and financing activities. The changes in author advances are included in the cash flow from operating activities. Cash and cash equivalents include cheques and cash on hand as well as bank balances with a remaining term of less than three months. They correspond to the item “Cash and cash equivalents” in the statement of financial position.

In the year under review, income taxes paid and interest paid and received are reported separately in the cash flow statement. In the previous year, these amounts had been netted against the other items and disclosed in the notes to the consolidated financial statements. In addition, currency-translation-related changes in the cash flow components of cash and cash equivalents were reported separately in the year under review. As a result of these changes, there have been shifts in the cash flow statement for the previous year between cash flow from operating activities (EUR +598k), cash flow from investing activities (EUR +103k) and cash flow from financing activities (EUR -701k). The income tax expense of EUR 3,606k reported for the previous year includes expense of EUR 137k from discontinued operations. The net interest expense of EUR 455k for the previous year includes net finance expense of EUR 117k from discontinued operations.

Consolidated net profit for the period (EUR 11,021k, previous year: EUR 7,874k) increased by EUR 3,147k over the previous year. At EUR 12,848k, cash flow from operating activities fell short of the previous year (EUR 17,480k). This is mainly due to significantly higher non-cash expenses in the previous year, especially the depreciation of author fees and an increase in provisions. In addition, cash flow from operating activities in the year under review includes non-cash income from the fair value remeasurement gains on financial assets amounting to EUR 1,467k.

The cash flow from investing activities of EUR -2,777k in the year under review is mainly the result of the cash outflow for the acquisition of 60% of the shares in Community Editions of - EUR 5,159k (cash flow from investing activities in the previous year: EUR -5,226k). This is offset by the repayment of loans granted, particularly to Daedalic, of EUR 1,584k and dividend distributions received, particularly from Räder, of EUR 1,235k.

The cash flow from financing activities shows a total outflow of EUR -6,633k (previous year: EUR -685k) in the year under review. A dividend of EUR 3,828k was distributed to the shareholders of Bastei Lübbe AG in the year under review. In addition, loan liabilities of EUR 1,000k were repaid. Repayments of lease liabilities amount to EUR 1,463k (previous year: EUR 1,464k).

In the year under review, cash and cash equivalents recognised in the cash flow statement increased by EUR 3,437k (previous year: EUR 11,569k).

37. Reconciliation of liabilities from financing activities

(kEUR)	Carrying amount on 31 March 2021	Changes not recognised in the cash flow statement Cash flows	Change in fair value	Others	Carrying amount on 31 March 2022
Liabilities to banks	4,750	-1,000	–	–	3,750
Liabilities from derivatives	6	–	-6	–	–
	4,756	-1,000	-6	-	3,750

38. Segment report

Segment reporting reflects the Group's internal management and reporting structures. For the purposes of corporate management, the Bastei Lübbe Group is divided into business units according to products or their distribution channels. The business units are each monitored by the Executive Board on the basis of EBIT. Group financing (including finance expenses and income) and income taxes are managed on a Group-wide basis and are not allocated to the individual business segments. The transfer prices between the business segments are determined on an arm's length basis.

Book

The "Book" segment includes all printed book products as well as the digital ebook and audio products of Bastei Lübbe AG. The products are sold under various labels and in hardcover and paperback formats among other things. The segment also includes the subsidiaries Business Hub Berlin UG, Moravská Bastei MoBa s.r.o., Brno, Czech Republic and, for the first time, the subsidiary CE Community Editions GmbH.

Novel booklets

The "Novel Booklets" segment is composed of the physical novel booklets (including women's novels and suspense stories).

The segments were as follows in the year under review:

(kEUR)	Book		Novel booklets		Games (discontinued)	
	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021
Segment revenues	87,791	85,473	7,096	7,246	–	2,358
Internal revenues	381	31	–	–	–	–
External revenues	87,410	85,442	7,096	7,246	–	2,358
EBITDA	14,914	12,016	930	1,356	–	878
Amortisation and depreciation	-2,477	–	-175	-195	–	–
Impairment/writeups of financial assets	1,467	-2,305	–	–	–	–
EBIT	13,903	9,711	756	1,161	-	878
This includes the following significant non-cash items:						
Goodwill impairments	–	-228	–	–	–	–
Loss allowances for author fees[1)]	-713	-654	–	–	–	–
Reversion of impairments of author fees	411	50	–	–	–	–
Impairments of financial instruments and inventories	-8	-2,853	–	–	–	–
Remeasurement gains on financial instruments and inventories	1,475	–	–	–	–	–

1) This includes reversals of provisions of EUR 468k for onerous author contracts

(kEUR)	Group total		Continuing operations		Discontinued operations	
	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021
Segment revenues	94,888	95,077	94,888	92,719	–	2,358
Internal revenues	381	31	381	31	–	–
External revenues	94,507	95,046	94,507	92,688	–	2,358
EBITDA	15,844	14,250	15,844	13,372	–	878
Amortisation and depreciation	-2,652	-2,500	-2,652	-2,500	–	–
Impairment/writeups of financial assets	1,467	–	1,467	–	–	–
EBIT	14,659	11,750	14,659	10,871	–	878
Share of profit of associates	377	185	377	185	–	–
Net finance income/expenses	-236	-455	-236	-337	–	-117
Earnings before taxes (EBT)	14,800	11,480	14,800	10,719	-	761
Income taxes	-3,779	-3,606	-3,779	-3,470	–	-137
Net profit/loss for the period	11,021	7,874	11,021	7,249	-	624

Transactions between the segments mainly comprise intra-segment revenues and are generally conducted on arm's length terms.

The following table breaks down the segment revenues geographically:

	Germany		International		Total	
(kEUR)	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
External revenues	66,763	63,988	27,743	28,701	94,507	92,688

The revenues are allocated to the regions according to the location of the customer. International revenues are mainly generated in Austria, Luxembourg and Switzerland.

Bastei Lübbe generates more than 10% of its revenues with its largest customer. The total revenues generated with this customer stand at EUR 19,547k and relate to the “Book” segment.

Segmentation of assets, liabilities and investments on the basis of the operating segments is dispensed with, as these performance indicators are not used for management purposes at the segment level.

Segment assets and liabilities are predominantly located in Germany.

39. Capital management

The Group’s capital management ensures that the objectives and strategies can be achieved in the interests of its shareholders and employees. It focuses on maximising the return on equity. The aim is to increase the value of the Group and its divisions as far as possible for the benefit of all of its stakeholders.

As part of capital management, the Executive Board strives to achieve a strong equity base to reinforce the confidence of current and potential investors and contractual partners in the sustainability of Bastei Lübbe’s business activities and to guarantee the future development of its business. In order to strengthen the equity base, the Group plans to retain a substantial part of its profit on a sustained basis. Employee participation in the form of employee share schemes has so far been dispensed with.

The following key performance indicators are of particular importance for capital management:

- Group equity ratio
- Equity and EBITDA of Bastei Lübbe AG
- Ratio of net debt to consolidated EBITDA

Bastei Lübbe generally strives for an equity ratio of greater than 40% and a ratio of net debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less. The Group equity ratio stood at 54.0% as of 31 March 2022; the gearing was zero as of the same date due to the absence of any net debt as of the reporting date. As of 31 March 2022, net financial assets (cash and cash equivalents less liabilities to banks) were valued at EUR 14,224k and EBITDA at EUR 15,844k.

Under the existing loan agreements, covenants were defined and must be adhered to so as to ensure that the required financial resources can be obtained on the agreed terms. This entails a contractually agreed definition of gearing (adj. financial liabilities / adj. EBITDA) at the Group level. The lenders have a special right of termination in the event of any breach of these covenants.

40. Financial instruments

The following table sets out the carrying amounts and fair values of the financial instruments by type and breaks them down into the different categories of financial instruments in accordance with IFRS 9 as of 31 March 2022 and 31 March 2021.

(kEUR)	Measurement category in accordance with IFRS 9	Carrying amount on 31 March 2022	Measured in accordance with IFRS 9: At amortised cost	At fair value through other compre-hensive income	At fair value through profit and loss	Fair value on 31 March 2022
Assets						
Cash and cash equivalents	AC	17,974	17,974	–	–	–
Trade receivables	AC	14,143	14,143	–	–	–
Other originated financial assets	AC	413	413	–	–	–
Investments in associates	FVOCI	15,100	–	15,100	–	15,100
Investments in associates	AC	193	193	–	–	–
Equity and liabilities						
Trade payables	AC	16,643	16,643	–	–	–
Liabilities to banks	AC	3,750	3,750	–	–	–
Other originated financial liabilities	AC	10,990	10,990	–	–	–
Contingent purchase price liability	FVPL	469	–	–	469	469

On the basis of information capable of clarifying the amounts expected under the subsequent purchase price payments as of 31 December 2021, the fair value of the liability was reduced by EUR 2,315k. This reduction was offset against the goodwill of Business Hub Berlin UG through other comprehensive income. The expected consideration was recognised at its fair value as of the reporting date. The fair value as of the reporting date dropped by EUR 200k compared with the amount measured as of December 31, 2021 to EUR 469k through profit and loss. This reduction resulted in income, which is recognised within finance income, from the reduction of the contingent purchase price liability.

(kEUR)	Measurement category in accordance with IFRS 9	Carrying amount on 31 March 2021	Measured in accordance with IFRS 9: At amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Fair value on 31 March 2021
Assets						
Cash and cash equivalents	AC	14,472	14,472	–	–	–
Trade receivables	AC	13,963	13,963	–	–	–
Other originated financial assets	AC	446	446	–	–	–
Derivatives with no hedging relationship	FVPL	18	–	–	18	18
Investments in associates	FVOCI	8,865	–	8,865	–	8,865
Investments in associates	AC	193	193	–	–	–
Equity and liabilities						–
Trade payables	AC	16,336	16,336	–	–	–
Liabilities to banks	AC	4,750	4,750	–	–	–
Other originated financial liabilities	AC	11,206	11,206	–	–	–
Contingent purchase price liability	FVPL	2,984		2,984		2,984
Liability under put option	FVPL	–	–	–	-457	–
Derivatives with no hedging relationship	FVPL	6	–	–	6	6

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

- Cash and cash equivalents, trade receivables, other current receivables and assets, trade payables, current liabilities to banks and other current liabilities are very close to their carrying amount mainly due to the short-dated maturities of these instruments.
- The fair value of the equity instruments is determined using valuation models as there are no listed market prices in an active market. These measurement models apply observable market data rather than specific company data as far as possible.

Bastei Lübbe uses the following hierarchy to determine and report fair values:

- Level 1: Prices quoted in active markets for similar assets or liabilities (such as share prices).
- Level 2: Inputs, other than prices within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair value of all financial instruments recognised in the statement of financial position and disclosed in these notes is determined either on the basis of quoted prices (level 1) or on the basis of information and input factors (level 2) as described above. The use of observable market parameters means that the measurement does not deviate from general market assumptions. There are no level 3 financial instruments.

The net measurement gains and losses in the respective categories of financial instruments according to IFRS 9 for the reporting period are shown in the following table:

	From interest	From subsequent measurement			Miscella-neous
(kEUR)		Change in fair value	Currency translation	Loss allowance	Net result
Financial assets measured at amortised cost (AC)	–	–	–	–	–
Financial investments in equity instruments measured at fair value through other comprehensive income (OCI)	–	6,345	–	–	6,345
Financial assets at fair value through profit and loss (FVPL)	–	-18	–	–	-18
Financial liabilities measured at amortised cost (AC)	–	–	–	–	–
Financial liabilities at fair value through profit and loss (FVPL)	–	-206	–	–	206

The net results of the respective categories of financial instruments according to IFRS 9 for the previous year are shown in the following table:

	From interest	From subsequent measurement			Miscellan eous
(kEUR)		Change in fair value	Currency translation	Loss allowance	Net result
Financial assets measured at amortised cost (AC)	6	–	–	–	6
Financial investments in equity instruments measured at fair value through other comprehensive income (OCI)	–	6,770	–	–	6,770
Financial assets at fair value through profit and loss (FVPL)	–	-526	–	–	-526
Financial liabilities measured at amortised cost (AC)	-543	–	37	–	-506
Financial liabilities at fair value through profit and loss (FVPL)	–	21	–	–	21

41. Financial risk management

Bastei Lübbe's financial instruments are exposed to credit, liquidity, currency and interest rate risks. The purpose of financial risk management is to limit these risks through targeted activities.

Credit risk

Credit risks in connection with trade receivables are partially hedged at Bastei Lübbe in the form of trade credit insurance. Compliance with the respective trade credit limit for trade receivables from physical products is monitored in monthly intervals. There is essentially one main customer in the Novel Booklet segment. The receivables are not covered by trade credit insurance. They are regularly checked for compliance with the agreed payment terms.

In addition, a large part of the receivables from sold books (physical), merchandising articles etc. are subject to non-recourse factoring. The books sold are delivered via VVA (Bertelsmann subsidiary in Gütersloh). VVA provides this service for a large number of publishers, including the Random House Group. It has its own risk management system that monitors the creditworthiness of the individual debtors based on the total payments. VVA issues regular and timely warnings to its contractual partners, including Bastei Lübbe, if there is any change or deterioration in the payment practices of individual customers. In consultation with Bastei Lübbe, further deliveries to these customers are suspended.

The maximum credit risk for financial assets equals the carrying amounts of the financial assets in question. Further information on expected credit losses from financial assets can be found in Note 13.

Liquidity risk

The liquidity required by Bastei Lübbe was secured primarily through the working capital facility of EUR 10 million as of the reporting date. Day-to-day planning of incoming and outgoing payments provides an ongoing daily overview of liquidity requirements.

The following analysis of the contractual settlement dates for trade payables and financial liabilities can be used to assess the liquidity risk:

		Amount on 31 March 2022 Undiscounted cash outflows				
(kEUR)	Carrying amount	Total	Up to 30 days	>30 days, up to 180 days	>180 days, up to 1 year	More than 1 year
Trade payables	16,643	16,662	5,762	10,439	61	399
Liabilities to banks	3,750	3,750	–	250	750	2,750
Other originated financial liabilities	11,459	11,594	588	3,604	762	6,640
	31,852	32,007	6,351	14,293	1,573	9,789

		Amount on 31 March 2021 Undiscounted cash outflows				
(kEUR)	Carrying amount	Total	up to 30 days	>30 days, up to 180 days	>180 days, up to 1 year	More than 1 year
Trade payables	16,366	16,401	3,090	12,265	419	627
Liabilities to banks	4,750	4,862	–	559	553	3,750
Other originated financial liabilities	14,190	13,815	496	2,803	934	9,582
	35,306	35,078	3,586	15,627	1,906	13,959

In addition to the carrying amounts of the liabilities, the gross inflows/outflows particularly include future interest payment obligations.

Currency risk

Any material foreign-currency contract receivables and liabilities are hedged by means of forward exchange transactions with banks of an investment-grade credit standing.

A change in any exchange rate beyond this within an expected fluctuation range would not have any material effect on the Group’s net assets, financial position and results of operations.

Interest rate risk

Interest rate risks are hedged, if necessary, with suitable instruments from the derivatives market (e.g. interest rate swaps).

Bastei Lübbe only has fixed or low-interest financial assets and financial liabilities. In addition, the contingent purchase price liabilities are measured at fair value through profit and loss. Other than this, Bastei Lübbe does not have any financial liabilities that are recognised at fair value through profit and loss. A change in interest rates within the expected fluctuation range would therefore not have any significant impact on the consolidated result.

In principle, there is also a risk that an individual interest rate may change due to a change in creditworthiness. An increase of 1 percentage point in interest rates would cause interest expense to rise by around EUR 126k.

42. Leases

The Group mainly leases office space, IT equipment and vehicles. Some leases provide for additional rental payments based on the change in local price indices.

Right-of-use assets in connection with the leases are reported within property, plant and equipment.

(kEUR)	Land and buildings	Operating and office equipment	Total
Historical cost			
Amount on 1 April 2020	7,275	897	8,172
Changes to consolidated companies	–	3	3
Additions	2,172	390	2,562
Disposals	–	-283	-283
Reclassifications	–	–	–
Amount on 31 March 2021	9,446	1,008	10,454
Cumulative amortisation and impairment losses			
Amount on 1 April 2020	930	301	1,231
Changes to consolidated companies	–	–	–
Depreciation and amortisation	965	319	1,284
Disposals	–	-283	-283
Reclassifications	-15	–	-15
Amount on 31 March 2021	1,880	338	2,218
Carrying amounts			
Amount on 1 April 2020	6,345	596	6,941
Amount on 31 March 2021	7,567	670	8,237
Historical cost			
Amount on 1 April 2021	9,446	1,008	10,454
Changes to consolidated companies	–	-18	-18
Additions	487	126	613
Disposals	–	-33	-33
Reclassifications	–	–	–
Amount on 31 March 2022	9,933	1,084	11,017
Cumulative amortisation and impairment losses			
Amount on 1 April 2021	1,880	338	2,218
Changes to consolidated companies	–	-9	-9
Depreciation and amortisation	1,045	326	1,372
Disposals	–	-33	-33
Reclassifications	-15	–	-15
Amount on 31 March 2022	2,910	623	3,533
Carrying amounts			
Amount on 1 April 2021	7,567	670	8,237
Amount on 31 March 2022	7,023	461	7,484

Amounts recognised in the income statement:

(kEUR)	2021/2022	2020/2021
Depreciation of right-of-use assets	-1,372	-1,284
Interest expense for lease liabilities	-130	-197
Expense for short-term leases	-116	-73
Expense for low-value assets	-1	-1
Income from subleases	21	17

43. Contingent liabilities and other financial obligations

Contingent liability under joint and several liability for guarantees and cash advances, order commitment

As of the reporting date, there are no reportable contingent liabilities. Author fees of EUR 13,551k were outstanding as of the reporting date (previous year: EUR 17,653k). The payment dates depend on the occurrence of certain contractual events, e.g. the acceptance of the manuscript for a purchased work.

Other financial obligations

The settlement periods of the remaining other financial obligations, particularly maintenance contracts, are as follows:

(kEUR)	31 March 2022	31 March 2021
Less than one year	794	685
Between 1 and 5 years	–	–
More than five years	–	–
	794	685

Other financial obligations mainly comprise the cost of maintenance contracts and are assumed to be ongoing and unchanged per year

44. Related party disclosures

Ms. Birgit Lübbe is the majority shareholder of Bastei Lübbe AG. On 26 November 2014, a contract governing the performance of representation duties was entered into with her. This contract was amended in April 2021. In the 2021/2022 financial year, this resulted in fees and expenses of EUR 60k (previous year: EUR 120k).

Legal transactions were conducted with other related parties in the year under review. These are included in Bastei Lübbe AG's consolidated income statement as follows:

(kEUR)	2021/2022	2020/2021
Affiliated companies		
Sales of goods	22	33
Services rendered	12	–
	34	33
Associated companies and other investments		
Services rendered	74	366
Interest income	–	42
	74	408
Total	108	441

As of the reporting date, the following receivables and liabilities with related parties are included in the consolidated statement of financial position:

(kEUR)	31 March 2022	31 March 2021
Affiliated companies		
Trade payables	-4	-3
	-4	-3
Associated companies and other investments		
Trade receivables	–	2
	–	2
Total	-4	-1

45. Declaration of conformity pursuant to Section 161 of the German Stock Corporation Act

The declaration of compliance is permanently accessible to the public on Bastei Lübbe AG's website at www.luebbe.com/de/investor-relations/corporate-governance/entsprechenserklaerung.

46. Governance bodies

The members of the Supervisory Board are:

- Robert Stein, Cologne (Chairman), Dipl. Betriebswirt (BA)
  Mr. Stein is managing director of Arcana Capital GmbH, Cologne,
  Managing director of GHP Germany GmbH, Frankfurt
- Dr. Mirko Caspar, Berlin (Deputy Chairman), Diplom-Kaufmann
  Dr. Caspar is co-chairman of the Management Board of Mister Spex SE, Berlin,
  Shareholder of Userlutions GmbH, Berlin,
  Partner of Caspar Feld Marketing-Performance GmbH, Berlin.
- Prof. Dr. Friedrich L. Ekey, Cologne, lawyer
  Prof. Dr. Ekey is a partner in the Ekey law firm. Attorneys for commercial law, Cologne,
  Honorary professor at RFH – University of Applied Science, Cologne.

The total remuneration of the Supervisory Board (solely fixed remuneration) and its breakdown for the 2021/2022 financial year are shown in the following table:

(kEUR)	2021/2022	2020/2021
Robert Stein, Chairman of the Supervisory Board	100	100
Dr. Mirko Caspar	75	75
Prof. Dr. Friedrich L. Ekey	50	50
Total	225	225

The following persons have been appointed to the Executive Board of Bastei Lübbe AG:

- Soheil Dastyari, Hamburg (Chief Executive Officer, since 1 March 2022)
- Joachim Herbst, Kleinmachnow (Chief Financial Officer)
- Simon Decot, Frankfurt am Main (Chief Programme Officer)
- Sandra Dittert, Cologne (Chief Sales and Marketing Officer)

The total remuneration of the Executive Board for the 2021/2022 financial year is shown in the following table:

	Fixed remuneration		Additional benefits		Short-term incentive		Long-term incentive		Total	
(kEUR)	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021	2021/ 2022	2020/ 2021
Soheil Dastyari (since 1 March 2022)	35	–	4	–	10	–	–	–	49	–
Joachim Herbst	270	180	25	15	108	100	62	–	403	295
Sandra Dittert	210	140	22	14	87	75	171	52	490	281
Simon Decot	200	200	17	18	86	108	174	75	477	401
Total	715	520	68	47	291	283	407	127	1.419	977

(kEUR)	Fixed remuneration		Additional benefits		Short-term incentive		Long-term incentive		Total	
	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021	2021/2022	2020/2021
Carel Halff (until 30 September 2020)	–	180	–	18	–	96	189	67	189	361
Klaus Kluge (until 30 September 2020)	–	125	–	2	–	67	131	46	131	240
Ulrich Zimmermann (until 31 December 2020)	–	165	–	6	–	84	133	58	133	313
Total	–	470	–	26	–	247	453	171	453	914

47. Employees

In the year under review, the average number of employees in the Group (continuing operations) stood at 271 (previous year: 244) (including 271 salaried employees; previous year: 244). As of 31 March 2022, the number of employees across the Group stood at 280 (previous year: 247) (including 280 salaried employees; previous year: 247).

48. Fees for services provided by the auditor of the consolidated financial statements

The fees charged in the year under review by the auditor of the consolidated financial statements within the meaning of Section 319 (1) Sentences 1, 2 of the German Commercial Code break down as follows:

(kEUR)	2021/2022	2020/2021
Auditing services	466	298
Tax consulting services	30	19
Other services	–	19
	496	336

The auditing services include the audit of the annual financial statements and the consolidated financial statements of Bastei Lübbe AG and audits or reviews of the consolidated subsidiaries in the amount of EUR 466k (previous year: EUR 298k).

The tax consulting services particularly include the preparation of Bastei Lübbe AG’s tax returns, the review of the tax assessments, the processing of individual tax enquiries and advice on tax matters in connection with the acquisition of an investment.

Other services mainly include expenses for accounting questions relating to the audit.

49. Group relations

Bastei Lübbe AG, Cologne, is a parent company which, as a listed company, prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) pursuant to Section 315e (1) of the German Commercial Code (HGB). These consolidated financial statements are published in Bundesanzeiger and in the Company Register (Cologne Local Court, HRB 79249).

50. Events after the reporting date

No events that are of material significance for the Bastei Lübbe Group liable to lead to a different assessment of the Group occurred after the reporting date.

Cologne, 4 July 2022

Bastei Lübbe AG
The Executive Board

Soheil Dastyari
Chief Executive Officer

Joachim Herbst
Chief Financial Officer

Sandra Dittert
Chief Marketing and Sales Officer

Simon Decot
Chief Programme Officer

SUPPLEMENTARY INFORMATION

AUDIOBOOKS –
LÜBBE AUDIO

Responsibility statement

Statement of the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements of Bastei Lübbe AG, Cologne as of 31 March 2022 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Cologne, 4 July 2022

Bastei Lübbe AG
The Executive Board

Soheil Dastyari Chief Executive Officer	Joachim Herbst Chief Financial Officer	Sandra Dittert Chief Marketing and Sales Officer	Simon Decot Chief Programme Officer

Independent Auditor's Report

To Bastei Lübbe AG, Cologne

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

Audit opinions

We have audited the consolidated financial statements of Bastei Lübbe AG, Cologne, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 March 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 April 2021 to 31 March 2022, and consolidated notes to the financial statements, including a summary of material accounting methods. In addition, we have audited the combined management report of Bastei Lübbe AG, Cologne for the financial year from 1 April 2021 to 31 March 2022. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration represented in the financial statement and posted on the Company's website pursuant to sections 289f and 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) and the declarations of conformity in accordance with section 161 German Public Limited Companies Act (AktG [Aktiengesetz]), also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2022 and of its financial performance for the financial year from 1 April 2020 to 31 March 2022, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the above-mentioned components of the combined management report not audited in respect of their content.

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

Basis for the audit opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the Financial Year from 1 April 2021 to March 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

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

1. Valuation of pre-paid royalties
2. Impairment of goodwill
3. Valuation of the investment in Räder GmbH at fair value

Re 1) Valuation of pre-paid royalties

a) Risk for the financial statements

As of the balance sheet date, the balance sheet shows pre-paid royalties with a total carrying amount of EUR 20.1 million (previous year: EUR 19.8 million), which corresponds to 19 % (previous year: 22 %) of the balance sheet total. In the financial year, scheduled depreciation amounted to EUR 11.2 million (previous year: EUR 12.9 million) and unscheduled depreciation to EUR 0.7 million (previous year: EUR 0.7 million). This was offset by value recoveries amounting to EUR 0.4 million (previous year: EUR 0.1 million). In addition, provisions for anticipated losses from existing contracts with authors were increased by EUR 0.5 million to EUR 1.3 million (previous year: EUR 0.8 million). The inventory of pre-paid royalties relates to guarantee and advance payments for manuscripts for which Bastei Lübbe has acquired exploitation rights. They are measured at amortized cost. Scheduled depreciation is generally determined on the basis of the revenues generated, depending on performance. If the revenues generated are below a typical sales trend, this is used as the basis for determining depreciation. In addition, unscheduled depreciation is charged if sufficient sales are no longer expected in the future. The Company's disclosures on the balance of pre-paid royalties are contained in the sections "Balance of pre-paid royalties" of the notes and "Net assets" and "Net assets of Bastei Lübbe AG" of the combined management report.

The scheduled depreciation as well as the determination of additional unscheduled depreciation requirements are affected to a great extent by estimated values and discretionary decisions. Considering the central importance and the amount of the capitalizedpre-paid royalties, as well as the inherent uncertainty of estimates and discretionary decisions, this matter was of particular importance within the scope of our audit.

b) Audit procedures and conclusions

Depreciation of pre-paid royalties is performed based on performance or based on standardized historical sales trends for the categorized forms of exploitation. In the course of our audit, we analyzed the accuracy of the performance-related depreciation. In addition, we examined the adequacy of the standardized sales trends.

We also evaluated the adequacy of the methods applied by the company to identity whether triggering events for unscheduled depreciation exist. We then evaluated the forecasts and premises underlying the impairment tests and possible provisions for impending losses and discussed them with the responsible employees and the Management Board. We also evaluated whether management has made biased judgements and estimations.

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

Re 2) Impairment of goodwill

a) Risk for the financial statements

As of the balance sheet date, the consolidated balance sheet shows goodwill with a total carrying amount of TEUR 5,671 (previous year: TEUR 4,077). The Company's disclosures on goodwill are included in the sections "Impairment tests", "Significant changes in the scope of consolidation" and "Intangible assets" of the notes to the consolidated financial statements. In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated must be subjected to an impairment test at least once a year. As part of this test, the Company uses a valuation model based on expectations of the future development of the respective operating business and the resulting cash inflows. Furthermore, the valuation is significantly dependent on the discount rates used. The result of the impairment test is therefore largely subject to the influence of discretionary values. Against this background, this matter was of particular importance in the context of our audit.

b) Audit procedures and conclusions

In the course of our audit, we reconciled the method used to perform the impairment test with the requirements of IAS 36. During our audit, we verified, among other things, the method used to perform the impairment test and checked the plausibility of the forecasts underlying the future cash flows. In addition, we assessed the calculation of the discount rates. We also verified the mathematical accuracy of the valuations. In addition, we assessed the sensitivity analyses prepared by the Company. Based on the results of our audit, the assumptions applied by the legal representatives in the impairment test of goodwill are appropriate, taking into account the available information.

Re 3) Valuation of the investment in Räder GmbH at fair value

a) Risk for the financial statements

Bastei Lübbe AG holds a 20% (previous year: 20%) interest in Räder GmbH, which is domiciled in Essen. The fair value of Räder GmbH amounts to EUR 15.1 million (p.y. EUR 8.8 million) as of the balance sheet date. The Company's disclosures on its investment in Räder GmbH can be found in the sections "Basis of consolidation and shareholdings", "Financial assets" and "Other comprehensive income" in the notes to the consolidated financial statements. In accordance with IFRS 9.4.1.4 in conjunction with IFRS 9.5.7.5, the shares in Räder GmbH are measured at fair value through other comprehensive income. The fair value is determined on the basis of a valuation model that is based on expectations of business performance as well as trading and transaction multiples (multiples method). In this context, discounts specific to the company were taken into account. The Company used the work of an external expert commissioned by the Company. The result of the fair value valuation is significantly subject to the influence of discretionary assumptions. Against this background and due to the material impact on the financial position and equity, this matter was of particular significance in the context of our audit. The increase in fair value is mainly due to the sustained increase in EBIT and the simultaneous significant reduction in the Company's level of debt.

b) Audit procedures and conclusions

In the course of our audit of the fair value valuation of Räder GmbH, we first assessed the applicability of the valuation model used. In addition, we checked the plausibility of the assumptions regarding earnings expectations and the appropriateness of the multiples used. In doing so, we evaluated, among other things, the available work of external experts commissioned by the Company and the professional qualifications of the external experts. We were able to convince ourselves that the valuation of the investment in Räder GmbH was carried out appropriately and that the assumptions on which the valuation was based were sufficiently documented and justified overall.

Other Information

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

- the Group corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d HGB and the declarations of conformity in accordance with section 161 AktG, also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the combined management report;
- the supervisory board report,
- the other parts of the Annual Report, but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's opinion;
- the confirmation pursuant to section 297 (2) Sentence 4 HGB concerning the consolidated financial statements and the confirmation pursuant to § 289 para. 1 sentence 5 HGB in conjunction with section 315 para. 1 Sentence 5 HGB for the combined management report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB.

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

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

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

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

Other legal and regulatory requirements

Report on the assurance in accordance with § 317 para. 3a HGB on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes

Reasonable assurance opinion

We have performed assurance work in accordance with § 317 para. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file "529900F1RRY8J20M2I79-2022-03-31-de.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 April 2021 to 31 March 2022 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above.

Basis for the reasonable assurance opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with § 317 para. 3a HGB and the Exposure of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the “Group auditor’s responsibilities for the assurance work on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with § 328 para. 1 sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 para. 1 sentence 4 No. 2 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 para. 1 HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 para. 1 HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 para. 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the shareholders on 15 September 2021. We were engaged by the Supervisory Board on 12 November 2021. We have been acting as the auditor of the financial statements for Bastei Lübbe AG, Cologne, without interruption since the 2016/17 Financial Year.

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

Other matters - Use of the auditor's report

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Mr. Holger Wildgrube.

Cologne, 4 July 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Werner Holzmayer	Holger Wildgrube
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar 2022/2023

Date	Event
11 August 2022	Quarterly statement (Q1)
14 September 2022	Annual General Meeting
10 November 2022	Half-year financial report as of 30 September 2022 (HY1)
9 February 2023	Quarterly statement (Q3)

Legal notice

For reasons of better readability, the simultaneous use of the language forms male, female and diverse (m/f/d) is avoided as far as possible. All job and personal titles apply equally to all genders.

Bastei Lübbe AG's annual report is available as a PDF file on the Internet at www.luebbe.com.
Further information can also be found on the Internet at www.luebbe.com.

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