



At a glance

Key figures (IFRS)	01.04-31.12.2017	01.04-31.12.2016	Change in %
Business development in EUR million			
Group turnover	112.7	115.7	-2.6%
EBITDA	5.1	9.3	-45.2%
EBITDA margins	4.5%	8.0%	-43.8%
Group result	-10.3	2.3	---
Key figures (IFRS)	31.12.2017	31.03.2017	Change in %
Financial and assets position in EUR million			
Balance sheet total	143.9	146.1	-1.5%
Equity*	40.7	51.0	-20.2%
Equity ratio	28.3%	34.9%	-19.0%

*incl. shares of non-controlling shareholders

Group quarterly report for Bastei Lübbe AG for the first nine months of the 2017/2018 financial year, up to 31 December 2017

1 General conditions

Macroeconomic conditions

In the reporting period from October to December 2017, the global economy continued to gain momentum, causing the International Monetary Fund (IMF) to raise its forecast for increasing economic performance by 0.1 percentage point. Compared to the forecast in October 2017, the IMF now expects economic output to increase overall in 2017 by 3.7%.¹ International equity markets maintained their positive mood in the fourth quarter of 2017, although the significant appreciation of European currencies against the US dollar slowed equity markets in the single currency area. Political risks on a global scale and rising interest rates also put a strain on the capital markets.²

As a result of dynamic domestic demand and rising exports, the growth rates of many eurozone economies increased, especially in Germany, Italy and the Netherlands. The eurozone still managed to gain in momentum in the fourth quarter of 2017, according to the Eurostat statistics agency, and reported an increase in gross domestic product (GDP) of 0.6% over the previous quarter. GDP in the eurozone increased by 2.5% in 2017.³

Experts at the International Monetary Fund expect growth of 2.5% for Germany on the same level as the overall eurozone.⁴ The mood in company boardrooms is excellent, due to the current economic situation. In January 2018, the IFO Business Climate Index reached a new record level of 117.6 points (previous record: 117.2 points). The forecast level for the coming months is slightly lower, but still remains at a high level.

The industry environment in the Bastei Lübbe AG business segments

According to the German Publishers and Booksellers Association, accumulated **book** revenue in the retail book-selling, e-commerce, station bookshop, department store and electrical shop and chemist's shop markets saw a fall of 3.5% between October - December 2017, compared to the previous year. While sales – i.e. the number of copies sold – declined, the 1.5% increase in book prices applied in 2017 was able to offset this negative result a little.⁵

According to the German Publishers and Booksellers Association, **e-book** revenue fell by 4.6% in the first three quarters of 2017, due to falling prices and readership. Sales of e-books increased by 1.7% compared to the same quarters in the previous year, while the sales share of e-books in the consumer market fell from 5.2% to 5.0%. The buying intensity of e-book readers increased by 10.4%.⁶ Figures for the fourth quarter of 2017 were not yet available when this report was drafted.

Figures for the **games** industry, which is also relevant for Bastei Lübbe, were not available at the time of reporting. Nevertheless, the great cultural, economic and innovative potential of computer and video games for society and the economy has finally been recognised and used according to game (German Games Industry Association). With the coalition agreement between the CDU/CSU and SPD, game development in Germany should be financed for the first time at federal level, with the creation of a separate fund.⁷

¹ <http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>

² https://www.metzler.com/de/dam/jcr:5703c35f-4220-4913-9842-25971e494c16/marktaktuell_Q1_2018_d.pdf

³ <http://ec.europa.eu/eurostat/documents/2995521/8627399/2-30012018-AP-DE.pdf/15e09015-4a7f-4d16-978b-745d82db9082>

⁴ <http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018>

⁵ <https://www.boersenverein.de/1416973/>

⁶ https://www.boersenverein.de/de/portal/Presse/158382?presse_id=1399875

⁷ <https://www.game.de/blog/2018/02/07/games-fonds-erkennung-von-esports-und-ausbau-der-digitalen-bildung-games-branche-begruesst-programm-der-grossen-koalition/>

On the “**novel booklets and puzzle magazines**” market, the trend was stable overall, compared to the sharply decreasing turnover figures for general press at -2.7% (source: PDWH 2017/2016_Q1-3). In addition to multiple price increases, this turnover was achieved with a 4.3% increase in the number of titles in the novel booklets and puzzle magazines segment.

According to the German Publishers and Booksellers Association, subscriptions and **streaming services for books**, so-called flat-rate models, increasingly contribute to the sales development of publishing companies. Publishers of fiction benefit exceptionally well from digital business. More than half of the major publishing companies now use streaming, flat-rate or rental models, even though the revenue contributions of the flat-rate models are still low.⁸

2. Business Performance

Earnings performance

Bastei Lübbe attained a group revenue of 112.7 million euros between April and December in the 2017/2018 financial year, compared to 115.7 million euros in the same period of the previous year. Turnover was therefore slightly below the level of the previous year. When adjusted for the discontinued non-book sales operations, however, it rose by 12%. The “book” and “digital” business segments managed to significantly increase turnover. In the “retail” segment, however, turnover was significantly lower than in the previous year. The group’s EBITDA fell to 5.1 million euros in the period under review, compared to 9.3 million euros in the same period in the previous year. Adjusted for the discontinued business segments, the EBITDA fell by 1 million euros due to the weak business development in the “retail” segment and additional amortisations on capitalised author royalties. The EBITDA margin therefore decreased from 8.0% (adjusted: 6.3%) in the previous year to 4.5% (adjusted: 4.7%) in the period under review.

Turnover in the “book” segment, which, starting with this financial year, also includes sales of Bastei Lübbe AG digital e-book and audio products, increased by 27.3% from 54.6 million euros to 69.5 million euros. The increase is mainly the result of the revenue from bestsellers by Dan Brown and Ken Follett, but also due to increased revenues of the LYX label. The EBITDA segment fell from 4.7 million euros in the previous year to 3.3 million euros in the current financial year. This is due to additional amortisations on prepaid author royalties amounting to 4.5 million euros. The prepaid royalties were previously assessed individually in terms of their recoverability. In the future, the assessment will be carried out in a more schematic and restrictive way, pursuant to a method developed with the auditor.

In the “retail” sales segment, turnover was 19.3% below the prior year, and decreased from 32.5 million euros in the previous year to 26.2 million euros in the period under review. The significant decline in turnover was primarily caused by a decline in sales campaigns, combined with a higher return rate. The EBITDA fell from 0.4 million euros to -2.0 million euros as a result of the decline in revenue and disproportionately higher logistics costs.

Revenue in the “digital” segment increased by 52.5% compared to the previous year, from 6.3 million euros to 9.6 million euros. The main growth driver was the Daedalic subsidiary with the successful games “Shadow Tactics” and “Säulen der Erde”. The EBITDA segment was able to improve from -0.1 million euros in the previous year to 2.4 million euros in the current financial year. Here, too, Daedalic made the largest contribution.

Sales in the “novel booklets and puzzle magazines” segment increased slightly from 7.4 to 7.5 million euros. The EBITDA increased from 1.4 million euros in the previous year to 1.6 million euros in the current financial year.

The cost of materials netted against the change in inventories of finished products and works in progress in the Group increased compared to the previous year by 4.7 million euros to 64.4 million euros, which corresponds to a materials cost rate of 57.1% (previous year: 51.6%). The increase of the material cost ratio for the current financial year results from additional amortisations on prepaid author royalties. Personnel expenditure fell from 23.6 million euros in the previous year to 21.9 million euros. Other operating expenditure fell from 27.9 million euros in the previous year to 25.6 million euros.

The result for Group operating activities (EBIT) for the period from April to December amounted to -8.7 million euros (previous year: 2.6 million euros). In addition to the unplanned depreciations of oolipo’s intangible assets in the 2nd quarter of the financial year, which amounted to 3 million euros, further unplanned depreciations of intangible assets amounting to 6.3 million euros were recorded on 31 December 2017. The EBIT margin fell to -7.8%, against 4.9% in the same period the previous year.

⁸ <https://www.igdigital.de/umfrage-digitale-umsaetze/>

The financial result amounted to -1.3 million euros (previous year: -2.2 million euros). The earnings before tax (EBT) amounted to -10.0 million euros (previous year: 3.5 million euros). The consolidated net income attributable to the shareholders of the Bastei Lübbe AG Group for the period amounted to -9.0 million euros (previous year: 2.5 million euros). Earnings per share amounted to -0.68 euros compared to 0.19 euros in the previous year. The 13,200,100 shares in circulation (unchanged from the previous year) were taken into account for the reporting period.

Assets position

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

KEUR	31.12.2017	31.03.2017	Change
Long-term assets	72,684	89,511	-16,827
Short-term assets	71,210	56,540	14,670
Total assets	143,894	146,051	-2,157
Equity	40,681	50,994	-10,313
Long-term liabilities	38,655	40,713	-2,058
Short-term liabilities	64,558	54,344	10,214
Total liabilities	143,894	146,051	-2,157

The group balance sheet total fell by 2.2 million euros, from 146.1 million euros to 143.9 million euros.

The 16.8 million euro reduction in non-current assets mainly relates to the depreciation-related fall in intangible assets (-9.2 million euros, incl. -5.8 million euros in goodwill) and the stock of prepaid author royalties (-7.4 million euros). The 14.7 million euro increase in current assets mainly relates to accounts receivable trade (+7.2 million euros) and financial assets (+8.2 million euros).

Due to these results, the equity capital fell to 10.3 million euros. The -2.1 million euros decrease in the long-term debt relates to both the financial liabilities of -1.5 million euros and the increase in the short-term debts of 10.2 million euros – here the increase in current financial liabilities is 6.8 million euros. In addition, trade payables (+2.5 million euros) and accruals (+1.1 million euros) increased. All other liabilities have changed only marginally.

3. Supplementary Report

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

As presented at the Annual General Meeting in November 2017, the facts relating to M&A transactions for financial years 2014/2015 - 2016/2017 are currently being prepared with external support. Both legal and economic aspects are being examined. Because the examination of these transactions is still ongoing, no further information can be provided at the present time

4. Opportunity and risk report

The risk situation of Bastei Lübbe AG and its opportunities have not changed significantly since the situation described in the 2016/2017 annual report. To pre-finance the Dan Brown and Ken Follett blockbusters in the autumn of 2017, a seasonal credit line of up to 10 million euros was agreed with the underwriting banks, until 30 November 2017.

5. Forecast

Taking into account the additional amortisations, including the need for the reduction of capitalised author royalties, as well as the 9-month figures, which are below expectations in the "retail" segment in particular, the Management Board assumes that the sales and earnings targets originally targeted for financial year 2017/2018 cannot be reached. Given the current state of knowledge, the Management Board expects turnover of around 140 million euros for the current financial year (previously: around 160 million euros; previous year: 146.3 million euros). It should be noted that approximately 15 million euros of revenue in the current financial year are no longer present compared to the previous year due to the discontinued "non-book" business segment.

Turnover in the "book" segment will increase significantly, in particular as a result of the hardcover new releases by world best-selling authors Dan Brown and Ken Follett. The same applies for the "digital" segment due to promising new products at Daedalic Entertainment. However, the turnover in the "retail" segment will fall compared to the previous year. The "novel booklets and puzzle magazines" segment will likely maintain the turnover of the previous year.

The EBITDA will be around EUR 5 million (previously: at least 14 million euros; previous year: 5.4 million euros) and the EBIT is expected to be around -11 million euros (previous year: -0.3 million euros).

Cologne, 21 February 2018

Bastei Lübbe AG

Board of Directors



Ulrich Zimmermann
Chief Financial Officer



Carel Half
Chairman



Klaus Kluge
Board Programme,
Sales and Marketing

Consolidated profit and loss account and consolidated statement of income for Bastei Lübbe AG, Cologne, for the period from 1 April 2017 to 31 December 2017

	01.04-31.12 2017 KEUR	01.04-31.12 2016 KEUR
Sales revenue	112,721	115,685
Change in inventories of finished goods and work in progress	-1,154	2,867
Other capitalised self-constructed assets	2,339	2,725
Other operating income	1,487	1,805
Material expenses		
a) Expenditure on raw materials and supplies and on purchased goods	-15,810	-19,864
b) Expenses for purchased services	-19,467	-25,465
c) Expenses for fees and depreciation on author royalties	-27,939	-17,237
	-63,216	-62,566
Personnel expenses		
a) Wages and salaries	-18,507	-20,068
b) Social security contributions and expenses for pensions and support schemes	-3,356	-3,580
	-21,863	-23,648
Other operating expenses	-25,592	-27,896
Earnings from investments	391	342
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5,113	9,314
Amortisation of intangible assets and property, plant and equipment	-13,300	-3,387
Depreciation of financial investments	-549	-221
Earnings before interest and taxes (EBIT)	-8,736	5,706
Financial result	-1,264	-2,164
Earnings before taxes (EBT)	-10,000	3,542
Taxes on income and earnings	-313	1,243
Results for the period*	-10,313	2,299
Other profit/loss	0	0
Total earnings	-10,313	2,299
Of which is attributable to:		
shareholders of Bastei Lübbe AG	-9,041	2,542
Equity capital shares of non-controlling shareholders	-1,272	-243
	-10,313	2,299
Earnings per share (undiluted = diluted) (relating to period result attributable to shareholders of Bastei Lübbe AG)	-0.68	0.19

* includes period result from discontinued operations amounting to KEUR -154 (previous year: KEUR 1,368)

Consolidated Balance Sheet of Bastei Lübbe AG, Cologne, dated 31 December 2017

	31.12.2017	31.03.2017
	KEUR	KEUR
Long-term assets		
Intangible assets	30,740	39,934
Inventory of pre-paid royalties	30,022	37,376
Tangible assets	3,566	3,547
Financial investments	3,774	4,380
Trade receivables	945	1,135
Deferred tax claims	3,637	3,139
	72,684	89,511
Short-term assets		
Inventories	28,350	30,178
Trade receivables	26,757	19,564
Financial assets	11,925	3,738
Income tax receivables	0	410
Other receivables and assets	704	977
Cash and cash equivalents	3,466	1,203
Assets from discontinued operations	8	470
	71,210	56,540
Total assets	143,894	146,051
Equity		
Share of equity attributable to parent company shareholders:		
Subscribed capital	13,200	13,200
Capital reserves	26,804	26,804
Net profit	-5,194	3,847
	34,810	43,851
Equity capital shares of non-controlling shareholders	5,871	7,143
	40,681	50,994
Liabilities		
Long-term liabilities		
Accruals	126	151
Deferred tax liabilities	4,385	4,271
Financial liabilities	32,936	34,437
Other liabilities	1,208	1,854
	38,655	40,713
Short-term liabilities		
Financial liabilities	23,677	16,867
Trade payables	30,825	28,370
Income tax liabilities	457	175
Accruals	8,116	7,005
Other liabilities	1,399	1,416
Debts from discontinued operations	84	511
	64,558	54,344
Total debts	103,213	95,057
Total liabilities	143,894	146,051

Bastei Lübbe AG, Cologne, Segment reporting for the period from 1 April to 31 December 2017

(KEUR)	Book		Retail		Digital		Non-book		Novel booklets and puzzle magazines		Total	
	4-12/ 2017	4-12/ 2016	4-12/ 2017	4-12/ 2016	4-12/ 2017	4-12/ 2016	4-12/ 2017	4-12/ 2016	4-12/ 2017	4-12/ 2016	4-12/ 2017	4-12/ 2016
Segment sales revenue	70,935	57,493	26,213	32,500	9,606	6,446	-70	14,934	7,518	7,368	114,202	118,741
Internal sales	1,427	2,872	0	0	54	184	0	0	0	0	1,481	3,056
External sales	69,508	54,621	26,213	32,500	9,552	6,262	-70	14,934	7,518	7,368	112,721	115,685
EBITDA	3,266	4,663	-1,970	366	2,429	-74	-227	2,994	1,615	1,365	5,113	9,314
including:												
Earnings from investments	0	0	0	0	0	0	0	0	391	342	391	342
Amortisations	1,411	1,195	5,862	300	6,452	1,615	0	361	124	137	13,849	3,608
EBIT	1,855	3,468	-7,832	66	-4,023	-1,689	-227	2,633	1,491	1,228	-8,736	5,706
Financial result											-1,264	-2,164
Earnings before taxes (EBT)											-10,000	3,542
Taxes on income and earnings											-313	1,243
Results for the period											-10,313	2,299

In the 2017/2018 financial year, Bastei Lübbe amended segment reporting. As of the beginning of the financial year, the revenue and results from Bastei Lübbe AG digital e-book and audio products were integrated into the "book" segment. The areas previously listed separately in the company have been merged. The internal control and reporting structure was also adapted accordingly. The Daedalic, oolipo, BEAM Shop and BookRix subsidiaries still belong in the "digital" segment. The previous-year figures have been adjusted accordingly.

Until 31 December 2016, the "non-book" segment mainly comprised gift items sold under the Räder label. The Räder segment was sold in 1 January 2017 and classified as a discontinued operation.

Legal notice

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