



**BASTEI LÜBBE AG
ANNUAL REPORT
2020/2021**

Lisa Unger
DIE FOLGSAME TOCHTER

At a glance

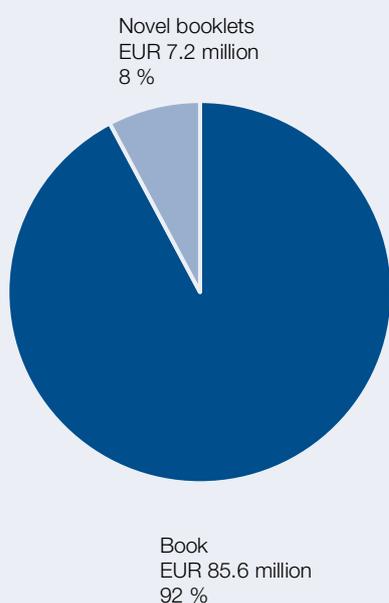
	2020/2021	2019/2020	Change
Financial indicators (IFRS) in EUR millions			
Revenues	92.7	81.5	13.7%
EBIT	10.9	4.1	163.3%
EBIT margin (%)	11.7%	5.1%	6.7 pp
Net profit for the period from continuing operations	7.2	1.9	283.9%
Net profit for the period from discontinued operations	0.6	-11.0	–
Consolidated earnings	7.9	-9.1	–
Total assets as of 31 March	90.1	68.6	31.4%
Equity* as of 31 March	42.6	27.4	55.8%
Equity ratio (%) as of 31 March	47.3%	39.9%	7.4 pp
Net debt as of 31 March	-9.7	0.6	–
Free cash flow	11.8	12.1	-2.6%
Other indicators			
Earnings per share** (in EUR)	0.57	-0.46	–
Share price at the end of the fiscal year (EUR)	4.46	1.88	137.2%
Employees as of 31 March	247	231	6.9%

* incl. non-controlling interests

** See Note 17 to the consolidated financial statements for details of the calculation method

Strong performance in core business

2020/2021 revenues by segment



Operational milestones and outlook

- Revenue up 14 % year-on-year, digital revenue up 26 %
- EBIT margin significantly up on the previous year and the forecast
- All areas rose to the challenges posed by the pandemic, extraordinary performance on the part of all employees
- Dirk Rossmann (“Der neunte Arm des Oktopus”) and Ken Follett (“The Evening and the Morning”) very successful
- LYX with a further year-on-year increase in revenues and EBIT
- E-book-only segment with the beHEARTBEAT and be-THRILLED imprints posting a 46% year-on-year increase in revenues (EUR 1.3 million)
- Acquisition of Business Hub Berlin UG (smarticular) with innovative publishing model and the smarticular-net and kostbarenatur.net community platforms

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LÜBBE AUDIO



Lübbe Audio is celebrating its **25th anniversary** this year.

Lübbe Audio is celebrating its 25th anniversary this year. Bastei Lübbe was one of the first general-interest publishers in Germany to establish its own audiobook imprint, which it has been continuously expanding. The audio sector has been one of the major growth markets in the book industry for years, offering various possibilities for exploitation. In addition to the classic CD, audio books have also long been available as downloads and on streaming platforms. Many audio book publishers are also actively driving the podcast boom. The Lübbe Audio team have been creating attractive programmes for decades, producing audio books and radio plays for young and old, and have received many awards over the years. Lübbe Audio has had its own recording studios for more than ten years, where numerous productions are recorded and where celebrated audio book narrators come together to lend their famous voices to a wide variety of books.

The following pages explain how audio book business works, what changes it is experiencing and what opportunities it holds. And, of course, it is not only voices from within the company that have their say here. One of Germany's best-known actors also offers his take on audio books.

Interview with **Matthias Mundt**, Team Leader Sales Lübbe Audio

How has the audiobook market been developing in recent years?

The audiobook market has been dominated by the digital transformation over the last few years. Physical media such as CDs have been replaced by digital formats as the preferred source for audio books. With the widespread use of smartphones, audio books are now also available anywhere and at any time. As a result, more people are discovering audiobooks each day and publishers' revenues are higher than ever before.

What are the greatest challenges at the moment?

The technical and economic realities of audiobook business are changing rapidly right now. The digital market is growing very quickly, continuously offering us new business models. We need to seize the opportunities offered by the digital transformation and at the same time shield ourselves and our licensors from possible risks.

“The digital market is growing very quickly, continuously offering us new business models.”



What sets Lübbe Audio apart from other audio book publishers?

As an audiobook publisher within Bastei Lübbe AG, we benefit greatly from our Company's wide range of bestsellers. In addition, we develop a lot of our own material which is specially tailored to audio books in conjunction with our editing department. This gives us an important source of revenues outside the highly competitive licensing market, which is dominated by novels.

How does the distribution of audio books differ from the distribution of printed books?

Physically, our focus is on the recorded music market alongside book retailers. At the same time, there are major differences in the distribution mechanisms in some cases. For example, audio books are not subject to set prices, meaning that attractive pricing provides an important purchasing impulse for audiobook customers. And digitally, too, we address a completely different retail landscape, in which we must offer our audio book customers subscription and flat-rate models in particular.

How do you decide what audiobook to publish in what format?

When planning the programme, we try to offer our customers the best medium for the respective audio book. A large proportion of listeners now prefer digital models, i.e. in the form of downloads or streaming. We press CDs when this is justified by demand for the title in question. Our audioplay series “John Sinclair”, for example, is very popular with collectors. So, we always produce a CD version of it as well.



Streaming is all the rage at the moment. But what precisely does it involve and what business model is it based on?

With streaming, a customer does not purchase a specific title for a fixed purchase price but merely receives access to a catalogue of content for a limited period of time. This usually takes the form of a subscription. With most music streaming services, for example, the customer pays €9.99 a month and receives unlimited access to millions of songs, podcasts and audio books in return. The remuneration paid to the licensors is based on the frequency with which their titles are heard. The success of streaming models in the music industry and also in the audiobook market shows that younger people in particular now place less value on physically owning content. Streaming models allow us as publishers to reach an extremely large number of people and inspire them with our titles. We are convinced that we will reach new listeners with streaming and downloads and that this will broaden the potential target group significantly. This is because the current boom in the audiobook market is also largely due to the popularity of such usage models and the easier accessibility of content resulting from this.



“Audiobooks have given millions of people a welcome distraction during a difficult time.”

Does the good old CD still even play a role at all today?

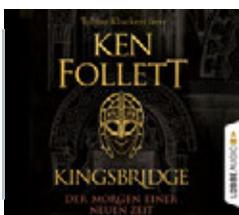
There is a clear trend away from CDs in favour of digital-only formats for audiobooks. That said, a lot of listeners still prefer to enjoy their favourite audiobooks on CD. And the physical market remains an important source of revenues for us. As long as there is demand for CDs, we will continue to offer them.

How do you see the future of audio content?

The audiobook is on its way to becoming a mass market. Because you can listen to audiobooks while doing other things such as sport or housework, this makes them an ideal source of culture and entertainment in a fast-paced age. Looking forward, most people will have access to a large portfolio of audio books at any time. Listening to an audio book will become as natural as reading a conventional book. But there are many more situations in which audio books make life more pleasant.

Has the pandemic given the audiobook market a further special boost?

In the first lockdown in particular, we observed a strong increase first in children's titles and then across all genres. Subsequently, revenues stabilised at this high level. Audiobooks have given millions of people a welcome distraction during a difficult time.



Interview with **Kerstin Kaiser**, Programme Manager Lübbe Audio

What sort of portfolio does Lübbe Audio have?

Lübbe Audio is very broadly positioned, but the basic thrust is “entertainment” for everyone ... for young and old, for those interested in suspense and great emotions as well as non-fiction.

On what basis is a decision made to produce an audiobook version of a new book?

There are some key parameters that are important in an initial decision to produce an audiobook. These include the question as to whether listeners’ interest in this title is considered to be sufficiently high, whether the topic is a good fit for Lübbe Audio’s profile and, of course, whether the audiobook can be produced in a way that makes sense in terms of content and economic viability.

Audiobooks are usually published in abridged versions. What is the reason for this?

25 years ago, when Lübbe Audio was first launched, customers were not as willing as they are today to listen to long texts. For this reason, the novels were usually abridged. In the meantime, audiobooks have become part of our everyday lives, resulting in a desire to listen to them in their full length. That’s why nearly all of our audiobooks are released in unabridged versions.

Do you also license in audio books from other publishers?

Yes, we are in constant contact with the licensing departments of other publishers. They present their programmes to us every six months, after which we order titles for review. In the event of a positive outcome, we submit a bid for a licence. We are always thrilled to be awarded a licence. In this way, numerous authors whose books have been published elsewhere are represented by Bastel Lübbe. Examples include Iny Lorentz, Lisa Eckhart, André Heller, Karen Rose and many others.



“We seek to find the perfect voice for each and every text.”



How do you cast the narrators?

Casting the audiobook narrator is a very important initial step in the success of the project. We seek to find the perfect voice for each and every text. This also has a bearing on the high quality of a Lübbe audiobook. The casting process as such is based on the following questions:

Is the story told from the point of view of a woman or a man? How old are the protagonists narrating the story? Are they strong or sensitive, or perhaps fearful? The answers to these questions result in a certain acoustic mood and brand image in our minds, which we seek to convey with the choice of speakers. In the case of a series, it is important to cast the same narrator as far as possible because a voice conjures up specific mental images and conveys certain moods. Comparison titles are also considered to evoke

memories on the part of listeners. Ultimately, however, it is important to realise that casting a particular narrator always implies a certain interpretation of the text on our part which we hope matches the personal interpretation of the vast majority of the listeners.

What does the perfect narrator voice have to sound like?

The narrator's voice is ideal if it matches the text perfectly. And depending on that, the voice can and should sound young, old, rough, clear, low, high, agile, noble, serious, funny or anything else. I personally like deep male voices the most.

Lübbe Audio has its own studios, what is the advantage of this?

We are able to produce at a high quality and – if required – also at very short notice within our own Company. We can build a personal bond with the narrators because they come to our publishing house. We can bundle and archive all the data in a very good quality and also uniformly. We can react quickly to special situations and requirements. We have four highly trained audio engineers in our team who can also respond to a wide range of internal requirements, such as events, live streams, etc.

“We have four highly trained audio engineers in our team who can also respond to a wide range of internal requirements”

What has been your strangest or most exotic production to date?

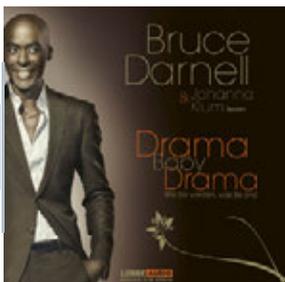
My most exotic production was the recording of “Das Buch vom Süden” by and with André Heller in his private home and study on the outskirts of Marrakesh. We didn't know what kind of premises to expect and had to bring all our equipment with us. To my great personal delight, this audio book, which was truly created in a special atmosphere, was a tremendous success.

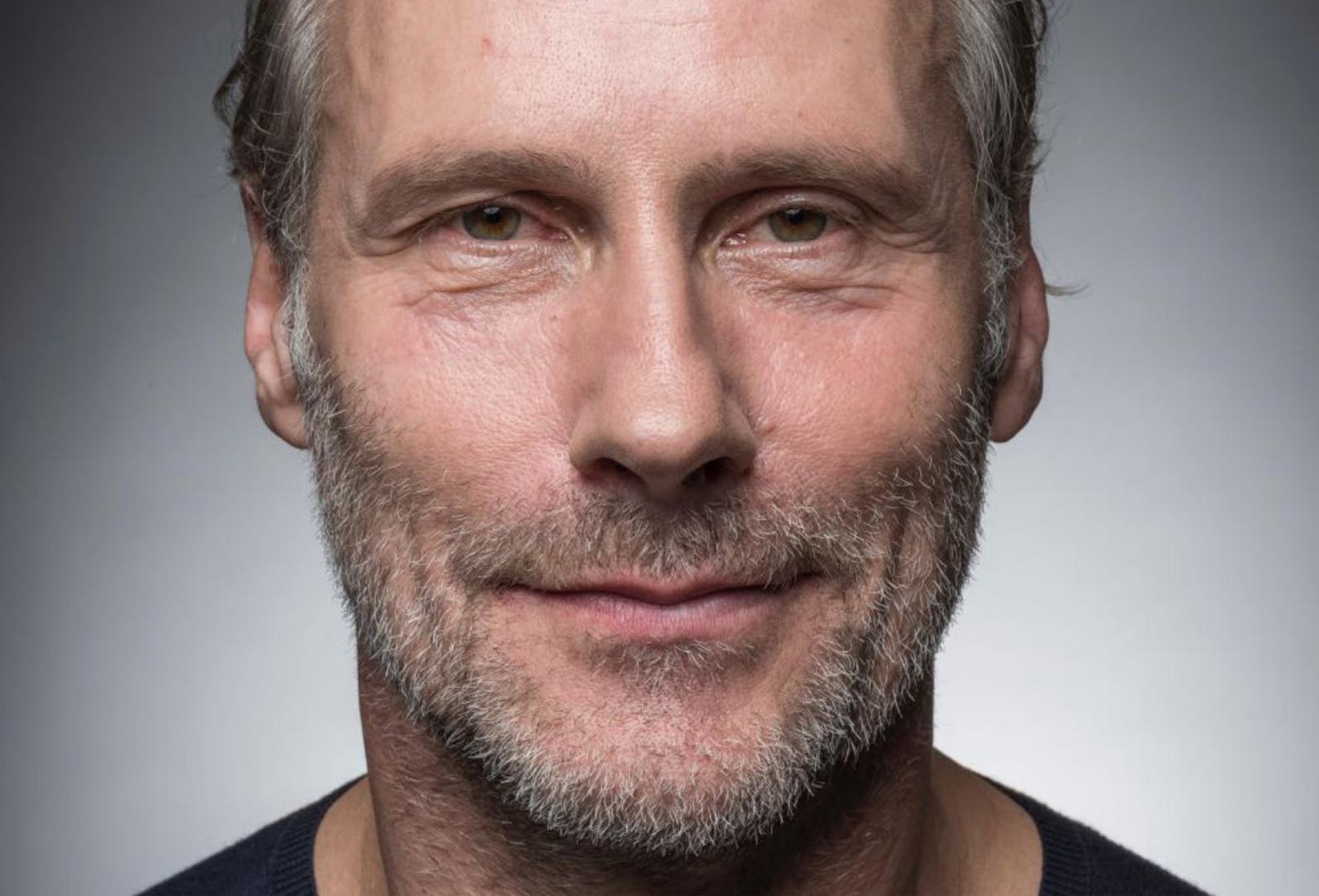
My strangest production was the recording with Bruce Darnell for “Drama, Baby, Drama”, although in this case I use the word “strange” positively with a wink of the eye. He is the only artist in my career who came into the studio and immediately said, “I've never read anything in German before”. It was quite a task for everyone involved! But we managed to complete it and ended up with a good audiobook.

If your fairy godmother could grant you a production wish, what book would you like to produce as an audiobook?

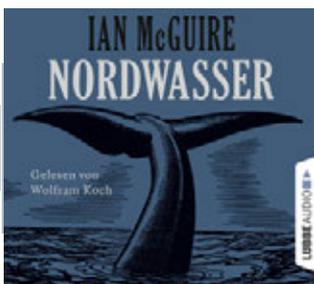
I would like to expand the question by asking “Who would you like to have sitting in the narrator's chair?”. My spontaneous answer to this question would be Armin Müller-Stahl, even though I know this will never happen despite my numerous efforts, as this outstanding actor will never read another audio book again.

And as for the book of my dreams, well, it would have to be “Alexis Zorba” by Nikos Kazantzakis – a book, a story, a play that had a personal and haunting impact on me in my youth. If it wasn't for “Alexis Zorba” and all the stories that have resulted from it in my life, I would probably not be at Lübbe Audio today.





Interview with audiobook narrator **Wolfram Koch**



The multi-award-winning German stage and film actor Wolfram Koch is a highly sought-after narrator of audio books. At Lübbe Audio, he has been lending his distinctive voice to the Joona Linna series by Swedish husband-and-wife team Lars Kepler since the very first edition.

You're known to an audience of millions as the Frankfurt criminal investigator on German TV and have starred in numerous thrillers. Is this why you receive so many offers for thriller audiobooks or do you particularly enjoy reading this particular genre?

I found my way into crime fiction completely by accident. That was 15 years before I became a TV police inspector. I have mainly spoken Lars Kepler, Jussi Adler Olsen and Arne Dahl, as well as texts like "A Space Odyssey" by Arthur C. Clarke.

“Narrating Lars Kepler sometimes even gives me the creeps in the studio.”



It's a lot of fun doing thrillers, and sometimes we're all left a little lost for words in the studio given the audacity of the crimes, which are fortunately only fictional.

Acting versus narrating – compared with a large ensemble, narrating audio books is a relatively solitary pursuit. Do you miss the opportunity of interacting with other members of the cast?

As much as I love doing audiobooks, there's nothing like a theatre evening and sharing the stage with colleagues in front of a full house in a live production.

**“I would love to narrate something funny.
That's something I don't get to do often enough.”**



After so many years of stage, film and studio experience, how do you prepare for a speaking role or do you simply pull it all out of the hat?

I don't pull anything out of the hat. Obviously, you master certain techniques in this profession over time. You never lose your curiosity alongside the realisation that you ultimately don't know anything. What is your next audiobook project? Unexpected things always come along and this also applies to audiobook texts.

You have been lending your voice to the bestsellers written by Swedish author Lars Kepler about Inspector Joona Linna ever since the very first edition. Have you grown particularly fond of this series?

I like Lars Kepler a lot. This author – or, to be more precise, this team of authors – writes so effortlessly, with simple sentence constructions, formulated in the present tense, causing the crime, the madness, the intoxication to creep up on you almost imperceptibly. Narrating Lars Kepler sometimes even gives me the creeps in the studio.

You will hear an excerpt from the thriller “Lazarus” by Lars Kepler. In the audiobook manuscript, this scene begins on page 18 and forms the introduction to the story. The text before that, which is not included here, tells what happened five years earlier: Pamela's daughter Alice collapsed in the ice and died. The beginning of the audiobook sample takes place during the investigations and is when the actual story begins. Wolfram Koch narrates excitingly and captivates the listeners with his interpretation.

Audiobook narrators often go on reading tours together with the authors. What does it feel like sitting next to the creator on stage and reading out his words?

Going on tour with an author, especially a writer of detective stories, is always great fun and intoxicating. The authors of these scary thrillers had such a sense of humour, had the audience laughing in their seats and talked very playfully about the audacious crimes they come up with.

Do you listen to audio books yourself, and if so, when do you listen to them – while driving, while exercising, while cooking, before falling asleep?

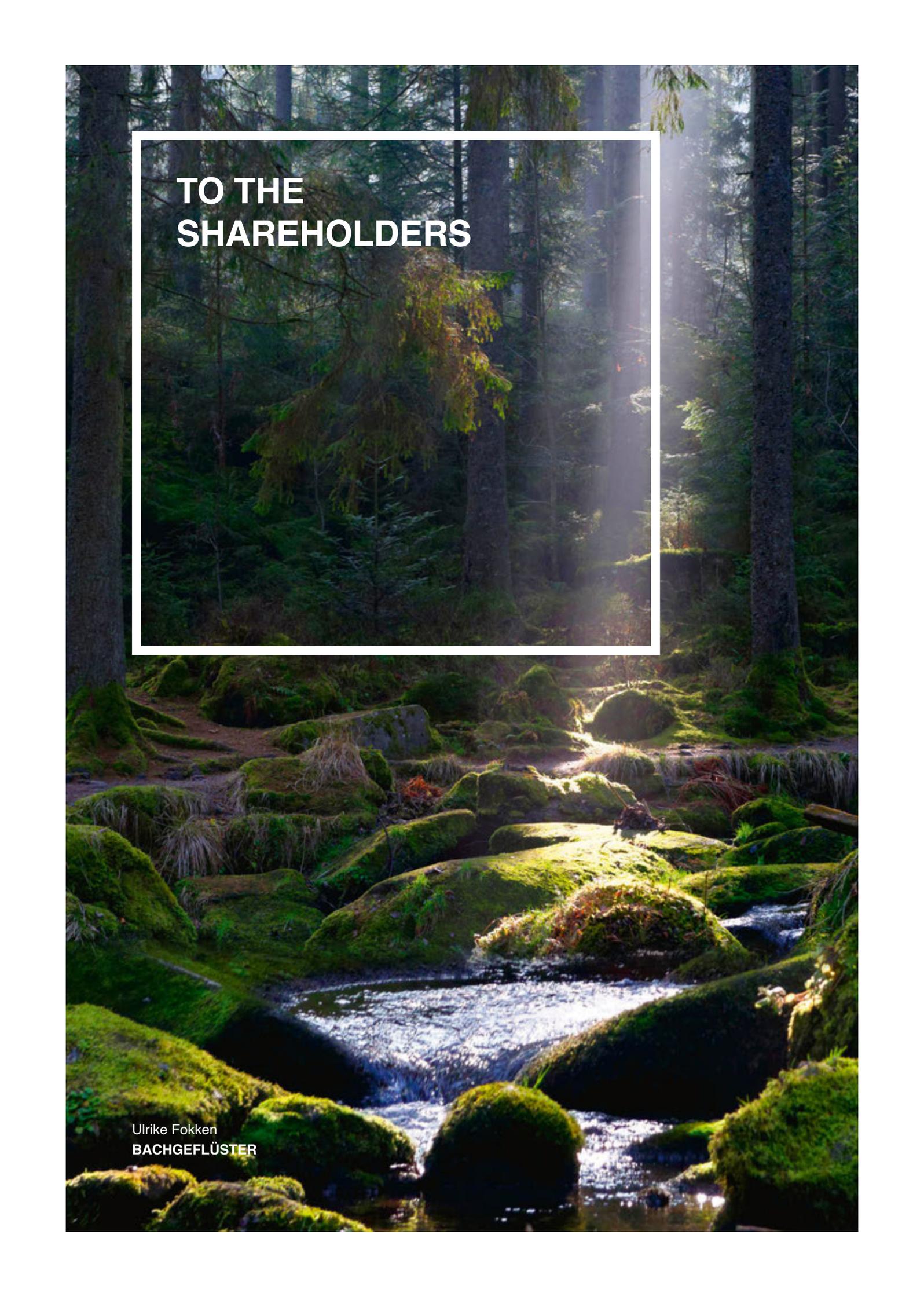
I particularly enjoy listening to audiobooks – all kinds of audiobooks in fact – in the car despite the risk of being distracted. However, I never listen to my own audiobooks.

And what genre would you like to narrate as a change from detective stories?

I would love to narrate something funny. That's something I don't get to do often enough.



Details of audiobook sample/QR code:



TO THE SHAREHOLDERS

Ulrike Fokken
BACHGEFLÜSTER

Letter from the Executive Board

Dear shareholders,

We can look back on a very successful fiscal year 2020/2021. Bastei Lübbe AG's revenues and earnings significantly exceeded both the previous year and the forecast. Together with our authors, we developed contemporary and exciting content for our readers and successfully placed it on the market despite the unusual times. A key element in this respect Bastei Lübbe's success across all formats including traditional printed books, audio books and e-book formats. No comparable German publishing company comes close to achieving the same proportion of digital business in its revenues as Bastei Lübbe.

The pandemic has posed extraordinary challenges for the book publishing sector. This gives us all the more reason to thank all our partners, who have demonstrated with ingenuity and creativity that books in their role as a cultural asset are of special importance in our markets. As an example typifying all our partners, we expressly wish to mention stationary book retailers, whose high personal commitment was instrumental in ensuring that the overall market was able to achieve almost the same revenues as in 2019 despite the adverse circumstances prevailing in the pandemic year of 2020. Despite a slight shift from stationary book retailing in favour of e-commerce, the various projects and campaigns pursued by conventional retailers stabilised the special connection they enjoy with readers. The fact that in the first quarter of 2021, bookshops, and thus books as a cultural asset, were classified as systemically relevant in almost all German states is an important political signal, justifying our confidence in Bastei Lübbe's future as a publishing company.

A very special vote of thanks goes out to all employees of Bastei Lübbe AG. Despite the additional workload caused by the pandemic, they did a great job in the fiscal year under review, making our success possible with their incredible commitment and passion. In fiscal year 2020/2021, the Bastei Lübbe Group was able to increase its revenues by 13.7% over the previous year to EUR 92.7 million, with EBIT rising from EUR 4.1 million to EUR 10.9 million.

Fiscal year 2020/2021

The new Executive Board line-up has been complete since 1 August 2020. Sandra Dittert as Chief Marketing and Sales Officer, Simon Decot as Chief Programme Officer and I in my role as Chief Financial Officer and Speaker of the Executive Board have encountered well-ordered structures, allowing us to devote all our attention to positioning our traditional, yet innovative publishing company for the future.

On the basis of a clear programme and marketing strategy as well as a very good network of successful authors who are well-disposed towards our Company, we were able to develop our range of products in all sectors significantly and gain market share. At the same time, we explored opportunities for inorganic growth.

In December 2020, we were able to complete an initial acquisition that offers great potential for the future with the full takeover of Business Hub Berlin UG. This company operates the smarticular publishing company together with the sustainability platforms smarticular.net and kostbarenatur.net. The still young company produces books whose content is created in an ongoing exchange with an organically growing community in the heart of the target group.

Communications with target groups in social networks have evolved into an innovative building block for our entire Group in times of digital transformation and are being systematically stepped up all areas. For example, we now have over 90,000 followers on Instagram for our LYX imprint.

We achieved gratifying success across all target groups in fiscal year 2020/2021. The three top sellers in the fiscal year under review included the novels "The Evening and the Morning" by the internationally top-selling UK author Ken Follett, who recounts the events leading up to his cult book "The Pillars of the Earth". "Der neunte Arm des Oktopus" by entrepreneur Dirk Rossmann is a much acclaimed thriller, which has triggered much critical discussions on society and the climate. In the field of books for children and young people, one of the world's currently most successful authors, Jeff Kinney, published Volume 15 of his "Diary of a Wimpy Kid". All three titles climbed to the very top of the SPIEGEL bestseller lists.

But it is not only these titles that helped us achieve high revenues. In the LYX and children's and young people's book segments, we recorded revenue growth from new releases as well as the backlist across all playout channels. We developed attractive programmes and characters in the fiction segment and published non-fiction titles that set the tone in socio-political debate, provided new input in the health sector and presented the voices of prominent contemporary commentators on current events and developments. We are also very satisfied with our revenues and earnings in the novel booklets segment despite a slight pandemic-induced decline in revenues.

The higher-than-expected revenues were a major reason for our EBIT margin of 11.7%, which exceeded our forecast. This performance was also underpinned by the extraordinary income of EUR 1.1 million from the settlement entered into with former members of the governance bodies.

Outlook

This successful business performance testifies to the viability of our business model. Our publishing company provides the necessary infrastructure for all our imprints. Thanks to the different target groups, the publishing risk is diversified, while additional revenues make a disproportionately strong contribution to profitability thanks to the almost constant fixed costs. The challenge facing our business model is to rekindle our readers' interest in and affection for our diverse range with each spring and autumn programme. This calls for outstanding marketing departments which, in harmony with their publishing colleagues, constantly develop new creative ideas to help our authors and their books achieve successful visibility.

We will be continuing our strategy of developing content aimed at specific target groups. One focus of our activities will be on increasingly integrating our readers' interests in content development. This complements the excellent work of our editors and will heighten reader loyalty.

After many years, we want the success achieved in the fiscal year under review to benefit our shareholders once again. Accordingly, the Executive Board and Supervisory Board will be proposing a dividend of a total of 29 cents per share for approval at the annual general meeting.

We are currently working with great joy and optimism on tailor-made projects and strategies for the post-pandemic period. We assume that, in addition to the digital communications that we have now established with readers, it will be possible to hold personal encounters, which are so important in the literature sector, in fiscal year 2021/2022 once more. The virtual event concepts have established themselves as an integral part of our digital communications with our target groups. They offer a special opportunity as they allow more people to participate either live or at a later time of their choosing. We are convinced that the future holds appropriate occasions for both personal and virtual encounters. We therefore look forward to meeting our readers in person at readings, book signings, fairs and festivals as well as in online formats.

We confirm our revenue target of EUR 100 million for the Bastei Lübbe Group within the next two years; for fiscal year 2021/2022, we have set ourselves the goal of stabilising the revenues achieved in fiscal year 2020/2021 and expect them to increase slightly to EUR 90 - 95 million.

We regard your trust, dear shareholders, for which I would like to express my sincere thanks also on behalf of Sandra Dittert and Simon Decot, as placing on us an obligation to continue Bastei Lübbe's successful and innovative course. I invite you to continue accompanying us together with our staff, our authors and our retail partners on our path towards a successful future.

Sincerely,



Joachim Herbst

Cologne, July 2021

The Executive Board of Bastei Lübbe AG



From left to right: Simon Decot, Joachim Herbst, Sandra Dittert

Bastei Lübbe on the capital market

Situation on the capital market

Generally speaking, the stock markets can look back on a volatile year in 2020 and a first quarter of 2021 characterised by generally upbeat sentiment. The volatile movements in 2020 were largely triggered by the COVID-19 pandemic. As a result, issues such as Brexit or the US presidential elections largely went unnoticed.

The German benchmark DAX index entered 2020 at 13,234 points. After a rally at the beginning of the year, which saw new all-time highs for global indices and the DAX, a significant price correction emerged in March with the spread of the pandemic in Europe and the United States. The end of 2020, on the other hand, was marked by clear signs of a recovery in the capital markets, driven by the crucial progress made in the development of COVID-19 vaccines. Accordingly, the DAX closed the year at 13,719 points on 30 December 2020, posting a gain for the year of 3.5%. At the beginning of 2021, the German benchmark index was able to make further headway, reaching a new all-time high of 15,009 points on 30 March 2021.

The Bastei Lübbe share on the capital market

Based on the Xetra starting price, the Bastei Lübbe share entered the fiscal year at EUR 1.88 on 1 April 2020, advancing by 137% to EUR 4.46 over the course of the year. Bastei Lübbe initially entered fiscal year 2020/2021 with a significant decline in its share price to EUR 1.79, which also marked the low for the year.

The separation of the subsidiary Daedalic, which had been taken into account in the annual financial statement for the year ending 31 March 2020, and the growing number of retail store re-openings, triggered gains in the share price. The very pleasing ensuing quarterly figures as well as the favourable corporate news flow such as the acquisition of Business Hub Berlin (smarticular) and the signing of star authors such as Dirk Rossmann resulted in sharp gains in the share price, causing it to substantially outperform the overall market. The announcement of resumed dividend payments also doubtless had a stabilising effect on the share price. On 16 February 2021, the Bastei Lübbe share price reached a high for the fiscal year of EUR 4.56.

Average daily trading volumes (Xetra and Frankfurt Stock Exchange) amounted to 32.64 thousand Bastei Lübbe shares in fiscal year 2020/2021 (previous year: 77 thousand shares). Bastei Lübbe AG's market capitalisation as of 31 March 2020 stood at EUR 58.9 million based on 13,300,000 shares and a closing price of EUR 4.46 (previous year EUR 24.9 million at a closing price of EUR 1.875).



Share information

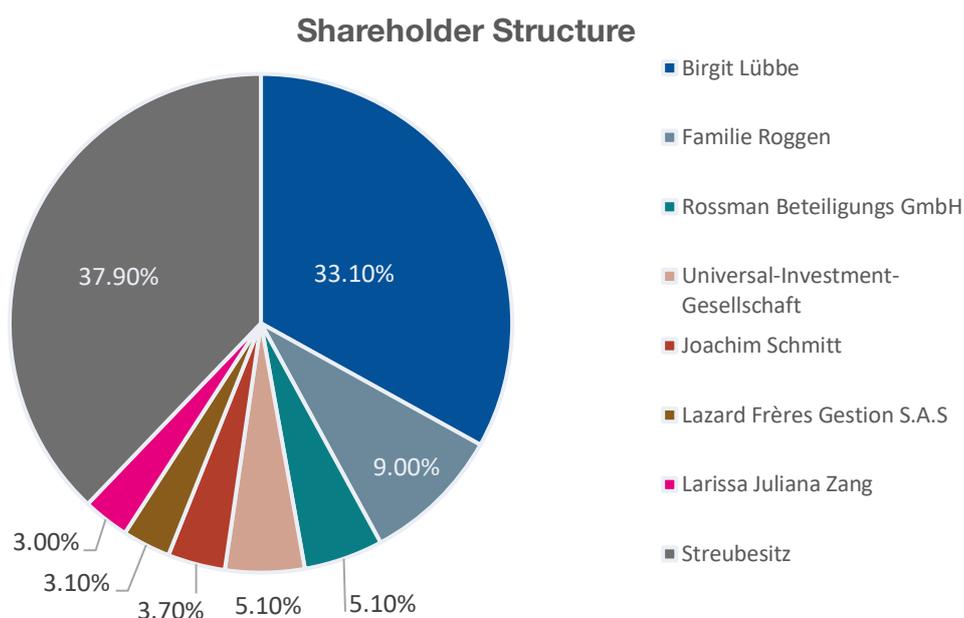
Total number of shares	13,300,000 no-par value shares
Share capital	EUR 13,300,000.00
ISIN	DE000A1X3YY0
WKN	A1X 3YY
Ticker	BST
Market segment	Regulated market (Prime Standard)
Designated sponsor	Oddo Seydler Bank AG
Closing price on 31 March 2021	EUR 4.46
12-month high (closing price) on 16 February 2021	EUR 4.56
12-month low (closing price) on 1 April 2020	EUR 1.79

Positive 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 ranges between EUR 5.80 and EUR 7.40. The full studies can be downloaded from the Bastei Lübbe AG website at www.luebbe.com/de/investor-relations/die-aktie/research.

Stable shareholder structure

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. The Roggen family holds 9% of the voting rights. Rossman Beteiligungs GmbH has held 5.1% since 7 April 2021, the same as Universal-Investment-Gesellschaft, and is thus the third largest shareholder. Joachim Schmitt holds 3.7%, Lazard Frères Gestion S.A.S 3.1% and Larissa Juliana Zang 3% of the voting rights. 37.9% of the shares are free.



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 fiscal year 2020/2021, Bastei Lübbe attended the German Equity Forum in Frankfurt am Main, the Solventis Equity Forum and the Oddo Seydler Digital Small & Midcap Conference 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 fiscal year. Further information is available to investors in the Investor Relations section of the website at www.luebbe.com/de/investor-relations/startseite-investor-relations.

Annual general meeting for fiscal year 2019/2020

Bastei Lübbe AG's annual general meeting was held in virtual form for the first time on 15 September 2020. During the annual general meeting, the new members of the Executive Board introduced themselves to the shareholders. The Supervisory Board and the Executive Board commenced the meeting with a review of the fiscal year, presenting a disparate picture: On the one hand, the Executive Board reported on the Company's successful year and the novel booklets, while outlining the special expenses arising in connection with the Daedalic investment on the other. However, the sale of this investment marked the end of the restructuring phase, ushering in a new phase of growth and further development with a new Executive Board.

At the time of voting, approximately 64.67% 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 fiscal year 2019/2020 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 ensures that the strategy as a value-oriented company is pursued by means of promising investments in forward-looking business opportunities and that the shareholders can participate appropriately and continuously in the Company's success.

This year, Bastei Lübbe AG plans to distribute a dividend again for the first time since 2016. The Executive Board and Supervisory Board will be asking the shareholders to approve the payment of a dividend of 25 euro-cents per share, equivalent to 40% of the distributable profit, at the annual general meeting on 15 September 2021. In addition, the Executive Board and the Supervisory Board will be proposing a bonus dividend of 4 euro-cents per share. Accordingly, the total dividend for fiscal year 2020/2021 will thus amount to 29 euro-cents per share. The bonus dividend follows the idea of distributing to the shareholders the post-tax proceeds from the settlement with the former members of the governance bodies in full.



CORPORATE GOVERNANCE

Jasmin Schreiber
DER MAUERSEGLER

Report of the Supervisory Board



Dear shareholders,

For Bastei Lübbe AG, fiscal year 2020/2021 was also marked by the effects of the pandemic. Nevertheless, the Executive Board and the staff succeeded in generating earnings for the year that were clearly above our expectations. The focus on core business and the optimisation of processes and cost structures form the basis for the significantly improved profit margins. It is 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 August 2020. Despite the constraints resulting from the pandemic, the smooth transition from the old to the new Executive Board was successful and the integration of the new management within the Company's business was completed in an exemplary manner.

After years of legal disputes, a successful settlement was reached with the members of the former executive bodies from Bastei Lübbe AG's point of view. Nevertheless, we will not be asking the shareholders to ratify the actions of the former members of the executive bodies this year either, as it cannot be ruled out that, due to ongoing investigations by the public prosecutor, new facts that could give rise to claims against them will come to light.

In the fiscal year under review, the Company's external financing was restructured conclusively. This gives it the opportunity to invest in the future and to continue growing. Against this backdrop, Bastei Lübbe AG again took advantage of opportunities for inorganic growth in the fiscal year under review. With the acquisition of smarticular, another innovative business model was integrated in the Company. We see the combination of direct communications with our target groups and the publishing of relevant content for these target groups as an attractive and future-oriented field of growth that will complement our core business. We have had great success with our existing and new authors: "Der neunte Arm des Oktopus" by Dirk Rossmann was obviously a very special highlight for the publishing company.

During the fiscal 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 fiscal 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 fiscal year 2020/2021. 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 fiscal year 2020/2021, 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. 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 fiscal year under review included:

- ongoing business performance in 2020/2021,
- 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 2021/2022,
- scheduling for 2021/2022 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 fiscal year 2020/2021:

Resolution by written circular dated 8 April 2020

Following discussions between the Executive Board and the Supervisory Board, the strategic goals were determined for the entire Executive Board as well as for each of its members for fiscal year 2020/2021. The Supervisory Board's approved these goals unanimously.

Extraordinary meeting of 21 April 2020

At its meeting on 21 April 2020, the Supervisory Board held a final discussion on the new remuneration system and unanimously decided to submit the remuneration system to the annual general meeting for approval.

Resolution by written circular on 28/29 April 2020

During a telephone conference, the Supervisory Board discussed in detail the implementation of succession planning for the Executive Board. Subsequently, it was unanimously decided by written circular to appoint Mr Joachim Herbst as Speaker of the Executive Board from 16 September 2020 and to terminate the contracts with the former Executive Board members, Klaus Kluge and Ulrich Zimmermann, effective 31 July and 15 September 2020, respectively. To ensure an orderly transition, the contract with Mr Carel Half was not terminated until the end of the annual general meeting on 15 September 2020; up until that date, the Executive Board temporarily increased in number to four in the period from 1 August 2020 to 15 September 2020.

Ordinary meeting of 5 May 2020

The Executive Board and the Supervisory Board discussed the Company's current business performance and possible effects of the pandemic on business planning for the current year as well as the medium-term forecast. Following this discussion, the budget for 2020/2021 and the medium-term forecast were unanimously approved by the Supervisory Board. The Supervisory Board meeting also dealt with the annual financial statements for the year ending 31 March 2020. In addition, the Executive Board and the Supervisory Board agreed on further steps in the negotiations regarding a possible settlement with the former members of the executive bodies. Discussions regarding the remaining options with regard to a possible sale of the interest in Daedalic GmbH were also held at the meeting.

Resolution by written circular dated 9 May 2020

On the basis of a detailed draft resolution, the Supervisory Board unanimously approved the sale of 41% of the investment in Daedalic GmbH as part of a management buy-out (MBO). 10% of the shares in the company remain with Bastei Lübbe AG.

Resolution by written circular dated 2 July 2020

The effects of the relevant changes resulting from the revisions to the German Corporate Governance Code (the Code) were discussed in several telephone conferences held by the Supervisory Board. A unanimous resolution of the Supervisory Board on the necessary amendments was passed by written circular on 2 July 2020. These amendments concerned: D. 12 DCGK (Appointment – Training and Further Development), B. 2 (Succession Planning), C. 1 (Objectives and Composition of the Supervisory Board, Competence Profile). The Supervisory Board also unanimously approved a new version of the rules of procedure for Bastei Lübbe AG's Supervisory Board.

Ordinary meeting of 7 July 2020

At the meeting on 7 July 2020, the Executive Board reported to the Supervisory Board on the 2019/2020 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 2020, as well as the consolidated financial statements and the Group management report as of 31 March 2020. After a thorough review, the Supervisory Board approved the annual financial statements of the Company for the fiscal year ending 31 March 2020 prepared in accordance with the German Commercial Code (HGB), which were thus duly adopted. The consolidated financial statements as of 31 March 2020 prepared in accordance with IFRS were also approved and adopted. Furthermore, the Supervisory Board deliberated on the agenda for the Annual General Meeting 2020 including the resolutions proposed by the Company's administration.

Ordinary meeting of 10 September 2020

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 26 November 2020

The Executive Board and the Supervisory Board discussed at length the Company's current business performance and considered possible scenarios for earnings in the current fiscal year. The next steps with regard to a possible acquisition of smarticular were discussed in detail. The Executive Board and the Supervisory Board discussed in detail the findings of the new Executive Board after taking over management responsibility in August 2020. A new framework for the Company's future strategy process was established. 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.

Ordinary meeting of 25 March 2021

After an initial draft plan for the 2021/2022 fiscal year had been discussed with the Supervisory Board in February, the cornerstones for the Company's financial planning and strategic goals were defined at this meeting.

Self-assessment

As recommended by the German Corporate Governance Code, the Supervisory Board again examined the efficiency of its activities in fiscal year 2020/2021 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. The members of the Supervisory Board have the requisite knowledge in the light of their qualifications and professional experience 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 fiscal year 2020/2021, the Supervisory Board participated in training and further education measures to only a limited extent due to the pandemic. This included participation in external online seminars on topics relevant to the Supervisory Board as well as 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 fiscal 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 fiscal year 2020/2021. 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 7 July 2021 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 2020/2021

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 fiscal year 2020/2021, and issued 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 12 July 2021, 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 fiscal year 2020/2021.

Expression of thanks from the Supervisory Board

A new phase in the Company's development was initiated at the beginning of the fiscal year under review. The financial results achieved and the strategic measures implemented provide excellent evidence that Bastei Lübbe AG is on track towards a successful future. Achieving this in the pandemic year was no mean feat and the Supervisory Board 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 fiscal year under review.

This fiscal year will again be affected by the pandemic, but we are confident of overcoming the operational and strategic challenges in the coming months and beyond. The Supervisory Board would like to thank the shareholders of Bastei Lübbe AG for the interest and trust they have shown in the Supervisory Board and in the Company as a whole.

Cologne, July 2021

For the Supervisory Board

A handwritten signature in black ink, appearing to read 'R. Stein', written in a cursive style.

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, 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/de/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 "Bundesanzeiger" on 20 March 2020) will be complied with in the future and have been complied with since the last declaration of conformity was issued:

Supervisory Board committees (D.2 to D.5)

The German Corporate Governance Code recommends that the Supervisory Board should form professionally qualified committees (D.2 to D.5). 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 fiscal year 2020/2021 will not be made publicly available within 90 days of the end of the fiscal 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 fiscal year 2020/2021. 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 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 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 to report any compliance violations to the Compliance Officer in a whistleblowing system. This can also be done anonymously. Reports can be submitted by email, letter, telephone or in person. For this purpose, the compliance officer also has an internal email 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 fiscal year 2020/2021, 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 of 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 Joachim Herbst (since 1 August 2020, responsible for finance, IT, risk management, human resources, strategy, corporate development, M&A, compliance), Sandra Dittert (since 1 August 2020, responsible for distribution, marketing, press, novels, production and contract management), and Simon Decot (since 1 April 2020, responsible for programme development). All members of the Executive Board have been appointed for a term of three years. Joachim Herbst was appointed Speaker of the Executive Board upon the departure of Carel Halff on 15 September 2020.

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.

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. 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 are published at <https://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), 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. 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 Speaker of the Executive Board, and discusses with him, both during and outside meetings, the essential 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 26 November 2020, 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 or auditing (financial expert 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.

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, no woman is a member of the Supervisory Board, 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 first two management levels stood at 55%. Accordingly, the target figure has been achieved.

Avoidance of conflicts of interest

In the fiscal 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.

We provide information on our corporate governance practices on the Internet at www.luebbe.com/de/investor-relations/corporate-governance. Our current and previous corporate governance declaration pursuant to Sections 289f and 315d of the German Commercial Code, our current and previous declarations of conformity to the German Corporate Governance Code, our non-financial declaration pursuant to Sections 289c and 315c of the German Commercial Code (HGB) and our articles of association are also available there.

Securities transactions subject to compulsory disclosure

Under Article 19 of the MAR (Market Abuse Regulation), persons performing management duties, particularly the members of the Executive Board and Supervisory Board of Bastei Lübbe AG, 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/de/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 fiscal year 2020/2021 at the annual general meeting held on 15 September 2020. 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 2021

For the Supervisory Board



Robert Stein
Chairman

For the Executive Board



Joachim Herbst
Speaker of the Executive Board



**COMBINED MANAGEMENT
REPORT AND GROUP
MANAGEMENT REPORT**

Freerk Baumann
UND JETZT AUFS LAND

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 e-books 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. With the sale of 41% of the shares in Daedalic Entertainment GmbH, which was completed with economic effect from 1 June 2020, the "Games" segment was classified as discontinued operations with effect from 31 March 2020. The economic effects of the sale were taken into account in the financial statements as of 31 March 2020 and are therefore no longer included in the earnings posted for fiscal year 2020/2021.

The "Book" segment includes all of Bastei Lübbe AG's print, audio and e-book 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 investment Moravská Bastei MOBA s.r.o. (hereinafter referred to as "Moba") and the investments in J.P. Bachem Editionen GmbH and Business Hub Berlin UG are allocated to the "Book" segment. In the fiscal year under review, the novels by Ken Follett "The Evening and the Morning" and Dirk Rossmann "Der neunte Arm des Oktopus" as well as Volume 15 of "Diary of a Wimpy Kid" by Jeff Kinney and the non-fiction book "Wir können es besser" by Clemens Arvay 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 / investments accounted for using the equity method

In the fiscal year under review, Bastei Lübbe held shares in the following non-consolidated companies:

▪ Siebter Himmel Bastei Lübbe GmbH, Cologne	100%
▪ Bastei Ventures GmbH, Cologne	100%
▪ Räder GmbH, Essen	20%
▪ Daedalic Entertainment GmbH, Hamburg	10%
▪ Various press wholesalers	2-5%

The above-mentioned subsidiaries in which Bastei Lübbe AG holds interests of more than 50% are not consolidated as they are of subordinate importance for the Company's net assets, financial position and results of operations. In addition, the Company holds a 40% share in Community Editions GmbH, which is accounted for using the equity method. Founded in 2016, Community Editions GmbH has successfully established itself in the influencer book market.

Objectives and strategies

As a German general-interest publisher, Bastei Lübbe provides content that entertains and educates its readers and is consistently geared towards their needs. 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 imprints Baumhaus, Boje and ONE, the Company publishes the world's most successful children's book series "Diaries of a Wimpy Child". With LYX, we have established an imprint that published the most top sellers in the new adult segment in 2020, also generating a very high level of brand loyalty in the community. In fiction, international top-selling authors such as Ken Follett and Dan Brown are published under the Lübbe imprint, while 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. We hold a 40% stake in Community Editions GmbH, the publishing company for successful influencers,

Under Lübbe Audio and LYX.audio, we are increasingly exploiting our content in audio formats digitally and with high growth rates. Our digital-only imprint "be", which is geared towards the e-book market, is also growing. Overall, Bastei Lübbe generated around 36% of its revenues from digital formats in 2020, which puts it above the industry average. Against this backdrop, the cornerstones of our short- and medium-term strategy are as follows:

- We focus on the publication of books, audio books and e-books as well as novel booklets in the genres of fiction and popular science.
- 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 focusing on our key performance indicators, namely revenues and EBIT.

Corporate management

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 three members Joachim Herbst (Speaker of the Executive Board, Chief Financial Officer, since 1 August 2020), Sandra Dittert (Chief Marketing and Revenues Officer, since 1 August 2020), and Simon Decot (Chief Programme Officer, since 1 April 2020). The Executive Board reports regularly to the Supervisory Board. The 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 fiscal 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 controlled 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, which we make available on all ployout channels. We thus complement the successful "push business" of a publishing company with "pull-oriented" content. For example, we include the lifestyles and interests of our more than 90,000 LYX followers on Instagram in our programme planning. At smarticular, the topics are also tested and developed in the online community. In addition, we offer "digital-only" content in innovative structures via our imprints be and LYX. 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.

Employees

At the end of the fiscal year, Bastei Lübbe had 247 employees in continuing operations, up from 231 employees as of 31 March 2020.

Training and further education

Our employees provide the underpinnings for the Group's success. Accordingly, their personal and professional development and promotion are of particular concern to us. Our goal is to train our employees on an ongoing basis so that they are able to perform their current and future tasks. We coordinate training and further education together with them and offer internal and external training courses in a wide range of areas aligned to the needs of individual target groups. Due to the COVID-19 pandemic, further education was mainly offered in digital form.

In the current fiscal year, we have started to place a special focus on the development of a new leadership culture based on the idea of empowerment. In cross-departmental management workshops, our managers' skills and self-reflection capabilities are being enhanced to strengthen cooperation and promote mutual enterprise-wide understanding. This programme, which is specifically geared towards our managers, serves to continuously strengthen and develop expertise, leadership skills and knowledge.

With our training strategy, we want to attract book-savvy talent to our Company. Through apprenticeships, traineeships and student internships, we offer a wide range of opportunities for career beginners, thus creating a strong foundation made up of qualified junior staff who have a broad internal network and in-depth knowledge of publishing or other industries. We regularly offer apprenticeships and are very proud of the fact that we have offered many apprentices permanent positions within our Company in recent years.

In addition, we support part-time and work-related study programmes, including in the form of financial support and special leave.

Favourable work/life balance and other benefits

The reconciliation of personal and job requirements took on great importance in the fiscal year under review.

During the COVID-19 pandemic, all employees received new technical equipment to address the increased challenges in their professional and private lives and to be able to work flexibly on a mobile basis. Looking forward, we would like to continue offering this working environment to our employees and are currently evaluating the possibilities and underlying conditions to additionally strengthen flexible working time models. The transition to mobile working also placed an additional burden on many employees, which they mastered admirably and which we also rewarded in the form of a pandemic bonus.

For several years now, we have been supporting our employees by pursuing a personnel policy aimed at achieving a favourable work/life balance with free counselling and the arrangement of support for childcare and child-rearing as well as the care of relatives. In connection with company-supported childcare, we also offer a crèche booking service, which makes it easier for both us and the parents to plan their return to work at an earlier stage. We also offer our employees a company pension scheme, a meal and travel allowance, massages and weekly fruit baskets, among other things.

Engaging with society

As a German general-interest publisher, we are aware of our high social responsibility. With our novel booklets, printed books, e-books 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.

Economic report

Macroeconomic environment

Bastei Lübbe generates a large proportion of its revenues in Germany and a much smaller share in other countries, mainly in Austria, Luxembourg, Switzerland and the Czech Republic. Bastei Lübbe's range of products competes with numerous other consumer goods and is therefore also particularly dependent on consumer confidence. Consequently, macroeconomic developments that have an impact on consumer behaviour and demand for the Company's products have a bearing on its business performance.

According to the International Monetary Fund (IMF), the global economy contracted by 3.3% in 2020 following growth of 2.9% in the previous year.¹ The economic downturn is mainly due to the effects of the COVID-19 pandemic and the measures taken to address it.

Economic growth in the Eurozone slowed by 6.1% in 2020 in the wake of the pandemic (previous year +1.3%)^{2,3}. Likewise unable to shrug off the effects of the pandemic, the German economy contracted by 4.8%⁴. At the beginning of the pandemic, leading economic research institutes had originally been expecting a decline of well over 10%, but the third quarter saw growth of 8.5%⁵. Economic output in 2020 was generated on average by 44.8 million employed persons with their place of work in Germany. This was 477,000 people fewer or 1.1% less than in 2019. Reflecting the effects of the coronavirus pandemic, this marked the end of a 14-year increase in employment. This growth trajectory had even defied the financial and economic crisis of 2008/2009⁶. Marginally employed persons and the self-employed were particularly affected, while the number of employees subject to social security contributions remained stable. Above all, the extended scope for making use of short-time work is likely to have prevented redundancies⁶.

Growth compared to previous quarter (%)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Eurozone	-11.5	12.6	-0.6	-0.3
Germany	-9.7	8.7	0.5	-1.8
Austria	-10.6	11.6	-3.1	-1.1
Luxembourg	-7.1	9.2	1.9	1.4
Switzerland	-6.8	7.2	0.1	-0.5
Czech Republic	-8.7	6.9	0.6	-0.3

Source: Eurostat (adjusted for price-based, seasonal and calendar effects), as of 8 June 2021

Consumer spending also declined by 4.6% in 2020 compared to the previous year in Germany. This marked the largest since 1970. Despite the general decline in consumer spending, private households in Germany spent 6.3% more on food and beverages in 2020 compared to 2019⁷. The disposable income of private households shrank by 4.8% year on year in 2020⁸ accompanied by an inflation rate of 0.4%⁹.

Overall, Bastei Lübbe operated in a volatile and challenging overall economic environment in the first three quarters of fiscal year 2020/21, which left noticeable traces on publishing business. However, it came through the crisis significantly better than the German economy as a whole after the first quarter of 2020.

¹ <https://news.wko.at/news/oesterreich/wirtschaftspolitisches-datenblatt-april-2021.pdf>

² https://ec.europa.eu/commission/presscorner/detail/de/ip_21_2351

³ <https://de.statista.com/statistik/daten/studie/156282/umfrage/entwicklung-des-bruttoinlandsprodukts-bip-in-der-eu-und-der-eurozone/>

⁴ <https://de.statista.com/statistik/daten/studie/21112/umfrage/veraenderung-des-bruttoinlandsprodukts-im-vergleich-zum-vorjahr/>

⁵ <https://www.bmw.de/Redaktion/DE/Dossier/konjunktur-und-wachstum.html>

⁶ https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html

⁷ https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/03/PD21_122_811.html#:~:text=Pressemitteilung%20Nr.&text=M%C3%A4rz%202021%20mitteil%20C%20gingen%20die,der%20st%C3%A4rkste%20R%C3%BCckgang%20seit%201970.

⁸ <https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Tabellen/Irvgr04.html>

⁹ <https://www.destatis.de/Europa/DE/Thema/Wirtschaft-Finzen/Inflation.html>

Industry environment in the Bastei Lübbe business segments

The book sector can look back on a turbulent year. Whereas the book market was initially able to reduce the revenue shortfall resulting from the spring lockdown month by month, renewed store closures due to the COVID-19 restrictions imposed in the autumn and the loss of December trading, i.e. the busiest time of the year, nevertheless led to contraction over the year as a whole. According to Börsenverein des Deutschen Buchhandels (German Publishers & Booksellers Association), revenues from physical book and audio book products in the central distribution channels – retail book trade, e-commerce including Amazon, railway station bookstores, department stores, consumer electronics stores and chemists – were down 2.3% on the previous year in 2020 (2019: +1.4%). In particular, stationary book retailing, which suffered greatly from the measures to contain the pandemic, closed 2020 with a shortfall of 8.7%. Books for children and young people were the only product group to achieve a significant increase in revenues of 4.7%. The most important sector, fiction, on the other hand, closed the year down 1.6% and non-fiction down 1.3%¹⁰.

The **e-book** market grew temporarily in the wake of the coronavirus pandemic in Germany in 2020. Growth was particularly strong in the second and third quarters of the year, whereas business in the final quarter flattened out significantly, falling around 11% short of the fourth quarter of 2019. Revenues from e-books increased by 16.2% year on year in 2020, meaning that 5.9% of all revenues in the book market were generated by e-books. E-books remain a niche market in terms of their share in total revenues but are characterised by strong growth. E-book revenues were up 10.8% in this period, rising from 32.4 million to 35.8 million units. The price buyers paid for an e-book also increased by 4.9% to an average of 6.63 euros. The number of units per buyer also rose significantly by 7.2% to 9.6, with expenditure per person climbing by 12.5% to 63.35 euros. Accordingly, growth in the e-book market is particularly being driven by greater intensity and, thus, increased expenditure. The fact that even stronger growth was not recorded is doubtless also due to the free e-book lending services offered by libraries, which are much used by Germans. Nevertheless, the number of e-book buyers in 2020 grew slightly by 3.3% to around 3.8 million, 120,000 more than in the previous year. The share of the population that buys e-books thus stands at 5.6%¹¹.

Audio books are continuing to enjoy growing popularity in Germany. Thus, the spoken word recorded a 13% increase in listeners compared to the previous year. This translates into 26 million people in Germany who use audio books, audio plays or podcasts. Two thirds of these audiobook users say they prefer to listen at home, although many also use them to fall asleep or while doing housework. Digitalisation is also making mobile use increasingly popular, whether on public transport, in the car, on holiday or during sports.¹²

Nevertheless, revenues in this segment are gradually declining and have been down month on month in almost consistently since April 2019. However, this reflects a continuing shift in the format mix rather than a lack of interest in audiobooks.¹³ Although the physical CD format remains popular, revenues have been declining since 2001, also falling by 20% in 2020.¹⁴ Accordingly, physical audiobooks saw a 17.1% decline in revenues in 2020.¹⁵

German press wholesalers closed 2020 with a decline of 3.31% in revenues from press products, such as novel booklets. Overall, press wholesale revenues fell by EUR 61 million to EUR 1.76 billion in 2020. Revenues from the core press range contracted by 8.15%. At the same time, total sales of newspapers, magazines and press-related non-press products contracted by 8.68% to 1.22 billion copies. According to the German Press Wholesale Association, the press wholesale sector is continuing to consolidate. Thus, the number of press outlets shrank by 4% over the previous year to 93,600¹⁶. However, this structural change has not noticeably intensified since the beginning of the coronavirus pandemic.¹⁷

With a market share of 3.8%, Bastei Lübbe ranked 5th among German general-interest publishers in the hardcover fiction segment in calendar year 2020 according to Media Control. In the paperback segment, on the other hand, Bastei Lübbe was in first place with a market share of around 13.8%. In the paperback fiction segment, Bastei Lübbe

¹⁰ <https://www.boersenverein.de/presse/pressemitteilungen/detailseite/buchmarkt-2020-zweiter-shutdown-belastet-jahresbilanz-im-buchhandel/>

¹¹ <https://www.boersenverein.de/markt-daten/marktforschung/e-books/>

¹² <https://magazin.audible.de/audible-hoerkompass-2020/>

¹³ <https://de.statista.com/statistik/daten/studie/183138/umfrage/umsatzentwicklung-von-hoerbuechern-im-buchhandel-monatszahlen/>

¹⁴ <https://de.statista.com/statistik/daten/studie/4099/umfrage/musikindustrie-absatz-von-cd-alben/>

¹⁵ [https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14\[uid\]=1678&tx_boev_pi14\[backend_layout\]=pagets__newsletter](https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1678&tx_boev_pi14[backend_layout]=pagets__newsletter)

¹⁶ <https://de.statista.com/statistik/daten/studie/173568/umfrage/presseverkaufsstellen-in-deutschland-seit-2002/>

¹⁷ <https://www.pressegrasso.de/service/aktuelles/news-detail/absatz-umsatzentwicklung-presse-grosso-2020>

ranked 9th with a market share of 5%. Bastei Lübbe is also one of the top four general-interest publishers in Germany in children's book (up to 11 years) and in the audio physical segment, with market shares of 8.9% and 5.9%, respectively.¹⁸

Generally speaking, we 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

Both the overall economy and the book sector in particular were significantly impacted by the COVID 19 pandemic in fiscal year 2020/2021. The various lockdown phases posed material challenges for stationary book retailing as our most important trade partner. Despite these underlying conditions, the book market contracted by only 1% in 2020 compared with 2019, indicating that all trade partners were addressing the challenges posed by the crisis capably with their commitment and dedication to books as a cultural asset.

The pandemic also left deep traces on internal processes; within the Bastei Lübbe Group, we successfully converted the entire organisation to mobile working at very short notice.

With the purchase of Business Hub Berlin UG ("smarticular"), a publishing model that holds great promise for the future was acquired in December 2020. The online communities www.smarticular.net and www.kostbarenatur.net assist and influence the publisher smarticular in all matters relating to sustainability.

The Executive Board is generally very satisfied with the Group's business performance. The Group revenues of EUR 92.7 million from continuing operations substantially exceeded the previous year (up EUR 11.2 million) chiefly thanks to the "Book" segment. On a particularly gratifying note, revenue growth in the "Book" segment (up EUR 11.6 million year on year) was underpinned by nearly all imprints. In the audio sector, the expected decline in revenues from physical audio recordings was more than made up for by growth in the digital exploitation channels. The digital programme, which essentially pursues an "e-book-only" strategy, was also able to achieve growth with contemporary programme structures, serial content and optimised distribution structures.

At EUR 7.2 million, revenues in the "Novel Booklets" segment came close to achieving the forecast (EUR 7.5 million), something which was very encouraging given the impact of the pandemic on the number of sales outlets able to remain open.

Group EBIT came to a particularly gratifying EUR 10.9 million, with the "Book" segment contributing EUR 9.7 million and the "Novel Booklets" segment EUR 1.2 million. EBIT in the "Book" segment includes the compensation of EUR 1.3 million under the settlement with the former members of the governance bodies. Of this, EUR 1.1 million was recognised in the year under review. An amount of EUR 0.2 million had already been recognised as a receivable in the previous year.

The favourable business performance was also reflected in net financial assets (cash and cash equivalents less liabilities to banks), which came to EUR 9.7 million as of 31 March 2021. By comparison, net debt (liabilities to banks less cash and cash equivalents) had amounted to EUR 0.6 million as of 31 March 2020.

The business success achieved in fiscal year 2020/2021 confirms the focused strategy adopted by the Executive Board and imposes on it a duty to continue on this trajectory. Programme work resolutely aligned to readers' needs and constant consultation with the sales and market departments are the main determinants of this success. In addition, the internal processes are continuously reviewed for maximum efficiency and benefits in order to achieve the basis for an appropriate EBIT margin of at least 10% on a permanent basis.

¹⁸ Own calculation based on Media Control figures for calendar year 2020

Results of operations

Bastei Lübbe generated Group revenues of EUR 92.7 million in fiscal year 2020/2021, up from EUR 81.5 million in the previous year. The increase of EUR 11.2 million (up 13.7%) was primarily underpinned by revenue growth in the “Book” segment (up EUR 11.6 million on the previous year). This performance was particularly due to two top sellers, one by Ken Follett (“The Evening and the Morning”) and the other by Dirk Rossmann (“Der neunte Arm des Oktopus”).

Finished goods and work in progress were valued at EUR -3.3 million in fiscal year 2020/2021, compared with EUR -3.5 million in the previous year.

Other operating income came to EUR 1.8 million, up from EUR 0.9 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 accounts for EUR 1.1 million.

At EUR 44.6 million, the cost of materials was EUR 3.1 million up on the previous year (EUR 41.5 million). However, this is primarily due to the higher revenues in the “Book” segment. The ratio of cost of materials to sales improved from 51.0% to 48.1%. Author royalties and related amortisation increased to EUR 28.5 million (previous year: EUR 26.0 million). This includes amortisation of EUR 0.2 million (previous year: EUR 1.9 million).

Personnel expenses climbed from EUR 15.2 million to EUR 17.1 million. The main reason for this was the 1.8% increase in salaries at Bastei Lübbe AG as of 1 April 2021 on the basis of the industry-wide collective agreement, higher performance-tied salaries and the payment of a “pandemic bonus”.

Other operating expenses increased slightly in the year under review by EUR 0.3 million from EUR 15.9 million to EUR 16.2 million.

Amortisation and depreciation expense rose from EUR 2.2 million in the previous year to EUR 2.5 million in the year under review. This includes depreciation of EUR 1.3 million (previous year: EUR 1.2 million) of right-of-use assets in connection with leased items and the amortisation of the goodwill from J.P. Bachem Editionen GmbH of EUR 0.2 million.

Group earnings before interest and taxes (EBIT) increased to EUR 10.9 million in fiscal year 2020/2021, up from EUR 4.1 million in the previous year, bringing the EBIT margin to 11.7%, up from 5.1% in the previous year. This includes 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 0.2 million (previous year: EUR 0.4 million).

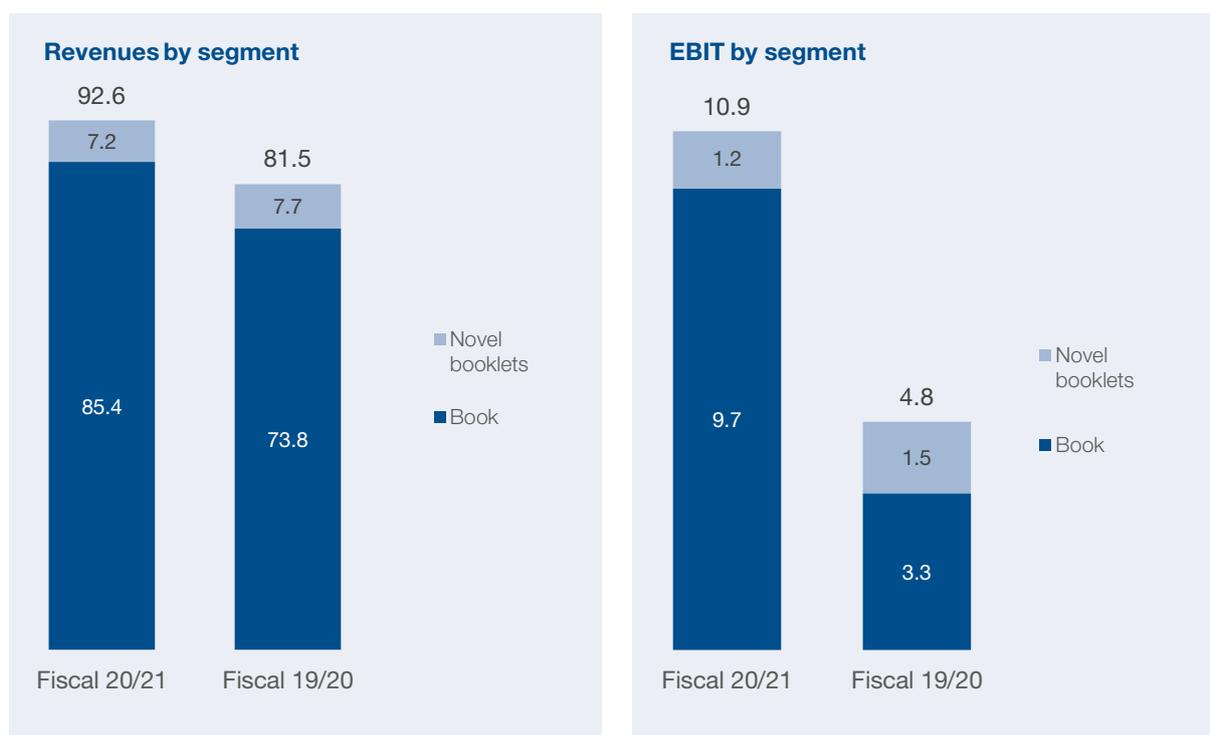
Other net finance income/finance expense came to EUR -0.3 million, thus improving by EUR 1.1 million over the previous year (EUR -1.4 million). Group earnings before taxes reached EUR 10.8 million in the year under review, exceeding the previous year’s figure of EUR 3.1 million by EUR 7.6 million. After income taxes of EUR 3.5 million (previous year: EUR 1.2 million), net profit for the period from continuing operations came to EUR 7.3 million (previous year: EUR 1.9 million). Of this, EUR 7.3 million (previous year: EUR 1.9 million) is attributable to the equity holders of Bastei Lübbe AG.

Net profit for the period from discontinued operations stood at EUR 0.6 million in the year under review (previous year: net loss of EUR 11.0 million).

Including the discontinued operations, net profit for the period came to EUR 7.9 million (previous year: net loss of EUR -9.1 million). Of this, EUR 7.5 million (previous year: EUR -6.1 million) is attributable to the equity holders of Bastei Lübbe AG. This translates into earnings per share of EUR 0.57, up from EUR -0.46 in the previous year.

Business performance of the continuing operations

Revenues in the “Book” segment increased by 15.7% to EUR 85.5 million primarily as a result of the successful top sellers. Fiction performed encouragingly thanks to the top-selling authors Ken Follett and Dirk Rossmann. In addition, Lübbe Audio, digital programmes and LYX remained on the previous year’s growth trajectory, while non-fiction and young people’s books fell slightly short of the previous year.



Operating earnings (EBIT) in the “Book” segment rose from EUR 3.3 million in the previous year to EUR 9.7 million. In addition to the better-than-expected revenues, this was also attributable to ongoing process optimisation and pandemic-related savings, which resulted in improved cost structures compared with the previous year.

The “Novel Booklets” segment generated revenues of EUR 7.2 million, compared with EUR 7.7 million in the previous year. This reflected the temporary, pandemic-induced retail closures. Moreover, the previous year’s revenues had included a figure of EUR 0.5 million from puzzle business, which has since been sold. Segment EBIT shrank from EUR 1.5 million in the previous year to EUR 1.2 million in the year under review. However, it should be borne in mind that the previous year’s EBIT had included earnings of EUR 0.4 million from puzzle business.

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 47%, the equity ratio substantially exceeded this target as of 31 March 2021. The ratio of net debt to consolidated EBITDA stood at zero as of the reporting date. Accordingly, instead of net debt, there are net financial assets of EUR 9.7 million. The covenant provided for in the syndicated loan agreement is 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

At the beginning/end of January 2021, the previous syndicated loan agreement (last renewed in June 2019) was replaced by a new financing structure expiring at the end of 2024. The factoring agreement was also renewed for the same period. In addition, acquisition finance was arranged with the syndicate banks for a term expiring at the end of 2025 to finance the purchase of Business Hub Berlin UG.

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 newly signed syndicated loan agreement does not provide for any restrictions to the distribution of dividends.

The Executive Board and the Supervisory Board will be asking the shareholders to approve the payment of a dividend of 25 euro-cents per share, equivalent to 40% of the distributable profit, at the annual general meeting. In addition, the Executive Board and the Supervisory Board will be proposing a bonus dividend of 4 euro-cents per share. Accordingly, the total dividend for fiscal year 2020/2021 will amount to 29 euro-cents per share. The bonus dividend follows the idea of distributing to the shareholders the post-tax proceeds from the settlement with the former members of the governance bodies in full.

Derivative financial instruments

To limit the interest rate risk of the syndicated loan, which had already been terminated as of the reporting date, an interest rate swap was transacted on 26 October 2016 for an original loan amount of EUR 10 million with a term expiring on 26 November 2021 and a fixed interest rate of 0.75%. The nominal amount of the derivative is reduced by EUR 0.5 million every three months and therefore still amounts to EUR 1.5 million on the reporting date.

As of 31 March 2021, the (negative) market value (fair value) of the interest rate swap amounts to KEUR -6 and is reported within financial liabilities. No hedges are recognised in the statement of financial position.

A forward exchange contract was entered into in the year under review in connection with a long-term author contract providing for remuneration in USD. The notional amount of the five individual transactions totalled USD 1.5 million for terms expiring between 31 October 2019 and 29 October 2021. As of 31 March 2021, this results in a (positive) market value (fair value) of KEUR 18.

Capital structure

As of 31 March 2021, the Group's liquidity reserves are composed of cash and cash equivalents of EUR 14.5 million (previous year: EUR 2.8 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 4.8 million (previous year: EUR 3.4 million). The Bastei Lübbe Group had current and non-current financial liabilities of EUR 18.9 million on 31 March 2021 (previous year: EUR 12.0 million). Of these, an amount of EUR 5.1 million is due for settlement in the next 12 months as of 31 March 2021 (previous year: EUR 5.6 million).

The current and non-current financial liabilities as of 31 March 2021 include lease liabilities of EUR 8.5 million euros (previous year: EUR 7.2 million).

As of 31 March 2021, net finance assets were valued at EUR 9.7 million (previous year: net debt of EUR 0.6 million). This chiefly reflects the favourable business performance.

Liquidity analysis and capital spending

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

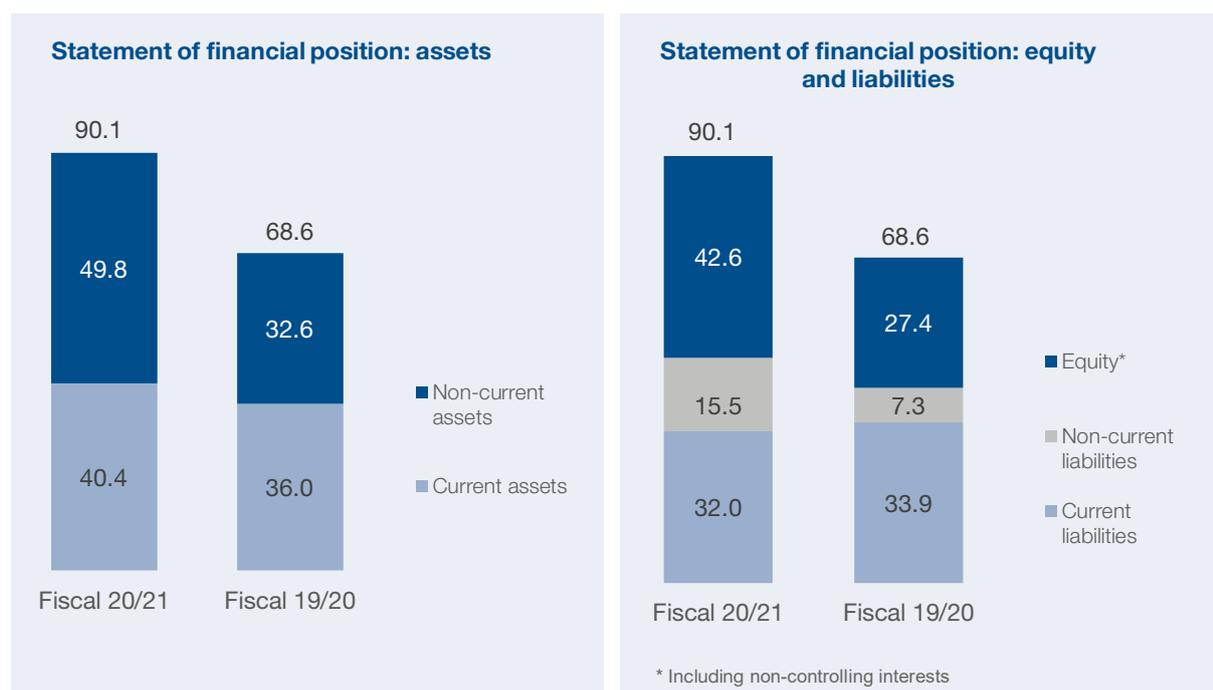
The cash flow from operating activities amounted to EUR 15.5 million in the year under review (previous year: EUR 10.4 million). This is mainly due to the significantly higher profit for the year under review.

The cash flow from investing activities came to EUR -3.7 million in the year under review (previous year: EUR +1.7 million). This primarily reflects the payment of the purchase price for the acquisition of Business Hub Berlin UG. The opposite effect arose from the early repayment of a loan by Räder GmbH.

The cash flow from financing activities yielded an outflow of EUR 0.1 million in the year under review (previous year: EUR 11.8 million). In the year under review, the outstanding loan liabilities under the terminated syndicated loan agreement were repaid (EUR -3.4 million). In addition, payment was received under the acquisition loan to finance the purchase of Business Hub Berlin UG (EUR +5.0 million). Payments made to settle lease liabilities stand at EUR 1.5 million.

Net assets

The Group's assets changed materially as of the reporting date compared with the previous year due to the initial consolidation of the subsidiary Business Hub Berlin UG ("smarticular").



Non-current assets are valued at EUR 49.8 million, up from EUR 32.6 million as of 31 March 2020. 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 Business Hub Berlin UG as well as remeasurement gains on investments measured at fair value.

Author advances rose from EUR 15.3 million to EUR 19.8 million. This increase is particularly due to payments made to international top-selling authors.

The carrying amount of the 40% investment in Community Editions GmbH, which is accounted for using the equity method, stands at EUR 1.1 million as of 31 March 2021 (previous year: EUR 1.0 million).

Current assets climbed by EUR 4.4 million from EUR 36.0 million to EUR 40.4 million as of 31 March 2021. This was chiefly due to the increase of EUR 2.8 million in cash and cash equivalents to EUR 14.5 million as of 31 March 2021 as a result of the positive cash flow. Trade receivables rose from EUR 8.5 million to EUR 14.0 million as of 31 March 2021. This was primarily attributable to the termination of factoring arrangements for digital business. The opposite effect came from the disposal of assets held for sale of EUR 9.5 million.

At EUR 42.5 million, the share of equity attributable to the equity holders of the Parent Company is significantly higher than in the previous year (EUR 28.3 million). In addition to the net profit recorded for the period, this is due to the increase in the fair value of equity instruments of EUR 6.8 million.

Non-current liabilities are valued at EUR 15.5 million, up from EUR 7.3 million as of 31 March 2020. The increase is mainly due to the contingent purchase price liabilities in connection with the acquisition of Business Hub Berlin UG (EUR +3.0 million) and the increase in deferred tax liabilities as a result of purchase price allocation effects (EUR +1.0 million). In addition, liabilities to banks of EUR 3.8 million were classified as non-current in the year under review. In the previous year, they had been classified entirely as current liabilities.

Current liabilities stand at EUR 32.0 million as of 31 March 2021, down from EUR 33.9 million as of 31 March 2020. In the year under review, trade payables increased from EUR 10.3 million to EUR 15.8 million. The opposite effect arose from the disposal of liabilities in connection with assets held for sale of EUR 10.3 million.

Provisions particularly include amounts set aside for returns of delivered goods and increased to EUR 7.8 million in the year under review due to the substantially higher book sales (previous year: EUR 5.7 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 brightened considerably in the first three months of 2021. On this basis, the Organisation for Economic Co-operation (OECD) forecasts a stronger recovery for the global economy in 2021 and 2022 than originally expected. Growth is expected to come to 6% in 2021 and 4.4% in 2022¹⁹. Nonetheless, the outlook also indicates the existence of challenges stemming from the disparate pace of recovery across individual countries as well as risks of ongoing economic harm in the wake of the COVID-19 crisis. A similar, slightly lower, growth scenario has been projected for Germany. The ifo Institute expects the German economy to expand by 3.3% in 2021 and by 4.3% next year.¹

After a phase of recovery last summer, the European economy stagnated in the fourth quarter of 2020 and the first quarter of 2021. However, as the measures taken to contain the pandemic are eased and vaccination rates rise, the EU economy should recover vigorously. This recovery is being driven by consumer spending, capital spending and rising demand for EU exports².

In its spring report, the EU Commission assumes that the inflation rate in the Eurozone will be 1.9% in 2021 and 1.5% in 2022. This is due to rising energy prices, the annual adjustment to the weighting of goods and the reversal of the VAT reduction. Whether and to what extent US inflation risks feed through to the European economy remains to be seen. Unemployment in the Eurozone is expected to decline to 7.6% in 2021 and 7% in 2022.²⁰ However, these figures are still above pre-crisis levels.

Germany is also continuing to feel the effects of the pandemic. This can be seen, for example, in the current unemployment figures. In April 2021, the unemployment rate stood at 6%, i.e. 0.2% above the same month in the previous year.²¹ At the same time, experts assume that consumer prices in Germany will rise by 2% in 2021²²

If Germany succeeds in increasing the rate of vaccination as planned, it should be possible for economic activity to increase again. In particular, the services sector should gradually recover, ensuring strong growth in the further course of 2021 and 2022.²³

Industry environment in the Bastei Lübbe business segments

The COVID-19 pandemic has posed major challenges for the book trade as well as for all other market participants in the German economy. Stationary book retailers have been hit particularly hard, with revenues dropping by just under 9%²⁴. Nevertheless, the book market is currently on an upward trend. Thus, there has been an increase in e-commerce and interest in electronic books.²⁵ On a particularly encouraging note, most of the German states classified bookshops as system-relevant towards the end of the lockdown in February 2021, meaning that they were able to open again subject to compliance with appropriate hygiene regimes.

¹⁹ <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

²⁰ https://ec.europa.eu/commission/presscorner/detail/de/ip_21_2351

²¹ <https://de.statista.com/statistik/daten/studie/1239/umfrage/aktuelle-arbeitslosenquote-in-deutschland-monatsdurchschnittswerte>

²² <https://www.sachverstaendigenrat-wirtschaft.de/konjunkturprognose-2021.html>

²³ <https://www.sachverstaendigenrat-wirtschaft.de/konjunkturprognose-2021.html>

²⁴ <https://www.stuttgarter-zeitung.de/inhalt.jahresbilanz-des-buchhandels-zweiter-lockdown-schmaelert-den-umsatz.1e92905e-dffe-4648-80e5-ab034ebdac39.html>

²⁵ <https://www.pwc.de/de/pressemitteilungen/2020/blitzlicht-buchmarkt-trotz-covid-19-im-aufwaertstrend.html>

The experts at PricewaterhouseCoopers (PwC) expect an annual decline in revenues of about 0.9% from 2021 onwards. In 2024, total revenues from private book purchases are expected to reach EUR 4.4 billion. An average annual decline of 1% is expected between now and 2024 for the printed book category (across all segments). One of the reasons for this is the social transformation. Thus, older generations are more likely to visit bricks-and-mortar bookstores, while younger generations tend to prefer e-commerce. As a result, PwC projects an average annual growth rate of 1.9% for e-books and revenues of EUR 259 million by 2024²⁶. However, the forecast is subject to unforeseeable external factors.

Expected earnings and financial position of the Group

The inclusion of the economic risks from the sale of 41% of the shares in Daedalic in the consolidated financial statements as of 31 March 2020 and, related to this, the dissolution of the “Games” segment enabled the Company to continue focussing on its core publishing business in fiscal year 2020/2021. A 10% investment in Daedalic has been retained in the consolidated statement of financial position as of 31 March 2021 and offers opportunities but no longer any material risks. The focus was and continues to be on the continuation of structured programme work, which is being implemented on an individualised basis according to genre and target group. In addition, work on internal optimisation processes continued in the year under review, while steps were taken to ensure that the IT architecture remains up to date. As the funding that had been raised during the crisis situation in 2017 was successfully repaid, borrowing costs have now returned to standard market levels. The takeover of Business Hub Berlin UG with its focus on sustainability (with the www.smarticular.net website) was also funded using acquisition finance raised on standard market terms.

This comprehensive package of activities in fiscal year 2020/2021 created the basis for continued profitability. The achievement of the targets defined below for fiscal year 2021/2022 will materially hinge on whether the budgeted revenues can be achieved. In this respect, Bastei Lübbe AG will be further optimising the already close links between the editorial offices and the marketing and sales departments in order to expand digital contacts and the dialogue with our readers in addition to providing optimum information for our trade partners, and thus to track consumer needs even more closely.

In April 2021, we published Volume 3 of “Rowley Jefferson's Awesome Friendly Spooky Stories” by our successful top-selling author Jeff Kinney. We are looking forward to publishing Volume 16 of “Diaries of a Wimpy Kid” in time for the 2021 Christmas trading season. On a particularly encouraging note, our international top seller Ken Follett will be releasing his thriller “Never” internationally in November 2021. In this book, the author weaves a highly exciting plot that references the current political trouble spots around the world. In addition, we will be adding Dirk Rossmann's second thriller to our autumn programme. His first thriller “Der neunte Arm des Oktopus” spent months at the top of the top-seller lists after being published in November 2020. In the non-fiction sector, we are currently successful with books providing socio-political impetus on the vaccination issue or responses to conspiracy narratives. We are confident of being able to launch short-term bestsellers in our non-fiction programme in the coming months. Given the growth in the overall market, Lübbe Audio should be able to continue the momentum that it has gained in the audiobook segment and, for example, achieve success with the audiobook version of “Never”.

In fiscal 2021/2022, the Bastei Lübbe Group is targeting revenues of EUR 90 - 95 million (year under review: EUR 92.7 million). Of this, the “Book” segment should contribute EUR 83 - 88 million (year under review: EUR 85.4 million). The “Novel Booklets” segment should post revenues of around EUR 7.6 million (year under review: EUR 7.2 million) in fiscal year 2021/2022.

The Executive Board assumes that on the basis of its existing processes the Group's profitability can be stabilised or slightly improved, with EBIT expected to come to EUR 11 - 12 million (year under review: EUR 10.9 million). Accordingly, an EBIT margin of between 11% and 12% (year under review: 11.7%) is being targeted for the current fiscal year. Of this, the “Book” segment should contribute EBIT of EUR 9.8 - 10.8 million (year under review: EUR 9.7 million).

²⁶ <https://www.pwc.de/de/pressemitteilungen/2020/blitzlicht-buchmarkt-trotz-covid-19-im-aufwaertstrend.html>

EBIT in the “Novel Booklets” segment is expected to come to around EUR 1.2 million (year under review adjusted: EUR 1.2 million).

With regard to financial planning, we assume that a free cash flow in the range of EUR 1 to 2 million below the free cash flow in the year under review (EUR 11.8 million) can be achieved in the current fiscal year.

General statement on the Group’s expected performance

With confidence in the overall economic recovery growing in the wake of rising vaccination rates, we expect the book, e-book and especially audio sectors to remain fundamentally stable. Even if a slight loss of interest in reading books and listening to audiobooks does arise in the summer months as a countermove to the pandemic, we assume that the planned revenue figures will still be achieved with our attractive autumn 2021 programme. In future quarterly reports as well as the half-year report, the Executive Board will, as usual, be setting out its expectations and describing the future outlook based on the latest developments.

In the medium term, the Executive Board is aiming for revenue growth to around EUR 100 million with the goal of achieving an EBIT margin of at least 10% for the Group in the long term. In addition, the balance sheet ratios - particularly the equity ratio and gearing - should remain at a level appropriate to the Company’s risk profile.

Bastei Lübbe is continuing to focus on its core publishing business with great commitment and passion. The Executive Board is confident that the Company will continue to inspire readers by developing new characters and genres and, in addition, establish further communities by expanding digital dialogue, alongside the already successful communities such as smarticular and LYX.

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 also took place during fiscal year 2020/2021.

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.

Under the RMS of the Bastei Lübbe Group, risks are classified 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 statement

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.

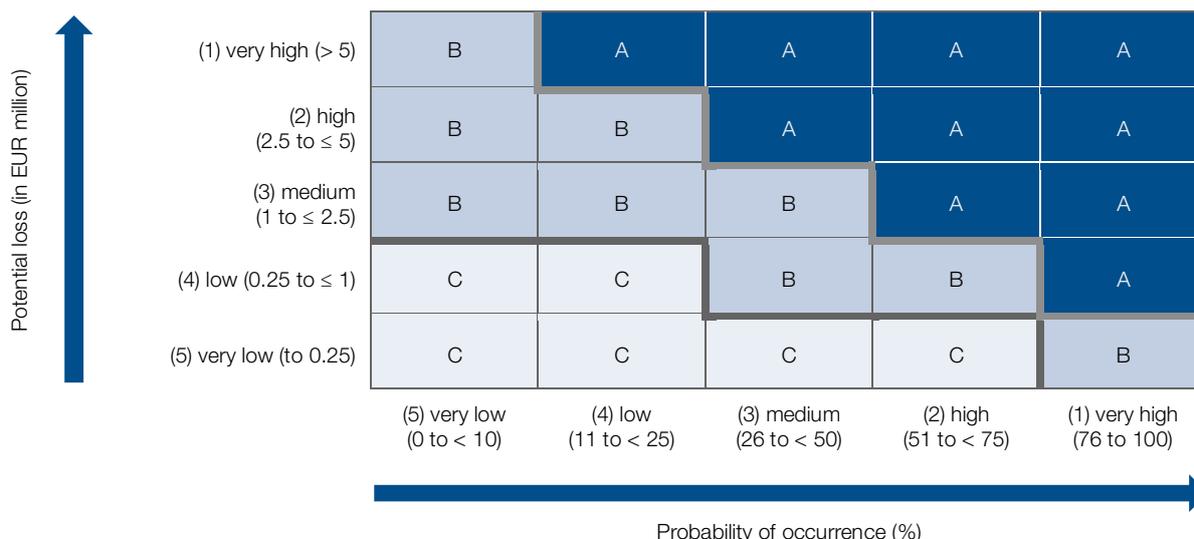
Material information and facts relevant for Group accounting are discussed with the relevant departments before being used and are subjected to a critical assessment by Accounting to ensure they comply with the applicable accounting regulations. The content of the financial statements of the consolidated 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 the calendar to monitor compliance with stipulated deadlines. It allows status tracking so that risks can as a rule 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 2021. 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 stated potential loss is derived from a net analysis of the impact on EBIT.



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. Category C risks are not aggregated because they are not connected to each other.

Absence of potentially successful titles in the programme

It is possible that, at the beginning of a fiscal year, an insufficient number of titles were purchased in the “Book” segment, especially top titles, to generate the necessary revenues and profits for a fiscal 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 reported. This report serves as a basis for acquiring new titles, making it possible to detect a lack of profitable titles in the programme at an early stage. As a result of the long lead times, there is sufficient time to move existing titles forward or acquire more titles.

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 A risk with a medium probability of occurrence and high potential loss.

Risks resulting from excessive advances

In the determination of author advances, there is a risk that impairments will need to be recognised 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 as part of 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 significant impairments.

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

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, the Bastei Lübbe Group now once again recognises material goodwill on its statement of financial position for the fiscal year ending 31 March 2021. As a result, a potential risk of the associates not performing as planned must increasingly be taken into account.

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

Compliance risks

In contrast to the previous year, this risk category aggregates related risks that were previously analysed separately. In the previous year's risk report, the "data protection and protection against unauthorised acts" risk was included under a separate heading.

Compliance refers to the adherence to legally binding requirements and company-specific guidelines and is designed to ensure lawful conduct by the Company, its governing bodies and employees. 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 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, facts 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

Disruption to operational procedures due to the failure of key IT systems constitutes a permanent risk for the Group. Bastei Lübbe has its own IT department. Data backup has been outsourced, meaning that the Company is able to remain operational for at least a certain period of time without internal IT structures. This reduces the direct economic risk considerably. In addition, central fulfilment including debtor management, the banking system for incoming and outgoing payments and payroll accounting have been outsourced.

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

Credit risks

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. For the remaining portion of the trade receivables, especially receivables from digital sales partners, the credit risk lies with Bastei Lübbe. Credit insurance to cover material defaults has been taken out.

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

Inability to deliver

The Company's business is significantly influenced by its ability to deliver, especially in the "Book" segment. Customers are increasingly scheduling their orders at shorter notice and maintaining smaller inventories. Due to tighter scheduling of printing orders for first and subsequent editions on the part of Bastei Lübbe to avoid possible overstocking, deliveries may be delayed, particularly in the case of successful titles. However, reprints can usually be made within 14 days and delivery capability restored relatively quickly.

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

Changes in the market for audio books

This risk has been included in the risk report for the first time due to the steadily growing relevance of the digital audio book market. The market for audio books and customer habits are changing. Due to the steady growth in their share of sales, digital formats are becoming increasingly important for the Bastei Lübbe Group, particularly in the form of downloads and various streaming models. There is now a material risk of the remuneration models and the increasing negotiating power of streaming portals having an adverse impact on Bastei Lübbe.

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

Risks from changes to the price of paper and paper availability

Due to the looming price increases and demand for paper and its raw material, wood, this risk forms part of the risk report for the first time. Paper and cardboard are the main raw materials used in the production of the Bastei Lübbe Group's physical books that generate most of its sales. The Bastei Lübbe Group mostly sources this raw material from the printers where the books are produced. There is a risk that cost increases in the production of books will exceed budget assumptions as a result of fluctuating prices for wood, cellulose and fibres and, accordingly, paper on the world market. The printers pass on rising prices to the Company through contractually fixed, industry-standard price adjustment clauses.

Alongside cost increases, the current rise in demand for paper and its raw materials and the growing shortage of production capacity may result in delivery bottlenecks. This may jeopardise swift post-production activities and lead to

delays in deliveries to Bastei Lübbe AG's customers. Bastei Lübbe AG has signed master agreements with printers which include the stockpiling of paper. Furthermore, there is an increasing focus on standard formats and quality, which allows large quantities to be stockpiled.

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

Value of inventories

Reflecting the sharp decline in sales of physical audio books and pandemic-related uncertainties surrounding the sale of remainder books, this risk forms part of the risk report for the first time. The value of inventories of books is largely dependent on the price that can be obtained for the stocks of physical books and audio books.

The market for physical audio books is changing both structurally and due to the pandemic. 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. Because social distancing rules remain in place, fewer and fewer "tables for discounted last remaining stocks" are being placed in bookshops and electronics markets. 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 these products. As of the reporting date, risks in the form of inventory impairments were taken into account but the inventories need to be looked at 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 credit and liquidity risks which are customary in business. The credit risk is addressed through the above-mentioned measures (trade credit insurance). 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. Risks from the use of derivative financial instruments are not material for the Group.

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. To limit the interest rate risk, interest swap transactions for an original credit volume of EUR 10 million (EUR 1.5 million as of the reporting date) with a term expiring on 26 November 2021 were concluded. 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. In individual cases, forward exchange transactions have been signed to limit currency risks.

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. First, Bastei Lübbe AG funds itself via non-recourse factoring. Secondly, Bastei Lübbe raised working capital facilities in December 2020 and January 2021 with DZ Bank and Sparkasse Köln-Bonn as part of the efforts to restructuring its external funding.

The Executive Board considers the risk of the loan agreement 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.

COVID-19 pandemic

The COVID-19 pandemic did not have a substantially negative impact on the Group's business performance in the year under review. Internally, all necessary measures were taken at short notice to maintain business operations via mobile working, which proved highly successful. Employees demonstrated flexibility, commitment and exceptional motivation.

Externally, the lockdowns led to weeks-long closures of stationary book retailers. Thanks to the exceptional commitment shown by our retail partners, especially stationary bookstores, substantial losses of sales were averted on the book market. In fact, Bastei Lübbe AG's revenue targets were substantially exceeded during the lockdown and over the fiscal year as a whole.

Due to the successful vaccination campaign and the decline in infection numbers in the second quarter of the 2021 calendar year in Germany and the rest of Europe, a large number of restrictions for the retail sector were lifted and this benefited stationary bookstores.

Despite the positive developments in recent months, the risks resulting from the COVID-19 pandemic persist. In addition to possible future delays in vaccinations, existing and new virus variants against which vaccines are currently less effective or which are substantially more infectious may lead to resurgent infection numbers. If infections rise there is a risk that the easing planned for the retail sector will be postponed or that more stringent restrictions are imposed.

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 well as reducing and avoiding risk, Bastei Lübbe's risk management aims at securing the Company's long-term viability by keeping opportunities and risks in balance. This means that regular identification, analysis and evaluation are carried out to determine how the Company might target and exploit the various opportunities. Opportunities exist 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

Strategic opportunities arise mainly from changes in market conditions. Bastei Lübbe has identified digitalisation, changing customer reading and learning habits and the expansion of direct digital dialogue with end customers as relevant trends which are set to influence the business models of the future.

Opportunities through changing customer reading habits as a result of digitalisation

As a general rule, it is worth noting that the market for digital audio books is continuing to grow.

Increasing digitalisation goes hand in hand with greater opportunities for consuming content, enabling Bastei Lübbe to expand existing areas of business. Smartphones and tablets and the further modernisation of electronic readers, such as Kindle and Tolino, provide customers with a convenient reading and listening experience anywhere, on the way to work or study or while out and about, for example. To accommodate these additional reading and audio situations, we are supplementing our electronic media content and developing tailored content, such as "cosy crime". In this context, the development of increasingly serial content is also generating additional sales potential.

Bastei Lübbe began to develop and market digital content early on. It is seeking to consolidate and build on this strategic advantage.

Opportunities through digital dialogue with readers

The 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. For example, the more than 90,000 followers of our LYX imprint on Instagram and the online community of sustainability company Business Hub Berlin UG, acquired in December 2020, which operates the website www.smarticular.net among other things. Both communities support the tailored development of content for our readers. Bastei-Lübbe is seeking to develop similar communities for other interest groups and sees this as an important complementary expansion of its future publishing business. With community-supported imprints such as LYX and ONE, Bastei Lübbe is already reaching young target groups with analogue and digital offerings today.

The Company is forging new paths, both in terms of content as well as in its marketing. This focus on small and very clearly defined target audiences enables efficient end customer marketing online and ensures high repurchase rates.

Other opportunities

Furthermore, Bastei Lübbe sees further promising opportunities within the sector for safeguarding its earnings potential. For example, through acquisitions of promising titles at attractive terms, using the information we have gained on the needs of our readers. Further, through the systematic and permanent search for and identification of process optimisation to improve business results while 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 attracting well-qualified management employees with digital competencies and, above all, in the development of highly qualified employees. For example, explicit empowerment training is conducted to develop (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 2020 until 31 March 2021 in accordance with the German Commercial Code

(KEUR)	2020/2021	2019/2020
Revenues	91,555	80,611
Changes in inventories of finished goods and work in progress	-2,647	-3,620
Other operating income	1,725	1,335
Cost of materials	-43,795	-40,478
Personnel expenses	-15,940	-14,289
Depreciation and amortisation	-814	-868
Other operating expenses	-19,002	-17,921
Share of profit of associates	391	414
Depreciation of financial assets and securities held as current assets	-592	-8,890
Other interest and similar income	116	122
Interest and similar expenses	-582	-1,194
Income taxes	-2,094	-104
Net profit / loss for the year	8,322	-4,882
Profit/loss carried forward	-46	-12,923
Withdrawal from share premium	0	17,759
Unappropriated surplus/accumulated deficit	8,276	-46

Bastei Lübbe AG expected revenues of around EUR 84 million but achieved EUR 91.6 million (previous year: EUR 80.6 million).

The business performance of the “Book” and “Novel Booklets” segments is described on page 38 in the section entitled “Business performance of the segments”.

Other operating income includes income of EUR 1.1 million from the settlement with the former members of the governance bodies.

The share of profit of associates of EUR 0.4 million (previous year: EUR 0.4 million) is composed of dividends received from Moba (EUR 0.3 million), Community Editions and various press wholesalers.

Depreciation of financial assets and securities classified as current assets relates to impairments in connection with the subsidiary J. P. Bachem Editionen. In the previous year, depreciation of EUR 8.9 million had been recognised in connection with the subsidiary Daedalic Entertainment.

Bastei Lübbe AG had an annual average of 204 employees in fiscal year 2020/2021 (previous year: 202).

Net profit for the year comes to EUR 8.3 million after the net loss of EUR 4.9 million in the previous year. The forecast for EBIT of EUR 5 - 6 million was substantially exceeded as revenues were higher than expected.

Bastei Lübbe AG's financial position

As of 31 March 2021, Bastei Lübbe AG's liquidity reserves are composed of cash and cash equivalents of EUR 13.1 million (previous year: EUR 1.9 million). Credit facilities of a total of EUR 10 million (previous year: EUR 19.4 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 4.8 million on 31 March 2021 (previous year: EUR 3.4 million).

Bastei Lübbe AG's net assets

ASSETS (KEUR)	31/03/2021	31/03/2020
Fixed assets		
Intangible assets	894	874
Tangible assets	1,172	1,210
Financial assets	6,153	3,231
	8,219	5,314
Author advances	19,695	15,260
Current assets		
Inventories	8,735	11,528
Receivables and other assets	12,997	9,199
Cash at banks	13,114	1,859
	34,846	22,586
Prepaid expenses	710	772
Total assets	63,470	43,933

Compared with 31 March 2020, total assets rose by EUR 19.5 million to EUR 63.5 million (previous year: EUR 43.9 million).

The increase in fixed assets is primarily due to the acquisition of Business Hub Berlin UG.

Author advances increased from EUR 15.3 million to EUR 19.7 million primarily as a result of two new contracts with top-selling authors.

Current assets increased from EUR 22.6 million to EUR 34.8 million. Receivables rose by EUR 3.8 million due to the discontinuation of digital factoring. Reflecting the favourable business performance, cash at banks increased from EUR 1.9 million to EUR 13.1 million. Inventories dropped from EUR 11.5 million in the previous year to EUR 8.7 million.

EQUITY AND LIABILITIES (KEUR)	31/03/2021	31/03/2020
Equity		
Issued capital	13,200	13,200
Share premium	8,900	8,900
Retained earnings	100	100
Accumulated loss	8,276	-46
	30,476	22,154
Provisions	13,836	8,396
Liabilities		
Liabilities to banks	4,750	3,375
Trade payables	13,767	9,252
Other liabilities	641	756
	19,158	13,383
Deferred income	0	0
Total equity and liabilities	63,470	43,933

At EUR 30.5 million, equity was up on the previous year (EUR 22.2 million) due to the net profit for the year of EUR 8.3 million.

Provisions came to EUR 13.8 million, up from EUR 8.4 million as of 31 March 2020. They include amounts of EUR 5.8 million (previous year: EUR 4.3 million) set aside for returns as well as provisions for outstanding invoices and bonuses.

Liabilities increased from EUR 13.4 million to EUR 19.2 million primarily as a result of higher liabilities to authors.

Risk situation of Bastei Lübbe AG

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

Forecast for Bastei Lübbe AG

Revenues of between EUR 88 million and EUR 91 million are expected for fiscal year 2021/2022 (year under review: EUR 91.6 million). Of this, the "Book" segment should contribute EUR 80.4 - 83.4 million (year under review: EUR 84.4 million) and the "Novel Booklets" segment roughly EUR 7.6 million (year under review: EUR 7.2 million). All in all, Bastei Lübbe AG projects earnings before interest and taxes (EBIT) of between EUR 10 million and EUR 11 million (year under review: EUR 10.9 million). The "Book" segment is expected to generate EBIT of between EUR 8.5 million and EUR 9.5 million and the "Novel Booklets" segment EBIT of around EUR 1.5 million (including income of EUR 0.3 million 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.

Remuneration report

Executive Board remuneration

In response to the new statutory requirements for Executive Board remuneration resulting from the transposition of the Second EU Shareholders Rights Directive into German law (Act on the Transposition of the Second Shareholder Rights Directive) and the revision of the German Corporate Governance Code (the Code), the Supervisory Board has adjusted the remuneration system for members of Bastei Lübbe AG's Executive Board accordingly. The adjustment was approved at the annual general meeting on 15 September 2020. Taking into account customary industry practice and internal remuneration ratios (verticality), the remuneration system particularly ensures compliance with the requirements of the German Stock Corporation Act and the German Corporate Governance Code.

The structure and elements of the remuneration system are as follows:

- The remuneration system consists of non-performance-related (fixed) and performance-related (variable) components.
- The target ratio of basic remuneration to variable remuneration is roughly 60 : 40 (assuming 100% target achievement).
- The target ratio of one-year to multi-year variable remuneration is 40 : 60 (assuming 100% target achievement).
- Additional benefits mainly comprise a company car and insurance benefits.
- No additional company pension is granted to the members of the Executive Board.
- There is an individual right to choose between basic remuneration and a pension contribution.
- Irrespective of any entitlement for a fiscal year or for a multi-year period in accordance with the following explanations, any breach of duty on the part of the Executive Board member in the fiscal year or in the multi-year period for which the one-year or multi-year variable remuneration is due will result in a reduction or complete cancellation of the entitlement ("negative bonus" or "clawback" rule). The Supervisory Board decides on the extent of the reduction at its own due discretion, depending on the severity of the breach of duty. The breach of duty is assessed on the basis of the standard defined in Section 93 of the German Stock Corporation Act. This clawback provision does not apply to the Executive Board members who resigned in 2020.

To reward special achievements and, resulting from this, the Company's particular economic success, the Supervisory Board may decide to award an additional voluntary bonus at its own due discretion. This voluntary bonus is capped at the target one-year variable remuneration in the case of the Executive Board members who resigned in 2020. The additional voluntary bonus for the current members of Bastei Lübbe AG's Executive Board is capped such that it remains below the target multi-year variable remuneration when added to the target one-year variable remuneration.

One-year variable remuneration

- The one-year variable remuneration for the members of the Executive Board is determined by two aspects of target achievement. On the one hand (financial component) it is based on Group EBIT (performance target) and additionally (non-financial, strategic component) on the achievement of the underlying agreed annual individual targets or team targets. The financial component has a weighting of 60% and the non-financial strategic component a weighting of 40%. The relevant target for the members of the Executive Board who resigned in 2020 is Group EBIT.
- The overall target achievement is determined on the basis of the extent of achievement of the two targets or the EBIT target according to the weighting of the individual targets in relation to each other.
- An overall target achievement level of 75% gives rise to entitlement of 50% of the target bonus. Entitlement is forfeited below 75% (entry hurdle), while the one-year remuneration increases to 200% of the target bonus up to a target achievement of 150%.

- The Supervisory Board has the option at its own due discretion of adjusting the calculated one-year variable remuneration within a range of 80% to 120% (discretionary multiplier). It may do this to recognise achievement of strategic targets and/or outstanding individual performance.
- The one-year variable remuneration is capped at 200% of the target, including any discretionary portion.

Target	X	Target achievement Overall target	=	Calculated earnings	X	Discretionary multiplier	=	Payout (cash)
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Multi-year variable remuneration

- The Executive Board members are granted multi-year variable remuneration in the form of performance share units (PSUs),
- which are awarded annually. The starting point is the target divided by the share price at the beginning of the term (average closing price over the 30 trading days preceding the beginning of the term). The target is defined as the contractually agreed multi-year variable remuneration in the event of 100% target achievement.
- The PSUs granted each year are measured at the end of a 3-year term and then paid out to the members of the Executive Board in cash.
- At the beginning of the term, a target for the average earnings per share over the 3-year period is set on the basis of the medium-term forecast.
- As is the case with the one-year variable remuneration, the entry hurdle is target achievement of 75%; in the case of average target achievement of 150% over the 3-year period, the number of shares granted at the beginning of the first year increases by a factor equalling target achievement (capped at 150%).
- The share price at the end of the 3-year period is taken into account to determine the amount of the payout (average closing prices on the last 30 trading days preceding the expiry of the 3-year period). The increase in the share price to be taken into account may reach a maximum of 250% compared to the starting point.
- Accordingly, the maximum payout under the multi-year variable remuneration is capped at 375% of the target.
- Should the Executive Board member leave before the end of the 3-year period, the multi-year variable remuneration is calculated after this period and is paid out on a time-proportionate basis.

Target (converted into virtual shares)	X	Target achievement EPS (over three years)	=	Final number of virtual shares	X	Share price (at the end of the term)	=	Payout (cash)
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In the event of the premature departure of a member of the Executive Board, no payments that exceed the value of two years of remuneration or equal compensation for more than the remaining term of the contract – including additional benefits – are made to that member (cap on termination benefits). If the service contract is terminated for good cause for reasons for which the member of the Executive Board is responsible, no payment is made to that member. The calculation of the cap on the termination benefits is based on the total remuneration for the past fiscal year and, if applicable, also the expected total remuneration for the current fiscal year.

Remuneration of the Executive Board – benefits granted

EUR k	Joachim Herbst Speaker of the Executive Board, Chief Financial Of- ficer (from 1/08/2020)				Sandra Dittert Chief Marketing and Sales Officer (from 1/08/2020)				Simon Decot Chief Programme Officer (from 1/04/2020)			
	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20
Fixed remuneration	180	180	180	–	140	140	140	–	200	200	200	–
Additional benefits	15	15	15	–	14	14	14	–	18	18	18	–
Total	195	195	195	–	154	154	154	–	218	218	218	–
One-year variable remuneration												
Bonus	100	0	100	–	75	0	75	–	108	0	108	–
Multi-year variable remuneration												
Performance share units	0	0	0	–	52	0	70	–	75	0	101	–
Total	100	0	100	–	127	0	137	–	183	0	209	–
Total remuneration	295	195	295	–	281	154	291	–	401	218	427	–

EUR k	Carel Halff Chairman of the Executive Board (1/11/2017 – 30/9/2020)*				Ulrich Zimmermann Chief Financial Officer (19/6/2017 – 31/12/2020)**				Klaus Kluge Chief Marketing and Sales Officer (9/7/2013 – 30/9/2020)**			
	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20	2020/ 21	2020/ 21 min	2020/ 21 max	2019/ 20
Fixed remuneration	180	180	180	360	165	165	165	220	125	125	125	250
Additional benefits	18	18	18	37	6	6	6	9	2	2	2	8
Total	198	198	198	397	171	171	171	229	127	127	127	258
One-year variable remuneration												
Bonus	96	0	96	–	84	0	84	–	67	0	67	–
Multi-year variable remuneration				–								
Performance share units	67	0	90	–	58	0	79	–	46	0	63	–
Total	163	0	186	–	142	0	163	0	113	0	130	0
Total remuneration	361	198	384	397	313	171	334	229	240	127	257	258

*) acting in an advisory capacity
from 16 September 2020

**) resigned effective 31 July 2020

Remuneration of the Executive Board – allocations

	Joachim Herbst Speaker of the Executive Board, Chief Financial Of- ficer (from 1/08/2020)		Sandra Dittert Chief Marketing and Sales Officer (from 1/08/2020)		Simon Decot Chief Programme Officer (from 1/04/2020)	
EUR k	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Fixed remuneration	180	–	140	–	200	–
Additional benefits	15	–	14	–	18	–
Total	195	–	154	–	218	–
One-year variable remunera- tion	0	–	0	–	0	–
Bonus	0	–	0	–	0	–
Total	0	–	0	–	0	–
Total remuneration	195	–	154	–	218	–

	Carel Halff Chairman of the Executive Board (1/11/2017 – 30/9/2020)*		Ulrich Zimmermann Chief Financial Officer (19/6/2017 – 31/12/2020)**		Klaus Kluge Chief Marketing and Sales Officer (9/7/2013 – 30/9/2020)**	
EUR k	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Fixed remuneration	180	360	165	220	125	250
Additional benefits	18	37	6	9	2	8
Total	198	397	171	229	127	258
One-year variable remunera- tion						
Bonus	0	240	0	71	0	85
Total	0	240	0	71	0	85
Total remuneration	198	637	171	300	127	343

*) acting in an advisory capacity from 16 September 2020

**) resigned effective 31 July 2020

Supervisory Board remuneration

In accordance with the articles of association, the remuneration of the members of the Supervisory Board comprises solely fixed components. There is no separate remuneration for work on committees. The remuneration is paid after the end of the fiscal year.

The members of the Supervisory Board received the following remuneration for fiscal year 2020/2021:

EUR k	2020/21	2019/20
Robert Stein, Chairman of the Supervisory Board	100	100
Dr. Mirko Caspar, Deputy Chairman of the Supervisory Board	75	75
Prof. Dr. Friedrich L. Ekey	50	50
Total	225	225

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.

Authorisation 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% 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 customary 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 fiscal year 2020/2021. On 7 July 2021, the Executive Board and the Supervisory Board issued a declaration of conformity pursuant to 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 those for the last five years have been made permanently available to shareholders on the company website (see www.luebbe.com/de/investor-relations/corporate-governance/entsprechenserklaerung).

Further 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/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung .

Cologne, 7 July 2021
Bastei Lübbe AG



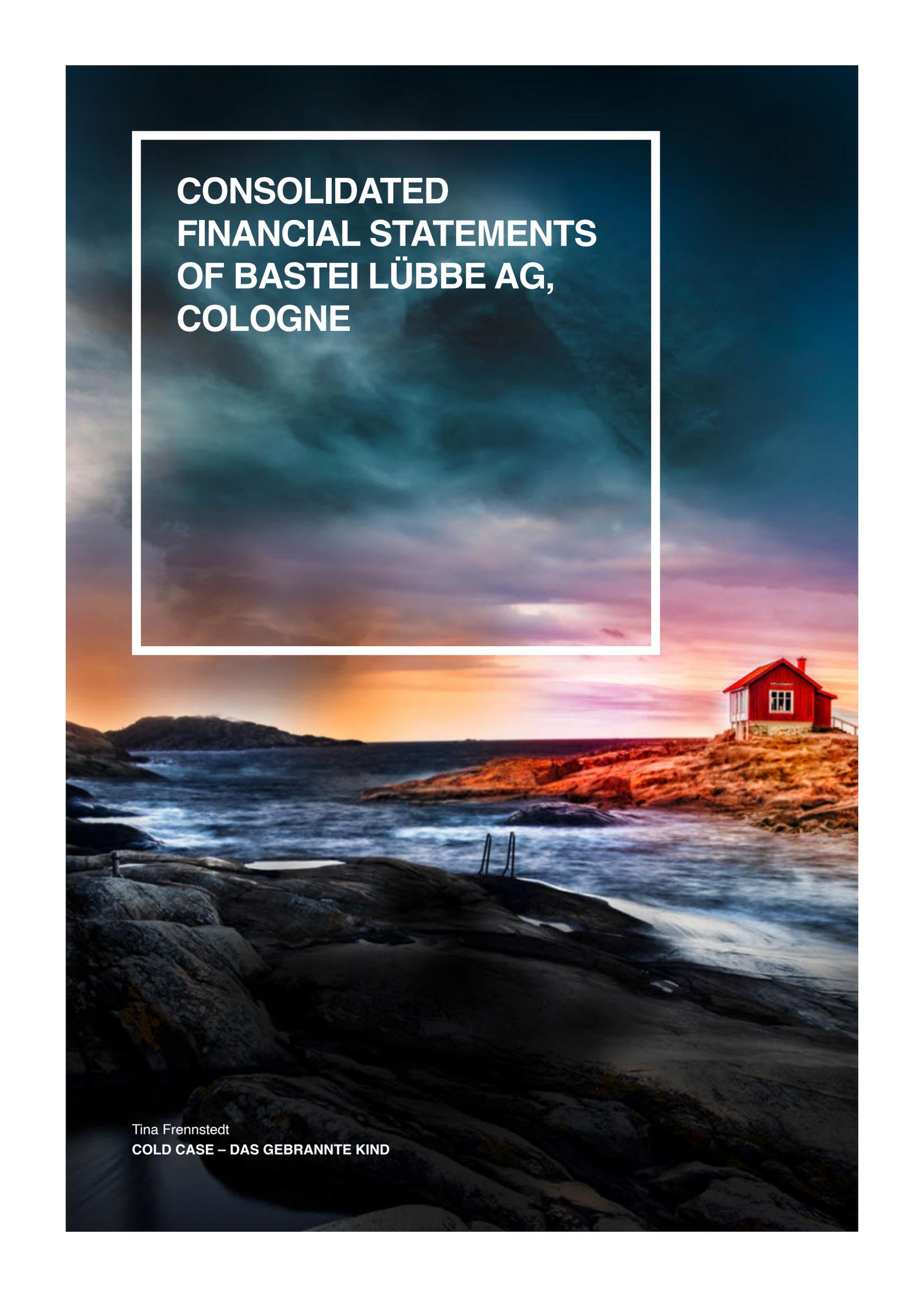
Joachim Herbst
Speaker of the Executive Board
Chief Financial Officer



Sandra Dittert
Executive Board
Chief Sales and Marketing Officer



Simon Decot
Executive Board
Chief Programme Officer



**CONSOLIDATED
FINANCIAL STATEMENTS
OF BASTEI LÜBBE AG,
COLOGNE**

Tina Frennstedt
COLD CASE – DAS GEBRANNTÉ KIND

Consolidated statement of financial position as of 31 March 2021

	Notes	31/03/2021 KEUR	31/03/2020 KEUR
Non-current assets			
Intangible assets	6.	8,375	1,130
Author advances	7.	19,759	15,347
Property, plant and equipment (including right-of-use assets)	8.	9,585	8,415
Investments in associates	9.	1,090	999
Financial assets	10.	9,318	3,276
Trade receivables	13.	–	420
Deferred tax assets	11.	1,634	3,043
		49,762	32,629
Current assets			
Inventories	12.	9,423	11,959
Trade receivables	13.	13,963	8,482
Financial assets	10.	204	1,053
Income tax refund claims	11.	208	374
Other receivables and assets	14.	2,110	1,815
Cash and cash equivalents	15.	14,472	2,765
Assets held for sale		–	9,501
		40,380	35,950
Total assets		90,142	68,579
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.	11,550	4,055
Other comprehensive income	16.	8,723	1,995
		42,519	28,295
Non-controlling interests	16.	109	-940
Total equity		42,628	27,354
Non-current liabilities			
Provisions	18.	87	86
Deferred tax liabilities	11.	1,042	0
Financial liabilities	20.	13,799	6,448
Trade payables	21.	592	768
		15,521	7,302
Current liabilities			
Financial liabilities	20.	5,147	5,581
Trade payables	21.	15,774	10,338
Income tax liabilities	11.	1,874	266
Provisions	18.	7,765	5,748
Other liabilities	22.	1,433	1,668
Liabilities in connection with assets held for sale		–	10,321
		31,994	33,922
Total liabilities		47,514	41,225
Total equity and liabilities		90,142	68,579

Consolidated income statement for the period from 1 April 2020 to 31 March 2021

	Notes	2020/2021	2019/2020
		KEUR	KEUR
Continuing operations			
Revenues	23.	92,688	81,485
Changes in inventories of finished goods and work in progress	24.	-3,268	-3,492
Other operating income	25.	1,780	904
Cost of materials	26.	-44,565	-41,549
Personnel expenses	27./28.	-17,109	-15,150
Other operating expenses	29.	-16,181	-15,894
Share of profit of associates	30.	27	56
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)		13,372	6,360
Amortisation and depreciation	31.	-2,500	-2,231
Impairment of financial assets	31.	-	-
Earnings before interest and income taxes (EBIT)		10,871	4,129
Share of profit of associates		185	402
Net finance income/expenses	32.	-337	-1,419
Earnings before income taxes (EBT) from continuing operations		10,719	3,112
Income taxes	33.	-3,470	-1,223
Net profit for the period from continuing operations		7,250	1,889
Net profit for the period from discontinued operations		624	-10,960
Consolidated net profit for the period		7,874	-9,071
of which attributable to:			
Equity holders of Bastei Lübbe AG			
Net profit from continuing operations		7,253	1,873
Net profit from discontinued operations		242	-7,992
		7,495	-6,119
Non-controlling interests			
	34.		
Net profit from continuing operations		-3	16
Net profit from discontinued operations		382	-2,968
		378	-2,953
Earnings per share (basic = diluted) (based on the net profit for the period attributable to the equity holders of Bastei Lübbe AG)	17.	0.57	-0.46

**Consolidated statement of comprehensive income for the period from
1 April 2020 to 31 March 2021**

	Notes	2020/2021	2019/2020
		KEUR	KEUR
Consolidated net profit for the period		7,874	-9,071
Amounts that cannot be recycled to profit and loss in the future		6,770	0
Changes in the fair value of equity instruments	35.	6,770	0
Amounts that can be recycled to profit and loss in the future		-46	17
Foreign currency translation differences		-46	17
Other comprehensive income		6,724	17
Consolidated comprehensive income		14,598	-9,054
of which attributable to:			
Equity holders of Bastei Lübbe AG		14,224	-6,104
Non-controlling interests		374	-2,951

Consolidated cash flow statement for the period from 1 April 2020 to 31 March 2021

	2020/2021 KEUR	2019/2020 KEUR
Net profit/loss for the period	7,874	-9,071
+/- Depreciation and amortisation/writeups of intangible assets and property, plant and equipment	2,500	17,116
+/- Impairment of/remeasurement gains from financial assets		-
+/- Amortisation of/ remeasurement gains from author fees	13,034	14,180
+/- Other non-cash expenses/income	-69	17
+/- Share of profit and loss of associates	-185	-402
+/- Increase/decrease in provisions	2,086	-1,518
-/+ Profit/loss from the disposal of intangible assets and property, plant and equipment	0	-369
-/+ Profit/loss from the sale of other financial assets	13	0
-/+ Profit/loss from the sale of fully consolidated companies	155	707
-/+ Increase/decrease in income tax assets and liabilities including deferred tax assets and liabilities	3,105	1,111
- Author advances	-17,447	-9,072
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-479	5,973
+/- Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	6,296	-4,407
Cash flow from operating activities	16,882	14,265
Of which cash flow from operating activities of continuing operations	15,518	10,393
+ Payments received from the disposal of intangible assets	0	1,900
- Payments made for purchases of intangible assets	-790	-4,477
+ Payments received from the disposal of property, plant and equipment	0	-
- Payments made for purchases of property, plant and equipment	-565	-506
- Payments received from the repayment of loans granted	985	1,138
- Payments made for the acquisition of shares in investments accounted for using the equity method	0	-400
- Payments made for the acquisition of fully consolidated companies, less cash and cash equivalents acquired	-4,407	-246
+ Payments received from the sale of fully consolidated companies less cash and cash equivalents sold	-647	-
- Dividends from companies accounted for using the equity method	94	46
Cash flow from investing activities	-5,329	-2,544
Of which cash flow from investing activities of continuing operations	-3,719	1,730
- Payments made to non-controlling interests (dividends)	-31	-36
+ Payments received from raising borrowings	5,136	200
- Payments made for the discharge of loans	-3,625	-11,000
- Payment made for the settlement of lease liabilities	-1,464	-1,296
Cash flow from financing activities	16	-12,131
Of which cash flow from financing activities of continuing operations	-94	-11,780
Changes to cash and cash equivalents recognised in the cash flow statement	11,569	-411
-/+ Increase/decrease in cash and cash equivalents due to changes in companies consolidated	0	-42
+ Cash and cash equivalents at the beginning of the period	2,903	3,356
= Cash and cash equivalents at the end of the period	14,472	2,903

Consolidated statement of changes in equity for the period from 1 April 2020 to 31 March 2021

(all amounts in KEUR)	Parent Company					Equity	Non-	Consoli-
	Sub-	Share	Unap-	Other	Cur-		control-	dated
	scribed	premium	propriat-	compre-	rency	Equity	ling	equity
	capital		ed	hensive	transla-		interests	
			surplus	income	tion			
					reserve			
Amount on 1 April 2019	13,200	26,804	-7,245	1,989	-11	34,739	1,363	36,102
Changes in companies consoli-	-	-	-341	-	-	-341	684	343
dated								
Dividend distributions to share-	-	-	-	-	-	-	-36	-36
holders								
Release of share premium Section 272 (1) of the German Commercial Code	-	-17,759	17,759	-	-	0	-	0
Net profit/loss for the period	-	-	-6,119	-	-	-6,119	-2,953	-9,072
Other comprehensive income	-	-	-	-	15	15	2	17
Comprehensive income	-	-	-6,119	-	15	-6,104	-2,951	-9,054
Amount on 31 March 2020	13,200	9,045	4,055	1,989	5	28,295	-940	27,354
Amount on 1 April 2020	13,200	9,045	4,055	1,989	5	28,295	-940	27,354
Changes in companies consoli-	-	-	-	-	-	-	706	706
dated								
Dividend distributions to share-	-	-	-	-	-	-	-31	-31
holders								
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	0	0	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



**NOTES TO THE
CONSOLIDATED
FINANCIAL STATEMENTS**

Sabine Stading
PETRONELLA APFELMUS – EISMAGIE UND WILDE WICHTE

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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, e-books and other digital products with fiction and popular science content as well as periodicals in the form of novels. With economic effect from 1 January 2021, Bastei Lübbe AG acquired 100% of the shares in Business Hub Berlin UG (hereinafter “smarticular”), which publishes the sustainability-focused guidebook smarticular and operates the online platforms www.smarticular.net and www.kostbarenatur.net.

With economic effect from 1 June 2020, Bastei Lübbe AG sold 41% of its stake in Daedalic Entertainment GmbH, which develops and markets high-quality cross-platform computer and video games. Bastei Lübbe continues to hold 10% of the shares in Daedalic Entertainment GmbH.

The main areas of activity of the Bastei Lübbe Group (hereinafter also “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 fiscal year from 1 April 2020 to 31 March 2021 were prepared by the Executive Board on 7 July 2021 and approved for publication and will be submitted to the Supervisory Board on 12 July 2021 for approval.

Reference should be made to Note 50 with regard to events after the reporting date that could be material for the assessment of the Group’s net assets, financial position and results of operations as well as the cash flows that have occurred as of 7 July 2021.

2. Basis of preparation

a) Underlying accounting principles

The consolidated financial statements as of 31 March 2021 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 derivative financial instruments and the shares held in Räder GmbH and Daedalic Entertainment GmbH. These 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 3h). 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 amortisation 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 fiscal year 2020/2021.

The application of the standards, clarifications and interpretations that are mandatory from 1 April 2020 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 fiscal 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 fiscal year that matches calendar year and thus differs from the Group's fiscal 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 cost 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
Publishing and title rights	8-15	6.67-12.50

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 royalties for manuscripts for which Bastei Lübbe has acquired full exploitation rights, as well as advances made on these and are measured at cost.

A performance-based amortisation method is applied to author advances and is determined in accordance with the sales- and revenue-based fee rates as well as contractually agreed ones. 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% is applied. The WACC is calculated on the basis of the customary cost of capital less a risk discount. 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.

All expenses in connection with author advances are included in a separate item 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	20.00-10.00
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	100.00

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 CGU

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 using an underlying interest rate which is currently (as of the reporting date) 0.02% and a market risk premium of 7.0% (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 2021, a weighted cost of capital of 10.89% before tax and 7.60% 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 Executive Board expects the company to continue its growth phase in the coming years. The planning assumes an average increase in revenues of 22% until fiscal year 2023/2024, continued growth in EBIT (before PPA effects) and increasing cash flows. Growth is to be particularly achieved through the expansion of the book portfolio and e-commerce business. In line with the underlying business model, production of additional book titles will proceed on a cautious basis, as the respective book titles and content will also be validated through interaction with community members and tested for potential demand. Furthermore, Business Hub Berlin UG acquires book titles on the subject of sustainability in an international environment (e.g. Poland, Norway).
Detailed planning period	3 years
Value in use (KEUR)	18,551
Carrying amount (KEUR)	8,275
Difference between value in use and carrying amount (KEUR)	10,276
Change in free cash flow in perpetuity resulting in value in use equal to the carrying amount (KEUR)	845
Change in growth rate resulting in value in use equal to the carrying amount	-12.02 percentage points
Change in WACC resulting in value in use equal to the carrying amount	7.66 percentage points

J.P. Bachem Editionen GmbH

J.P. Bachem Editionen GmbH is primarily active in corporate client business and produces a significant proportion of books for leisure or social institutions such as zoos, football clubs and hospitals. Due to the pandemic, business with these organisations came to an almost complete halt in the year under review, with the result that a realignment of the business model is currently required. The existing corporate publishing business model, from which a significant part of the future planned earnings is to be derived, is no longer expected to be economically viable in the existing constellation due to the pandemic-related changes. In addition, investments in new business are inherently subject to risk, prompting the Executive Board to assume that the company will not generate any profit or positive cash flow in the short term.

This has resulted in an impairment of the entire goodwill of KEUR 228.

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 lease incentives received,
- 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 KEUR 5.

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 Group's building and associated parking was extended, resulting in an adjustment to the lease duration. 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

(i) 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 fiscal 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Other derivatives

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

(vi) 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.

(vii) 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.

(viii) 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 from the acquisition of Business Hub Berlin UG and the derivatives held for trading purposes without any hedging relationship (interest rate swap).

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. Only market-related measurement methods were used to measure derivatives held for trading. This corresponds to the level 2 procedures. The market interest rate on the reporting date is used as the input factor for the measurement of the interest rate swaps (IFRS 13.91).

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. Where necessary, impairments are recognised to allow for reduced marketability.

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 only on 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 e-books 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 fiscal year 2020/2021:

Fully consolidated companies

	Domicile	Share held	
		31/03/2021	31/03/2020
Moravská Bastei MOBA s.r.o. ¹⁾	Brno / Czech Republic	89.76%	89.76%
J.P. Bachem Editionen GmbH	Cologne	75.00%	75.00%
Business Hub Berlin UG ²⁾	Berlin	100.00%	—
Daedalic Entertainment GmbH ³⁾⁵⁾	Hamburg	10.00 %	51.00%
Daedalic Entertainment Bavaria GmbH ³⁾⁴⁾	Munich	—	51.00%

1) Different fiscal year included in the consolidated financial statements 1 January 2020 - 31 December 2020

2) Consolidated for the first time on 1 January 2021

3) Deconsolidated on 31 May 2020

4) Under liquidation

5) Measured at fair value as of the reporting date.

The shares in Moravská Bastei MoBa s.r.o., Business Hub Berlin UG and J.P. Bachem Editionen GmbH are allocated to the "Books" segment. Moba distributed a dividend in the year under review and the previous year. Otherwise, there were no dividend payments from the other fully consolidated subsidiaries in the previous two fiscal years.

Non-controlling interests

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

	Domicile	Shares held by non-controlling shareholders	
		31/03/2021	31/03/2020
Moravská Bastei MOBA s.r.o. ¹⁾	Brno / Czech Republic	10.24%	10.24%
J.P. Bachem Editionen GmbH	Cologne	25.00%	25.00%
Daedalic Entertainment GmbH ²⁾	Hamburg	—	49.00%
Daedalic Entertainment Bavaria GmbH ²⁾³⁾	Munich	—	49.00%

1) Different fiscal year included in the consolidated financial statements 1 January 2020 - 31 December 2020

2) Deconsolidated on 31 May 2020

3) Under liquidation

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

(KEUR)	Moba		Bachem	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Non-current assets	108	156	339	408
Current assets	1,986	1,805	239	409
Non-current liabilities	0	0	9	14
Current liabilities	327	322	534	561
Net assets	1,767	1,639	34	404
Net assets attributable to non-controlling interests	180	167	-72	-20
Revenues	2,054	2,265	1,139	664
Total profit/loss for the period	476	492	-208	-138
Total profit/loss attributable to non-controlling interests	49	50	-52	-34

Non-consolidated subsidiaries, associates 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	Percentage share	Equity	Net profit/loss
Siebter Himmel Bastei Lübbe GmbH ¹⁾	Cologne	100%	149	64
Bastei Ventures GmbH ²⁾	Cologne	100%	12	-2

¹⁾ Figures taken from annual financial statements as of 31 March 2019

²⁾ Figures taken from annual financial statements as of 31 December 2019

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

(KEUR)	Domicile	Percentage share	Equity	Net profit/loss
CE Community Editions GmbH ¹⁾²⁾	Cologne	40%	2,225	463
Räder GmbH ¹⁾	Essen	20%	11,981	4,863

¹⁾ Figures taken from annual financial statements as of 31 December 2020

²⁾ Accounted for using the equity method

The following table sets out summarised financial information on the main investments in associates recognised at fair value:

(KEUR)	Räder	
	31/12/2020	31/12/2019
Non-current assets	4,799	5,228
Current assets	14,141	14,248
Non-current liabilities	2,965	8,672
Current liabilities	3,994	3,685
Net assets	11,981	7,118
Revenues	28,041	24,450
Total profit/loss for the period	4,863	3,755

In addition to Daedalic Entertainment GmbH, Hamburg (10%), the other investments in associates shown 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

Business Hub Berlin UG

Bastei Lübbe AG acquired 100% of the shares in Business Hub Berlin UG (“smarticular”), with registered offices in Berlin, under a notarised agreement dated 22 December 2020 and with financial effect from 1 January 2021. This company publishes the sustainability-focused guidebook called “smarticular” and operates the online platforms www.smarticular.net and www.kostbarenatur.net. Both companies expect to harness synergy effects from the joint expansion of their non-fiction programmes. Bastei Lübbe is also expanding its range and expertise in the area of sustainability with the business combination. The company is assigned to the “Book” segment.

The costs for the acquisition of the shares amounted to KEUR 4.873, of which KEUR 4.699 had been paid out as of the reporting date. The purchase price was paid on 14 January 2021 and financed with the aid of a favourably priced acquisition loan. In addition, subsequent contingent purchase price payments which are linked to the fulfilment of performance targets over the next four years were agreed with the sellers. The fair value of the expected contingent purchase price liability is between KEUR 913 and KEUR 9.543.

Business Hub Berlin UG contributed KEUR 623 to consolidated revenues and KEUR -363 to consolidated earnings in the year under review. The company’s fiscal year previously matched the calendar year. Upon its consolidation, it adopted the same fiscal year as Bastei Lübbe AG. It is therefore not possible to reliably determine the revenues and earnings that the company would have contributed over the entire reporting year had it been a member of the Group.

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

(KEUR)	Carrying amounts upon acquisition	PPA adjust- ments	Fair values
Intangible assets	5	3,482	3,487
Property, plant and equipment	12	0	12
Deferred tax assets	3	0	3
Inventories	304	571	875
Trade receivables and other receivables	618	0	618
Cash and cash equivalents	292	0	292
Deferred tax liabilities	-9	-1,223	-1,232
Trade payables and other liabilities	-241	0	-241
Net assets (and liabilities)	985	2,830	3,814
Historical cost			4,873
Purchase price liabilities			5,086
Goodwill at initial consolidation			6,143
Adjustment not effecting net income on reporting date¹⁾			-2,101
Goodwill on reporting date			4,042

1) See note 20

The PPA effects are included in these consolidated financial statements.

The fair value measurement of intangible assets indicated hidden reserves in an amount equalling the expected cash flows from the exploitation rights of the books produced by smarticular itself as well as customary market licence rates for the brand and the domains. In addition, hidden reserves in an amount equalling the expected profit margins (sales price after trade discount less costs to sell) of the books stocked by smarticular were identified in the inventories. It is assumed that the hidden reserves in the intangible assets will be realised within 8 or 15 years and the hidden reserves in the inventories within three months after acquisition.

The various factors that led to the recognition of the aforementioned goodwill in the "Book" segment are described in the first paragraph of this section. The full amount of the goodwill stated is not tax deductible.

Further contingent purchase price payments, the amount of which depends on the achievement of contractually agreed targets in the four calendar years after the purchase (2021-2024), were agreed with the sellers. The expected consideration was measured at its fair value as of the reporting date. The liability that could arise from the further contingent purchase price payments is recognised within financial liabilities (see Note 20).

Daedalic Entertainment GmbH

Daedalic Entertainment GmbH and its 100% subsidiary Daedalic Entertainment Bavaria GmbH were deconsolidated as of 31 May 2020, following the sale of 41% of the shares in Daedalic Entertainment GmbH to that company's management for a price of KEUR 410. As of the reporting date, Bastei Lübbe holds 10% of the shares in the company. Deconsolidation resulted in a loss of KEUR 155, which was allocated to discontinued operations in other operating expenses. The company had been classified as a discontinued operation in accordance with IFRS 5 in the previous year.

The effects on the assets and liabilities on the date of deconsolidation are shown in the following table:

(KEUR)	
Intangible assets	7,420
Property, plant and equipment	527
Financial assets	102
Deferred tax assets	12
Inventories	79
Trade receivables and other receivables	1,542
Cash and cash equivalents	1,057
Deferred tax liabilities	-1,226
Provisions	-29
Trade payables and other liabilities	-9,524
Net assets (and liabilities)	-41
Non-controlling interests	706

Earnings from discontinued operations (Daedalic):

(KEUR)	2020/2021	2019/2020
Revenues	2,358	10,761
Changes in inventories of finished goods and work in progress	0	15
Internally generated assets	480	3,254
Other operating income	26	940
Cost of materials	-1,283	-3,552
Personnel expenses	-422	-3,182
Other operating expenses	-281	-4,129
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	878	4,106
Amortisation and depreciation	0	-13,456
Measurement gains and losses on assets held for sale	0	-1,429
Earnings before interest and income taxes (EBIT)	878	-10,779
Net finance income/expenses	-117	-260
Earnings before taxes (EBT) from discontinued operations	761	-11,039
Income taxes	-137	79
Net profit for the period from discontinued operations	624	-10,960
Earnings per share (basic = diluted) (based on the net profit for the period attributable to the equity holders of Bastei Lübbe AG)	0.02	-0.61

The following table sets out the net cash flows of the discontinued operations pending deconsolidation on 31 May 2020:

(KEUR)	2020/2021	2019/2020
Cash flow from operating activities	1,363	3,872
Cash flow from investing activities	-554	-4,275
Cash flow from financing activities	109	-351
Cash flow for the year	918	-754

As of the date of deconsolidation, cash and cash equivalents of KEUR 1,057 were attributable to the discontinued operations.

Notes to the consolidated statement of financial position

6. Intangible assets

(KEUR)	Goodwill	Internally generated intangible assets	Other intangible assets	Prepay-ments made	Total
Historical cost					
Amount on 1 April 2019	5,720	18,297	17,446	1,421	42,884
Changes in consolidated companies	228	–	33	-80	181
Additions	–	3,254	114	1,109	4,476
Reclassifications	–	–	1,687	-1,687	0
Disposals	-782	–	-1,331	–	-2,113
Currency translation differences	–	–	0	–	0
Reclassified as assets held for sale	-4,903	-21,551	-10,412	-523	-37,389
Amount on 31 March 2020	263	0	7,537	240	8,040
Cumulative amortisation and impairment losses					
Amount on 1 April 2019	0	10,938	11,918	94	22,950
Changes in consolidated companies	–	–	–	-80	-80
Depreciation and amortisation	–	1,572	1,625	–	3,197
Impairment losses	4,903	4,641	479	495	10,518
Remeasurement gains and losses on assets held for sale	–	1,429	–	–	1,429
Reclassifications	–	–	–	–	–
Disposals	–	–	-582	–	-582
Currency translation differences	–	–	0	–	0
Reclassified as assets held for sale	-4,903	-18,580	-6,530	-509	-30,522
Amount on 31 March 2020	0	0	6,910	0	6,910
Carrying amounts					
Amount on 1 April 2019	5,720	7,359	5,528	1,327	19,934
Amount on 31 March 2020	263	0	628	240	1,130
Historical cost					
Amount on 1 April 2020	263	0	7,537	240	8,040
Changes in consolidated companies	4,042	–	3,497	–	7,539
Additions	–	–	37	200	237
Reclassifications	–	–	–	–	–
Disposals	–	–	–	–	–
Currency translation differences	–	–	-1	–	-1
Amount on 31 March 2021	4,305	0	11,070	440	15,816
Cumulative amortisation and impairment losses					
Amount on 1 April 2020	0	0	6,910	0	6,910
Changes in consolidated companies	–	–	10	–	10
Depreciation and amortisation	–	–	294	–	294
Impairment losses	228	–	–	–	228
Reclassifications	–	–	–	–	–
Disposals	–	–	–	–	–
Currency translation differences	–	–	0	–	0
Amount on 31 March 2021	228	0	7,213	0	7,441
Carrying amounts					
Amount on 1 April 2020	263	0	628	240	1,130
Amount on 31 March 2021	4,077	0	3,857	440	8,375

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

(KEUR)	31/03/2021	31/03/2020
Book		
Eichborn	35	35
J.P. Bachem Editionen	0	228
Smarticular	4,042	–
	4,077	263

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, which are amortised over a useful life of 15 years, totalling KEUR 394 (previous year: KEUR 445) as of the reporting date. The main individual items within the title and trademark rights have a remaining useful life of 7 to 8 years. In addition, hidden reserves on the brands and domains (carrying amount as of the reporting date: KEUR 2,208) and on the internally produced books (carrying amount as of the reporting date: KEUR 1,198) 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 KEUR 57 on the reporting date (previous year: KEUR 183). 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 (acquired title and trademark rights).

7. Author advances

(KEUR)	Author advances	Prepayments made	Total
Historical cost			
Amount on 1 April 2019	73,310	2,020	75,330
Additions	7,898	2,040	9,938
Disposals	-816	-50	-866
Reclassifications	734	-734	0
Amount on 31 March 2020	81,127	3,276	84,403
Cumulative amortisation and impairment losses			
Amount on 1 April 2019	54,875	0	54,875
Depreciation and amortisation	12,323	-	12,323
Impairment losses	1,807	50	1,857
Reversals of impairment losses	-	-	-
Disposals	-	-	-
Amount on 31 March 2020	69,005	50	69,055
Carrying amounts			
Amount on 1 April 2019	18,435	2,020	20,455
Amount on 31 March 2020	12,121	3,226	15,348
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	0
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	568 ¹⁾	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

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

All expenses in connection with author advances and prepayments made - including amortisation and impairments - are recognised within cost of materials and shown in "Royalty expenses and amortisation of authors' royalties". Remeasurement gains or reversals of impairments are recognised within other operating income.

Author advances continue to be amortised on the basis of sales and revenues.

In the year under review, impairment losses of KEUR 654 (previous year KEUR 1,857) 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 KEUR -50 (previous year KEUR 0) were recognised on author advances and prepayments where it was assumed that future recoupable

sales-based royalties 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 build- ings	Technical equipment and machin- ery	Operating and busi- ness equipment	Total
Historical cost				
Amount on 1 April 2019	1,552	38	4,139	5,729
First-time application of IFRS 16	7,929	–	335	8,264
Adjusted amount as of 1 April 2019	9,481	38	4,474	13,993
Changes to consolidated companies	–	–	-7	-7
Additions	123	–	1,067	1,190
Disposals	–	–	-116	-116
Reclassifications	-129	–	–	-129
Currency translation differences	–	–	2	2
Reclassification as assets held for sale	-623	0	-246	-869
Amount on 31 March 2020	8,852	38	5,174	14,064
Cumulative amortisation and impairment losses				
Amount on 1 April 2019	952	34	3,170	4,156
Changes to consolidated companies	–	–	-15	-15
Depreciation and amortisation	1,270	1	700	1,972
Disposals	–	–	-108	-108
Reclassifications	-15	–	–	-15
Currency translation differences	–	–	-1	-1
Reclassification as assets held for sale	-139	1	-202	-340
Amount on 31 March 2020	2,068	36	3,545	5,649
Carrying amounts				
Adjusted amount as of 1 April 2019	600	4	969	1,573
Amount on 31 March 2020	6,784	2	1,629	8,415
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
Reclassifications	–	–	–	–
Currency translation differences	–	–	-5	-5
Amount on 31 March 2021	11,022	38	5,639	16,699
Cumulative depreciation 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 31 March 2020	6,784	2	1,629	8,415
Amount on 31 March 2021	7,827	1	1,757	9,585

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

Property, plant and equipment include right-of-use assets of KEUR 8,237 (previous year KEUR 6,941) 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

CE Community Editions GmbH is accounted for using the equity method and reported under "Investments in associates" in the statement of financial position.

(KEUR)	2020/2021	2019/2020
Revenues	5,789	6,412
Total profit/loss for the period	463	709
Dividend received from associate	94	46

In the year under review, distributions amounting to KEUR 94 (previous year: KEUR 46) were received.

Reconciliation of the summarised financial information with the carrying amount of the investment in the consolidated financial statements:

(KEUR)	31/03/2021	31/03/2020
Non-current assets	10	11
Current assets	3,833	4,798
Non-current liabilities	–	–
Current liabilities	-1,618	-2,811
Net assets (100%)	2,225	1,998
Group share of net assets (40%)	890	799
Goodwill	200	200
Carrying amount of the share in the associate	1,090	999

10. Financial assets

(KEUR)	31/03/2021	31/03/2020
Non-current (financial) assets		
Other investments	8,952	2,095
Other borrowings	175	175
Shares in affiliated companies	106	106
Net investment in a lease	85	99
Loans to other associates	–	800
	9,318	3,276
Current		
Creditors with debit accounts	123	57
Supplier bonuses	40	40
Derivatives	18	88
Net investment in a lease	15	15
Receivables from associates and joint ventures	2	191
Loans to other associates	–	237
Factoring receivables	–	148
Others	6	277
	204	1,053

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 loan to other associates in the previous year relates to Räder GmbH and has an original fixed term expiring on 31 December 2024 and at an interest rate of 6% p.a. The loan was repaid in full ahead of schedule during the year under review.

The investments in Räder GmbH and Daedalic Entertainment GmbH are accounted for using the equity method and measured at fair value through other comprehensive income (FVOCI). The investments are financial assets which are not held for trading purposes.

As of 31 March 2021, Räder GmbH had a fair value of KEUR 8,760 (previous year: KEUR 1,995). As in the previous year, no dividend was received in the year under review. As of 31 March 2021, Daedalic Entertainment GmbH had a fair value of KEUR 105.

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)	31/03/2021	31/03/2020
Deferred tax assets	1,634	3,043
Income tax refund claims	208	374
Deferred tax liabilities	-1,042	0
Income tax liabilities	-1,874	-266
Net amount	-1,074	3,151

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)	Assets	Liabilities	Assets	Liabilities
	Deferred taxes 31/03/2021	Deferred taxes 31/03/2020	Deferred taxes 31/03/2021	Deferred taxes 31/03/2020
Other intangible assets	1,354	1,028	1,874	–
Property, plant and equipment	47	42	33	65
Financial assets	16	–	16	–
Inventories	–	17	–	–
Trade receivables	72	72	55	70
Financial assets	–	–	–	–
Other provisions	243	–	152	–
Financial liabilities	2	6	9	32
Other liabilities	23	–	–	–
Tax losses carried forward	0	–	1,071	–
	1,757	1,164	3,210	167
Net amount	-122	-122	-167	-167
	1,634	1,042	3,043	0

The deferred tax assets on the Parent Company's loss carryforwards in the previous year (KEUR 1,008) were realised in full in the year under review. In the 2021 assessment period, trade tax loss carryforwards of KEUR 2,960 and corporate income tax loss carryforwards of KEUR 3,373 were netted. The netted loss carryforwards are primarily attributable to the Parent Company.

As of the reporting date, deferred tax assets from loss carryforwards and temporary differences of KEUR 53 were not recognised. These relate to J.P. Bachem Editionen GmbH

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)	31/03/2021		31/03/2020	
Deferred tax assets 1 April	3,043		4,053	
Deferred tax liabilities 1 April	0	3,043	-1,200	2,853
Deferred tax assets 31 March	1,634		3,043	
Deferred tax liabilities 31 March	-1,042	592	0	3,043
= Change in the net amount		-2,451		190
+/- Disposals/additions from changes to the companies consolidated		1,229		11
+/- Amounts recognised directly in equity		-		-
+/- Reclassification as discontinued operations		-		-
+/- Reclassification as assets held for sale		-		-1,200
= Net deferred tax result shown in the income statement		-1,222		-999

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

12. Inventories

(KEUR)	31/03/2021	31/03/2020
Raw materials, supplies and consumables	101	157
Work in progress	453	497
Finished goods	8,869	11,211
Prepayments towards inventories	0	94
	9,423	11,959

Impairment losses on inventories amounted to KEUR 2,853 in the year under review (previous year: KEUR 1,912). Inventories that relate to Bastei Lübbe AG with the exception of customary retained ownership rights are used as collateral for the existing loan agreements.

13. Trade receivables

Non-current and current trade receivables break down as follows:

(KEUR)	31/03/2021	31/03/2020
Receivables from		
Third parties	14,327	9,225
less discounting of non-current	0	-12
less impairments	-365	-311
	13,963	8,902

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)	31/03/2021	31/03/2020
Trade receivables		
Trade receivables from third parties	14,327	9,213
Lifetime expected credit losses (Level 2)	-222	-165
Individual loss allowances (Level 3)	-142	-146
Total trade receivables	13,963	8,902

Loss allowances in the fiscal year

(KEUR)	Lifetime expected credit losses (Level 2)	Individual loss allowances (Level 3)	Loss allowances
Trade receivables			
Amount on 1 April 2019	194	281	475
Added	198	3	200
Utilised	-194	-131	-325
Reversed	–	-6	-6
Reclassification as assets held for sale	194	281	475
Currency translation differences	–	–	–
Amount on 31/03/2020	165	146	311
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	0	-1	-1
Amount on 31 March 2021	222	142	365

The credit risk for trade receivables (Level 2) as of 31 March 2021, broken down by customer group, is as follows:

(KEUR)	Average default rate	Carrying amount	Loss allowance
Wholesale book trade	-1.43%	2,294	33
Digital portals	-1.57%	6,301	99
Other retail book trade	-2.21%	1,088	24
Other customers	-2.03%	3,267	66
Trade receivables not exposed to any credit risk	0.00%	1,235	–
Lifetime expected credit losses (Level 2)	1.71%	14,185	222

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

Information on loss allowances for trade receivables as of 31/03/2020 (Level 2):

(KEUR)	Average default rate	Carrying amount	Loss allowance
Wholesale book trade	-1.53%	2,525	39
Digital portals	-2.84%	1,610	46
Other retail book trade	-2.05%	2,526	52
Other customers	-2.05%	1,422	29
Trade receivables not exposed to any credit risk	0.00%	984	–
Lifetime expected credit losses (Level 2)		9,067	165

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

14. Other receivables and assets

(KEUR)	31/03/2021	31/03/2020
Assets from expected returns	1,191	925
Other accruals and deferrals	765	784
VAT refund claims	100	101
Others	54	5
	2,110	1,815

All amounts can be collected within one year.

15. Cash and cash equivalents

(KEUR)	31/03/2021	31/03/2020
Cash at bank		
Sight deposits and fixed-term deposits	1,365	2,755
Cash in hand	13,107	10
	14,472	2,765

With the exception of a bank account held by Bastei Lübbe AG, 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 year, there were no changes in this regard during the fiscal year.

The Group share premium mainly includes the premium from the capital increase in 2013. As of 31 March 2020, 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 KEUR 1,920 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.

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

(KEUR)	Daedalic Entertainment	Daedalic Bavaria	J.P. Bachem Editionen	Moba	Total
Amount on 31 March 2020	-1,073	-15	-20	167	-940
Proportionate net profit/loss for the period	390	-8	-52	49	378
Addition/disposal due to changes in the companies consolidated	683	24	—	—	706
Dividend	—	—	—	-31	-31
Currency translation differences	—	—	—	-4	-4
Amount on 31 March 2021	0	0	-72	180	109

17. Earnings per share

Earnings per share (EUR 0.57 per share, previous year: EUR -0.46 per share) are calculated by dividing the weighted average 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 2020	Changes in compa- nies consoli- dated	Utilised	Released	Added	Amount on 31/03/2021
Non-current						
Archiving costs	86	1	–	–	–	87
	86	1	–	–	–	87
Current						
Returns	5,176	–	-4,604	–	6,394	6,966
Others	572	7	-468	-76	764	799
	5,748	7	-5,072	-76	7,158	7,765
	5,834	8	-5,072	-76	7,158	7,852

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. There was a significant increase in provisions for returns in the year under review. This includes provisions for special pandemic-related returns of KEUR 451. 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.

Provisions for ongoing litigation are recognised if the risks can be reasonably estimated. These provisions are determined on the basis of communications and cost estimates provided by the lawyers representing the Company and cover all fees and legal costs estimated by them as well as any settlement costs. In the year under review, the litigation provisions of KEUR 50 were released in full after a settlement had been reached with the former members of the Company's executive bodies.

The "Others" item includes provisions for an onerous contract with an author in the amount of KEUR 750 in the year under review.

19. Phased retirement obligations

Bastei Lübbe agreed on phased retirement arrangements with three employees in fiscal year 2020/2021. 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)	31/03/2021	31/03/2020
Present value of the phased retirement obligations	233	119
Fair value of plan assets	-161	-80
	72	38

The provisions are secured by a 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 31/03/2021 of which due for settlement in				Amount on 31/03/2020 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	4,750	1,000	3,750	–	3,375	3,375	–	–
Netted processing fees	–	–	–	–	-66	-44	-22	0
Lease liabilities	8,480	1,248	4,373	2,860	7,156	1,170	4,145	1,842
Employees	2,592	2,592	–	–	686	686	–	–
Contingent purchase price liabilities	2,984	168	2,816	–	–	–	–	–
Liability under put option	–	–	–	–	457	0	457	–
Debtors with credit balances	132	132	–	–	348	348	–	–
Derivatives (interest rate swap)	6	6	–	–	26	0	26	–
Others	1	1	–	–	46	46	–	–
	18,945	5,147	10,939	2,860	12,028	5,580	4,606	1,842

On 6 January, 8 January and 28 January 2021, the Parent Company took out a working capital facility and an acquisition loan expiring on 31 December 2024 and 31 December 2025, respectively, with two reputable banks for a total amount of EUR 15 million.

The contingent purchase price liability represents the expected consideration under the subsequent 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 calendar years following the purchase. The expected consideration was measured at its fair value as of the reporting date. In view of the availability of information capable of clarifying the amounts expected under the subsequent purchase price payments as of the reporting date, the fair value of the

liability was reduced to KEUR 2,984. The amount of the reduction in the liability (KEUR -2,102) was deducted from the goodwill attributable to Business Hub Berlin UG not effecting net income.

In the previous year, the liability potentially arising from the exercise of a put option by the minority shareholder of J.P. Bachem Editionen GmbH, depending on its EBIT at the time of exercise, was reported under financial liabilities. The value as of 31 March 2021 is KEUR 0 (previous year KEUR 457), as no positive EBIT is expected for the two financial years preceding the exercise date, which serve as the valuation basis for the purchase price.

Total lease payments in fiscal year 2020/2021 came to KEUR 1,437 (previous year KEUR 1,546).

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

21. Trade payables

Trade payables (KEUR 16,366, previous year: KEUR 11,107) mainly relate to royalty liabilities to authors and agencies, liabilities to printers, liabilities to other publishers and liabilities from consulting services and rental agreements. The non-current liabilities of KEUR 627 (previous year KEUR 855) to a licensor are discounted to their present value of KEUR 592 (previous year KEUR 768), as they are not subject to interest.

22. Other liabilities

(KEUR)	31/03/2021	31/03/2020
Liabilities (to/from)		
Employees	557	809
Other taxes	289	244
Phased retirement obligations	72	38
Deferred income	19	13
Prepayments received on account of orders	13	202
Others	482	362
	1,433	1,668

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 break-downs 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).

(KEUR)	2020/2021			2019/2020		
	Physical	Digital	Total	Physical	Digital	Total
Book	54,430	31,012	85,442	49,262	24,550	73,812
Novel booklets	6,818	428	7,246	7,299	374	7,673
Revenues			92,688			81,485

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

(KEUR)	Amount		Changes in inventories	
	31/03/2021	31/03/2020	2020/2021	2019/2020
Work in progress	453	497	-44	-29
Finished goods	8,869	11,211	-2,343	-3,523
			-2,386	-3,552
Currency translation differences			-6	-4
Changes due to changes in the companies consolidated			-875	-
Reclassification as assets held for sale			-	64
			-3,268	-3,492

The changes resulting from changes in the companies consolidated comprise those from the initial consolidation of Business Hub Berlin UG.

25. Other operating income

(KEUR)	2020/2021	2019/2020
Income from the settlement with former members of the executive bodies	1,059	–
Off-period income	254	27
Non-cash remuneration	133	135
Income from the reversal of provisions	76	38
Income from the derecognition of liabilities	61	190
Currency translation gains	53	86
Income from the reversal of impairments	6	19
Income from asset disposals	3	371
Others	135	38
	1,780	904

26. Cost of materials

(KEUR)	2020/2021	2019/2020
Royalty expenses and amortisation of authors' royalties	28,532	25,950
Cost of services bought	15,671	15,401
Cost of raw materials and supplies	361	198
	44,565	41,549

27. Personnel expenses

(KEUR)	2020/2021	2019/2020
Wages and salaries	14,649	12,834
Retirement benefits and other social security contributions	2,460	2,221
Others	1	95
	17,109	15,150

28. Share-based payments

Bastei Lübbe AG has granted the members of the Executive Board who left the Company in the year under review 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 Half, 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). The multi-year variable remuneration for the three-year period from 2018 to 2021 was not paid out as target achievement was less than 75%. As of 1 April 2019, 197,590 virtual shares had been awarded for the three-year period from 2019 to 2022.

For the current Executive Board members Sandra Dittert and Simon Decot, this multi-year variable remuneration will begin for the first time with fiscal year 2020/2021 on 1 April 2020 for the three-year period from 2020 to 2023, 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). In this connection, 239,320 virtual shares were awarded to former and current Executive Board members on 1 April 2020 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.

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	Measurement date	Measurement date
	01/04/2019	31/03/2021	31/03/2020
Fair value (in euros)	1.54	3.69	1.66
Share price (in euros)	1.68	4.46	1.88
Expected volatility (weighted average, %)	48.12%	44.57%	62.08%
Expected term (in years)	3	1	2
Expected dividends (%)	0%	4.48%	0%
Risk-free interest rate (based on government bonds, %)	1.02 %	-0.67%	1.01%

Measurement parameters in accordance with IFRS 2	Grant date	Measurement date
	01/04/2020	31/03/2021
Fair value (in euros)	1.72	3.82
Share price (in euros)	1.79	4.46
Expected volatility (weighted average, %)	43.40%	43.77%
Expected term (in years)	3	2
Expected dividends (%)	0%	4.48%
Risk-free interest rate (based on government bonds, %)	-0.70%	-0.72%

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 KEUR 299 (previous year: KEUR -49).

The total carrying amount of the liabilities under share-based payments is KEUR 299 (previous year: KEUR 0).

29. Other operating expenses

(KEUR)	2020/2021	2019/2020
Marketing expenses	6,564	6,110
Advertising	3,301	2,985
Legal, consulting and acquisition costs	2,703	2,454
IT expenses	1,236	1,333
Rents, leases and other costs of premises	505	461
Expenses from the deconsolidation of oolipo AG i.L.	–	707
Other expenses	1,872	1,843
	16,181	15,894

30. Share of profit of associates

The share of profit of associates relates to various press distribution companies.

31. Depreciation and amortisation

(KEUR)	2020/2021	2019/2020
Systematic depreciation and amortisation		
Intangible assets	294	440
Property, plant and equipment	1,979	1,790
	2,272	2,231
Impairment losses		
Intangible assets	228	–
Financial assets	–	–
	228	0
	2,500	2,231

32. Net finance income/expenses

(KEUR)	2020/2021	2019/2020
Finance income		
Interest income from affiliated companies/associates	43	98
Income from derivatives	28	63
Income from the discount factor unwind effects on trade receivables	–	12
Others	516	6
	587	179
Finance expense		
Interest expense on syndicated loan	-346	-664
Interest expense on factoring	-236	-239
Interest expense on lease liabilities	-197	-240
Processing fees for syndicated loan	-66	-336
Others	-80	-119
	-925	-1,598
Net finance income/expenses	-337	-1,419

Other finance income includes the income from the reduction of the liability under the put option of KEUR 457.

33. Income tax expenses and income

(KEUR)	2020/2021	2019/2020
Income taxes refunded. paid or owed		
for the current year	-2,275	-431
for previous years	27	207
	-2,247	-224
Deferred taxes		
on temporary differences	-152	-267
on change in loss carryforwards	-1,071	-733
	-1,222	-999
	-3,470	-1,223

The change in loss carryforwards is made up of utilisation of KEUR 1,007 and the impairment of KEUR 65 of loss carryforwards from the previous year. 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)	2020/2021	2019/2020
Net profit/loss before tax	10,719	3,112
Expected income tax expense (32.45%)	3,478	1,010
Differences in tax rates	-69	-82
Depreciation of excess tax base amounts	-82	282
Non-deductible operating expenses / tax-exempt income / special area	40	42
Trade tax corrections	49	49
Deconsolidation	-	230
Non-recognition of deferred tax assets	115	-
Taxes for prior years	-27	-180
Adjustment for previous years	-16	-1
Net gains/losses from the measurement of associates using the equity method	-60	-130
Other	41	5
Actual income tax expense	3,470	1,223

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 KEUR 378 (previous year: KEUR -2,953) 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 KEUR 6,770 from changes in the fair value of equity instruments. Further information on the fair value of equity instruments can be found in Notes 10 and 40.

Other disclosures

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.

The total net amount of income tax payments made in the year under review stands at KEUR 108, including KEUR 80 for continuing operations (previous year: KEUR -1,112, including KEUR -596 for continuing operations) and interest payments made of KEUR 582, including KEUR 486 for continuing operations (previous year: KEUR 1,293, including KEUR 1,010 for continuing operations). Income tax and interest payments are allocated to cash flow from operating activities.

The consolidated net profit for the period (KEUR 7,874, previous year: KEUR -9,071) increased by KEUR 16,945 over the previous year. The cash flow of KEUR 15,518 from the operating activities of the continuing operations is above the previous year (KEUR 10,393). This is mainly due to the significantly higher profit for the period from continuing operations (KEUR 7,250; previous year: KEUR 1,899).

In the year under review, investing activities resulted in a cash outflow of KEUR -3,719 (cash flow from investing activities in the previous year: KEUR 1,730), mainly due to the acquisition of Business Hub Berlin UG.

The cash flow from financing activities shows a total outflow of KEUR -94 (previous year: KEUR 11,780) in the year under review. In the year under review, the outstanding loan liabilities under the terminated syndicated loan agreement were repaid (KEUR -3,375). In addition, there was a payment under the acquisition loan to finance the acquisition of Business Hub Berlin UG (KEUR +5,000).

In the year under review, the cash and cash equivalents of the continuing operations increased by KEUR 11,706 (previous year: KEUR 302).

37. Reconciliation of liabilities from financing activities

(KEUR)	Carrying amount on 31/03/2021	Changes not recognised in the cash flow statement			Carrying amount on 31/03/2021
		Cash flows	Change in fair value	Others	
Liabilities to banks	3,375	1,375	—	—	4,750
Liabilities from derivatives	26	—	-21	—	6
	3,401	1,375	-21	—	4,756

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 e-book 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 Moravská Bastei MoBa s.r.o., Brno / Czech Republic, J.P. Bachem Editionen GmbH and, for the first time, Business Hub Berlin UG.

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)	
	2020/ 2021	2019/ 2020	2020/ 2021	2019/ 2020	2020/ 2021	2019/ 2020
Segment revenues	85,473	73,903	7,246	7,673	2,358	10,903
Internal revenues	31	91	0	0	0	142
External revenues	85,442	73,812	7,246	7,673	2,358	10,761
EBITDA	12,016	5,329	1,356	1,746	878	3,391
Depreciation and amortisation	-2,305	-2,024	-195	-207	0	-14,885
EBIT	9,711	3,305	1,161	1,539	878	-11,494
This includes the following significant non-cash items:						
Goodwill impairments	-228	-	-	-	-	-4,903
Impairments of other intangible assets	-	-	-	-	-	-5,615
Measurement gains and losses on assets held for sale	-	-	-	-	-	-1,429
Impairments of authors' royalties	-654 ¹⁾	-1,857	-	-	-	-
Remeasurement gains on authors' royalties	50	-	-	-	50	-
Impairments of financial instruments and inventories	-2,853	-1,912	-	-	-2,853	-1,912
Remeasurement gains on financial instruments and inventories	-	-	-	-	-	-

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

(KEUR)	Group total		Continuing operations		Discontinued operations	
	2020/ 2021	2019/ 2020	2020/ 2021	2019/ 2020	2020/ 2021	2019/ 2020
Segment revenues	95,077	92,478	92,719	81,575	2,358	10,903
Internal revenues	31	232	31	91	0	142
External revenues	95,046	92,246	92,688	81,485	2,358	10,761
EBITDA	14,250	10,466	13,372	6,360	878	4,106
Depreciation and amortisation	-2,500	-15,687	-2,500	-2,231	0	-13,456
Measurement gains and losses on assets held for sale	-	-1,429	-	-	-	-1,429
EBIT	11,750	-6,649	10,871	4,129	878	-10,779
Share of profit of associates	185	402	185	402	-	-
Net finance income/expenses	-455	-1,679	-337	-1,419	-117	-260
Earnings before taxes (EBT)	11,480	-7,927	10,719	3,112	761	-11,039
Income taxes	-3,606	-1,145	-3,470	-1,223	-137	79
Net profit/loss for the period	7,874	-9,071	7,250	1,889	624	-10,960

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:

(KEUR)	Germany		International		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
External revenues	63,988	56,807	28,701	24,678	92,688	81,485

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 KEUR 21,460 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 more 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 47.3% as of 31 March 2021; the gearing was zero as of the same date as there was no net debt as of the reporting date. As of 31 March 2021, net financial assets (cash and cash equivalents less liabilities to banks) were valued at KEUR 9,722 and EBITDA at KEUR 13,372.

On 6 January 2021 and 28 January 2021, Bastei Lübbe AG signed bilateral loan agreements with two well-known banks for a working capital facility and acquisition financing. Under these loan agreements, covenants were defined and must be adhered to in order to ensure that the required financial resources can be obtained on the agreed terms. This entails a contractually agreed definition of the net gearing ratio (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 2021 and 31 March 2020.

(KEUR)	Measurement category in accordance with IFRS 9	Measured in accordance with IFRS 9				
		Carrying amount 31/03/2021	At amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Fair value 31/03/2021
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	16,366	16,366	–	–	–
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	0	–	–	-457	0
Derivatives with no hedging relationship	FVPL	6	–	–	6	6

In view of the availability of information for determining the amounts of expected subsequent purchase price payments as of the reporting date, the fair value of the liability was reduced to KEUR 2,984. The amount of the reduction in the liability (KEUR -2,102) was deducted from the goodwill attributable to Business Hub Berlin UG through other comprehensive income.

(KEUR)	Measurement category in accordance with IFRS 9	Measured in accordance with IFRS 9				
		Carrying amount 31/03/2020	At amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Fair value 31/03/2020
Assets						
Cash and cash equivalents	AC	2,765	2,765	–	–	–
Trade receivables	AC	8,902	8,902	–	–	–
Other originated financial assets	AC	2,040	2,040	–	–	–
Derivatives with no hedging relationship	FVPL	88	–	–	88	88
Investments in associates	FVOCI	1,995	–	1,995	–	1,995
Investments in associates	AC	206	206	–	–	–
Equity and liabilities						
Trade payables	AC	11,07	11,107	–	–	–
Liabilities to banks	AC	3,375	3,375	–	–	–
Other originated financial liabilities	AC	8,208	8,208	–	–	–
Liability under put option	n.a.	457	–	341	116	457
Derivatives with no hedging relationship	FVPL	26	–	–	26	26

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.
- Non-current receivables that are not traded in an active market are measured by the Company on the basis of parameters such as interest rates and creditworthiness. As of the reporting dates, the carrying amounts of these receivables did not differ significantly from their fair values.
- The fair value of the available-for-sale investments 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.
- The fair value of derivatives held for trading purposes with no hedging relationship (interest rate swap / currency forward) is derived from the mid-market price by the underwriting credit institution.

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:

(KEUR)	From in- terest	From subsequent measurement			Miscella- neous
		Change in fair value	Currency translation	Loss al- lowance	Net gain/loss
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

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

(KEUR)	From in- terest	From subsequent measurement			Miscella- neous
		Change in fair value	Currency translation	Loss al- lowance	Net gain/loss
Financial assets measured at amortised cost (AC)	12	–	–	18	30
Financial investments in equity instruments measured at fair value through other comprehensive income (OCI)	–	–	–	–	0
Financial assets at fair value through profit and loss (FVPL)	–	28	–	–	28
Financial liabilities measured at amortised cost (AC)	-1,119	-112	19	–	-1,211
Financial liabilities at fair value through profit and loss (FVPL)	–	58	–	–	58

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 as of the reporting date primarily through the working capital facility arranged on 6 January 2021 and 28 January 2021 and valued at 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. In addition, actual liquidity requirements are compared with the budget and any differences analysed.

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

(KEUR)	Carrying amount	Amount on 31/03/2021 Undiscounted cash outflows				
		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	1,905	13,959

(KEUR)	Carrying amount	Amount on 31/03/2020 Undiscounted cash outflows				
		Total	up to 30 days	>30 days, up to 180 days	>180 days, up to 1 year	More than 1 year
Trade payables	11,107	11,193	3,292	6,810	136	955
Liabilities to banks	3,375	3,389	14	1,000	2,375	–
Other originated financial liabilities	8,627	9,424	158	1,624	631	7,010
	23,109	24,006	3,464	9,434	3,143	7,965

In addition to the carrying amounts of the liabilities, the gross inflows/outflows particularly include future interest payment obligations. The processing fees netted against the acquisition costs of the syndicated loan are not included here as there has already been a cash outflow. With regard to the interest rate swap, it is assumed that the opposing cash flows offset each other due to the relatively low negative market value.

Foreign 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.

In fiscal year 2018/2019, a forward exchange contract had been entered into in connection with a long-term author contract providing for remuneration in USD. The notional amount of the five individual transactions totalled USD 1.5 million with terms expiring between 31 October 2019 and 29 November 2021.

As of 31 March 2021, this results in a (positive) market value (fair value) of KEUR 18.

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). Due to the current low interest rates in the money market, a variable interest rate is accepted for short-term current account drawdowns.

To limit the interest rate risk of the syndicated loan, which had already been terminated as of the reporting date, an interest rate swap was transacted on 26 October 2016 for an original loan amount of EUR 10 million with a term expiring on 26 November 2021 and a fixed interest rate of 0.75%. The nominal amount of the derivative is reduced by EUR 0.5 million every three months and therefore still amounts to EUR 1.5 million on the reporting date.

As of 31 March 2021, the (negative) market value (fair value) of the interest rate swap amounts to KEUR -6.

Otherwise, Bastei Lübbe only has fixed or low-interest financial assets and financial liabilities that are not 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 KEUR 125.

42. Leases

The Group mainly leases office space, IT equipment and vehicles. The term of the leases for office space is typically ten years with an option to extend the lease after this period. 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 build- ings	Operating and office equip- ment	Total
Historical cost			
Amount on 1 April 2019	0	0	0
First-time application of IFRS 16	7,929	335	8,264
Adjusted amount as of 1 April 2019	7,929	335	8,264
Additions	97	586	683
Disposals	-	-	-
Reclassifications	-129	-	-129
Reclassification as assets held for sale	-623	-24	-647
Amount on 31 March 2020	7,275	897	8,172
Cumulative amortisation and impairment losses			
Amount on 1 April 2019	0	0	0
Depreciation and amortisation	1,083	319	1,402
Disposals	-	-	-
Reclassifications	-15	-	-15
Reclassification as assets held for sale	-139	-17	-156
Amount on 31 March 2020	930	301	1,231
Carrying amounts			
Adjusted amount as of 1 April 2019	7,929	335	8,264
Amount on 31 March 2020	6,345	596	6,941
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
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

Amounts recognised in the income statement:

(KEUR)	2020/2021	2019/2020
Depreciation of right-of-use assets	-1,284	-1,246
Interest expense for lease liabilities	-197	-240
Expense for short-term leases	-73	-160
Expense for low-value assets	-1	-1
Income from subleases	17	17

43. Contingent liabilities and other financial obligations

a) 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. The order commitment for author fees as of the reporting date stands at KEUR 17,653 (previous year: KEUR 13,967). The payment dates depend on the occurrence of certain contractual events, e.g. the acceptance of the manuscript for a purchased work.

b) Other financial obligations

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

(KEUR)	31/03/2021	31/03/2020
Less than one year	685	668
Between 1 and 5 years	-	-
More than five years	-	-
	685	668

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 was signed with her governing the performance of representation duties. In fiscal 2020/2021, KEUR 120 (previous year: KEUR 123) arose in fees and expenses.

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)	2020/2021	2019/2020
Affiliated companies		
Sales of goods	33	31
	33	31
Associated companies and other investments		
Services rendered	366	418
Interest income	42	96
	408	513
Total	441	545

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

(KEUR)	31/03/2021	31/03/2020
Affiliated companies		
Trade payables	3	–
	3	–
Associated companies and other investments		
Trade receivables	2	228
	2	228
Total		228

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,
Member of the Board of Directors of Arcana Capital AG,
Managing director of Euripides GmbH, Walldorf.

- 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 fiscal year 2020/2021 are shown in the following table:

(KEUR)	2020/2021	2019/2020
Robert Stein, Chairman of the Supervisory Board	100	100
Dr. Mirko Caspar	75	75
Prof. Dr. Friedrich L. Ekey	50	50
Total	225	225

On 15 September 2020, the shareholders approved the settlement agreement with ConPair AG, Nelles Vermögensverwaltung GmbH, the former Chairman of the Executive Board Thomas Schierack, the former Chairman of the Supervisory Board Dr. Friedrich Wehrle and the former Supervisory Board members Prof. Dr. Michael Nelles and Prof. Dr. Gordian Hasselblatt concerning the payment of compensation of EUR 1.3 million.

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

- Joachim Herbst, Kleinmachnow (Speaker of the Executive Board, Chief Financial Officer, since 1 August 2020)
- Simon Decot, Frankfurt am Main (Chief Programme Officer, since 1 April 2020)
- Sandra Dittert, Cologne (Chief Marketing and Sales Officer, since 1 August 2020)

The total remuneration of the Executive Board for fiscal year 2020/2021 is shown in the following table:

(KEUR)	Fixed remuneration		Additional benefits		Short-term bonus		Long-term bonus		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Joachim Herbst (since 1 August 2020)	180	–	15	–	100	–	0	–	295	–
Sandra Dittert (since 1 August 2020)	140	–	14	–	75	–	52	–	281	–
Simon Decot (since 1 April 2020)	200	–	18	–	108	–	75	–	401	–
Total	520	–	47	–	283	–	127	–	977	–

(KEUR)	Fixed remuneration		Additional benefits		Short-term bonus		Long-term bonus		Total	
	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020	2020/2021	2019/2020
Carel Halff (until 30 September 2020)	180	360	18	37	96	0	67	0	361	397
Klaus Kluge (until 30 September 2020)	125	250	2	8	67	0	46	0	240	258
Ulrich Zimmermann (until 31 December 2020)	165	220	6	9	84	0	58	0	313	229
Total	470	830	26	54	247	0	171	0	914	884

47. Employees

In the year under review, the average number of employees in the Group (continuing operations) stood at 244 (previous year: 230) (including 244 salaried employees; previous year: 230). As of 31 March 2021, the number of employees across the Group stood at 247 (previous year: 231) (including 247 salaried employees; previous year: 231).

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)	2020/2021	2019/2020
Auditing services		323
Tax consulting services		71
Other services		29
		423

The auditing services include the audit of the annual financial statements and the consolidated financial statements of Bastei Lübbe AG and its consolidated subsidiaries in the amount of KEUR 298 (previous year KEUR 242) for the year under review. In the previous year, this item additionally included a sum of KEUR 81 for support with a DPR process.

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, tax advice on the acquisition of an investment and work relating to settled proceedings before the fiscal court.

Other services mainly include expenses for advisory services in connection with the audit, including KEUR 17, for previous years.

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, 7 July 2021

Bastei Lübbe AG
The Executive Board



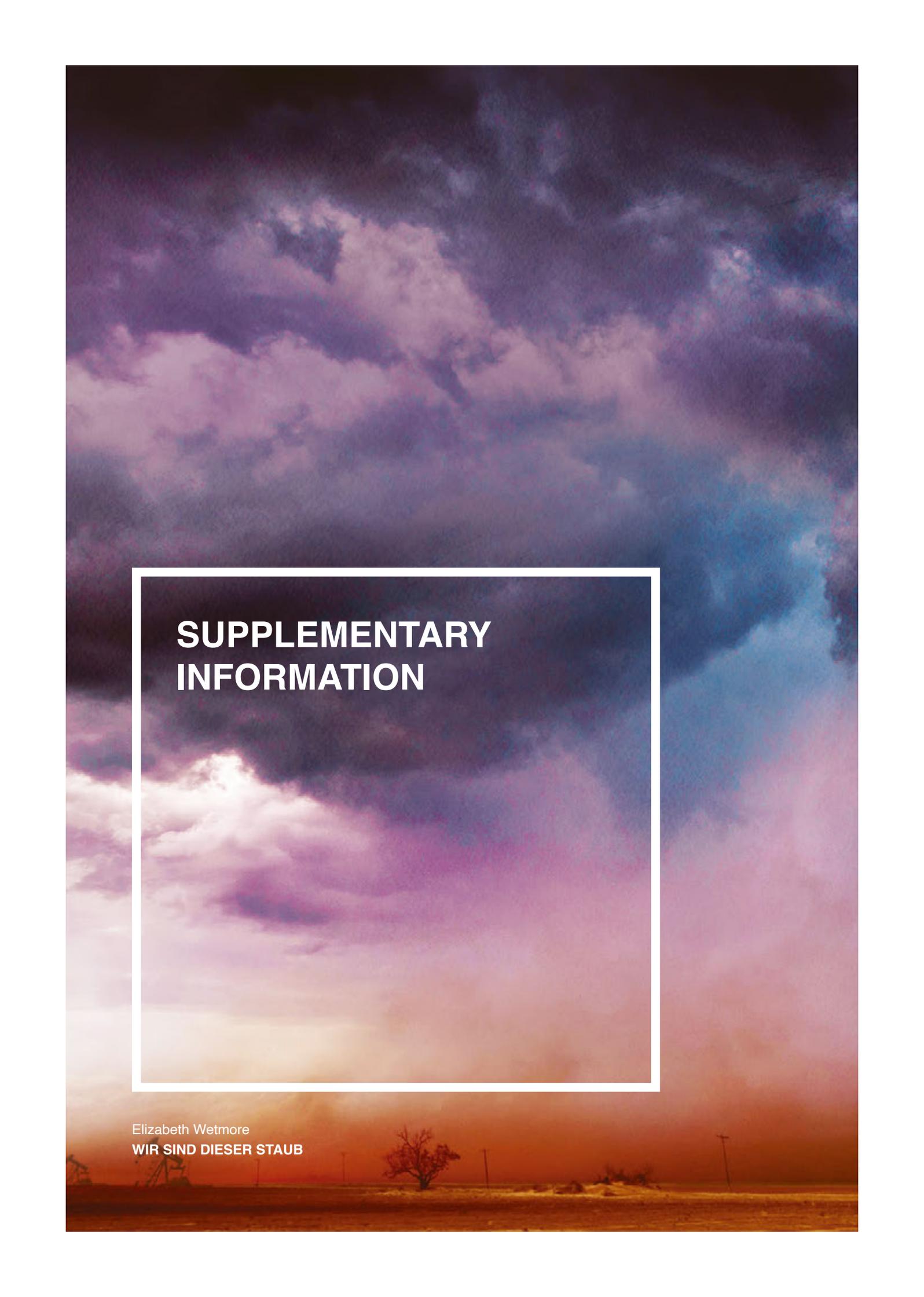
Joachim Herbst
Speaker of the Executive Board
Chief Financial Officer



Sandra Dittert
Executive Board
Chief Sales and Marketing Officer



Simon Decot
Executive Board
Chief Programme Officer



**SUPPLEMENTARY
INFORMATION**

Elizabeth Wetmore
WIR SIND DIESER STAUB

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 2021 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, 7 July 2021

Bastei Lübbe AG
The Executive Board



Joachim Herbst
Speaker of the Executive Board
Chief Financial Officer



Sandra Dittert
Executive Board
Chief Sales and Marketing Officer



Simon Decot
Executive Board
Chief Programme Officer

Independent Auditor's Report

The auditor's report provided below also includes a "Report on the assurance in accordance with § 317 para. 3b HGB on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes" ("ESEF report"). The subject matter of the audit to which the ESEF report refers (ESEF documents to be audited) is not attached. The audited ESEF documents can be inspected at or retrieved from the Federal Gazette.

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 2021, 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 2020 to 31 March 2021, and consolidated notes to the financial statements, including a summary of material accounting methods.

In addition, we have audited the combined management report and group management report (hereinafter referred as "combined management report") of Bastei Lübbe AG, Cologne for the financial year from 1 April 2020 to 31 March 2021. In accordance with the German legal requirements, we have not audited the content of the Group corporate governance declaration posted on the Company's website pursuant to sections 289f and 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) and the declarations of conformity in accordance with section 161 German Public Limited Companies Act (AktG [Aktiengesetz]), also posted on the Company's website, to which reference is made in the "Corporate Governance" section of the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS, as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e para. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2021 and of its financial performance for the financial year from 1 April 2020 to 31 March 2021, 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 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.

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 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 matter in the audit of the consolidated financial statements

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the Financial Year from 1 April 2020 to March 2021. This matter was 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 this matter.

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

Valuation of pre-paid royalties

a) Risk for the financial statements

- The Group's disclosures concerning pre-paid royalties can be found in the section "Inventory of pre-paid royalties" of the Consolidated Notes as well as "assets position" and "assets position of Bastei Lübbe AG" of the consolidated management report. As of the balance sheet date, the consolidated balance sheet shows prepaid royalties with a total book value of EUR 19.8 million, with scheduled depreciation for the financial year of EUR 12.9 million and an impairment loss of EUR 0.7 million. The impairment loss includes transfers from provisions for onerous author contracts amounting to EUR 0.5 million. In addition, the legal representatives recognized provisions for impending losses from existing contracts with authors amounting to EUR 0.8 million.
- 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 capitalized pre-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 an evaluation of historical sales trends for the categorized forms of exploitation. In the course of our audit, we analyzed this categorization and the turnover trends per category for adequacy with respect to the estimated depreciation of the author's advances.
- We also evaluated the adequacy of the methods applied by the company to identify 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 employees responsible for sales and the Management Board. We also evaluated whether management has made biased judgements and estimations.

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

Other Information

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

- the 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; and
- 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. 3b 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. 3b 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 "09-07-2021-18-32_xbrl_file.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 attached 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 2020 to 31 March 2021 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 attached electronic file in accordance with § 317 para. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3b 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 executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Federal Gazette.

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

Group 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) 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 2020. We were engaged by the Supervisory Board on 1 October 2021. We have been acting as the auditor of the consolidated 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).

German public auditor responsible for the engagement

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

Cologne, 12 July 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Christian Janßen
Wirtschaftsprüfer
(German Public Auditor)

Holger Wildgrube
Wirtschaftsprüfer
(German Public Auditor)

Calendar of events in 2021/2022

Date	Event
12 August 2021	Quarterly statement (Q1)
15 September 2021	Annual general meeting
11 November 2021	Half-year financial report as of 30 September 2020 (HY1)
10 February 2022	Quarterly statement (Q3)

Legal notice

We have very largely avoided references to individual genders in the interests of readability. All professional and personal designations apply equally to all genders.

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

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