



At a glance

Key figures (IFRS)	01/04-30/06/2017	01/04-30/06/2016	Change in %
Business development <i>in EUR million</i>			
Group turnover	27.5	27.8	-1.1%
EBITDA	0.7	-1.0	---
EBITDA margins	2.5%	-3.6%	---
Group result	-1.1	-1.7	---
Key figures (IFRS)	30/06/2017	31/03/2017	Change in %
Financial and assets position <i>in EUR million</i>			
Balance sheet total	148.9	146.1	1.9%
Equity *	49.9	51.0	-2.2%
Equity ratio	33.5%	34.9%	-4.0%

*incl. shares of non-controlling shareholders

Group quarterly report for Bastei Lübbe AG for the first three months of the 2017/2018 financial year to 30 June 2017

1 General conditions

Macroeconomic conditions

During the reporting period from April to June 2017, the global economy developed as originally expected, hence the International Monetary Fund (IMF) is standing by its forecast of a 3.5% increase in economic output for 2017.¹ International stock markets ended the second quarter with increases in value. Nevertheless, there are still political risks on a global level that could put pressure on capital markets at any time.²

The euro zone still managed to gain in momentum in the second quarter of 2017, according to the Eurostat statistics agency, and reported an increase in gross domestic product (GDP) of 0.6% over the previous quarter.³ Meanwhile, the IMF raised its forecasts for a number of euro countries, including France, Germany, Italy and Spain. GDP in the euro zone is expected to increase by 1.9% in 2017.

Experts at the International Monetary Fund expect a slightly lower growth of 1.8% for Germany, as compared to the overall euro zone. Meanwhile, the German economy continues full steam ahead and the mood in the boardrooms is euphoric. In July, the ifo business climate index rose from 115.2 to 116.0 points – the third record figure in a row. Companies have not been as satisfied with their current business situation since reunification. The outlook for the coming months has also improved.

The industry environment in the Bastei Lübbe AG business segments

According to Media Control, from January to June 2017, accumulated book sales in the retail book trade, e-commerce, station bookshop, department store and electrical and drugstore sales channels experienced a fall of 0.3%, almost the same level as the previous year. While sales – that is, the number of copies sold – fell by 2.6% compared to last year, higher book prices were largely able to compensate for this decrease.

Total e-book sales of fell by 3.0% in the first quarter of 2017, according to the Börsenvereins des Deutschen Buchhandels (German Publishers' and Booksellers' Association). Year-on-year e-book sales rose slightly by 0.2% for the quarter. Nevertheless, the e-book market share increased from 5.4% to 5.6% due to the decline in book sales. While the sales intensity of existing e-book readers increased by 19.2%, there was a decline of 15.8% in terms of customers.⁴

Figures for the games industry, which is also relevant for Bastei Lübbe, were not available at the time of reporting. The visit of the German Chancellor to the opening of gamescom, the world's largest trade show for computer and video games, emphasises the importance of the industry for Germany as a cultural, digital and business location. Computer and video games technologies play a significant role in the digitisation and networking of business and society, along with virtual reality, gamification or 3D simulations.⁵

On the novel booklets and puzzle magazines market, the trend remained stable overall, compared to the decreasing turnover for general interest magazines.

¹ <http://www.imf.org/en/Publications/WEO/Issues/2017/07/07/world-economic-outlook-update-july-2017>

² [http://www.metzler-](http://www.metzler-assetmanagement.com/metzlerfonds/servlet/linkableblob/startmetzler/46742/data/Kapitalmarktausblick+3.+Quartal+2017-data.pdf)

<assetmanagement.com/metzlerfonds/servlet/linkableblob/startmetzler/46742/data/Kapitalmarktausblick+3.+Quartal+2017-data.pdf>

³ https://www.destatis.de/Europa/DE/Service/Presse/Pressemitteilungen/WirtschaftFinanzen/20170801_V_BIP.html

⁴ https://www.boersenblatt.net/artikel-e-book-quartalsbericht_1_2017.1318137.html

⁵ <https://www.biu-online.de/blog/2017/06/22/bundeskanzlerin-merkel-eroeffnet-erstmalig-gamescom/>

According to experts, subscriptions and streaming services for books, so-called flat-rate models, which are still in their infancy, is currently the only market segment that is experiencing double figure growth.⁶ The Börsenverein des Deutschen Buchhandels also considers flat rates for books to be a meaningful sales model.⁷

2. Business Performance

Earnings performance

Bastei Lübbe attained a group revenue of 27.5 million euros in the first three months of the 2017/2018 financial year, compared to 27.8 million euros in the same period of the previous year. The turnover was therefore at same the level as the previous year. When adjusted for the discontinued non-book sales operations, however, it rose by 12.3%. The "Book" and "Digital" business segments managed to increase sales. In the "Retail" segment, turnover was lower than in the previous year. In the period under review, Group EBITDA increased by 0.7 million euros following a loss amounting to -1.0 million euros in the previous year. Adjusted for the discontinued operations, EBITDA increased by 1.8 million euros. The EBITDA margin increased from -3.6% (adjusted: -4.1%) in the previous year to 2.5% (adjusted: 3.0 %) in the reporting quarter.

Sales in the "Book" segment, which, starting with this quarterly report, also includes sales of Bastei Lübbe AG digital e-book and audio products, increased from 12.4 million euros to 17.8 million euros. The increase was mainly due to sales of the LYX label amounting to 2.5 million euros (previous year: 0.1 million euros) and children's and young adult book sales, which rose by 1.2 million. The EBITDA segment consequently increased from -0.6 million euros in Q1 of the 2016/2017 financial year to 1.2 million euros in the current reporting period.

In the "Retail" sales segment, turnover was 45.5% below the prior year and decreased from 8.2 million euros in the previous year to 4.5 million euros in the quarter under review. This significant decrease in revenues was the result firstly of an increase in the number of returns in promotional business in particular and secondly of decommissioning sales areas in the premises of a commercial partner. The decline in sales also led to a decrease in the EBITDA from -0.6 million euros to -1.5 million euros.

With a sales increase of 84.3%, the "Digital" segment had a very successful quarter and increased turnover to 2.8 million euros. The main growth driver was the Daedalic subsidiary with the successful game "The Long Journey Home". EBITDA reached 0.8 million euros after an almost balanced result in the previous year. Here, too, Daedalic made the largest contribution. As in the previous year, the subsidiary company oolipo reported a slight loss.

Sales in the "Novel booklets and puzzle magazines" segment increased by 3.5% to 2.5 million euros. EBITDA increased as a result from 0.3 million euros in the previous year to 0.4 million euros in the current financial year.

The cost of materials netted against the change in inventories of finished goods and work in progress in the Group decreased disproportionately by 1.6 million euros to 13.2 million euros, which corresponds to a percentage of only 48.2% (previous year: 53.5%). This is primarily attributable to the decline in turnover in the "Retail" segment. Personnel expenses decreased slightly from 7.7 million euros in the previous year to 7.4 million euros, as did other operating expenses. These decreased from 7.8 million euros in the previous year to 7.2 million euros.

The result from Group operating activities (EBIT) amounted in the first quarter of 2017/2018 to -0.8 million euros (previous year: -2.0 million euros). The EBIT margin improved to -3.0%, as against -7.4% in the same period of the previous year.

The financial result amounted to -0.4 million euros (previous year: -0.5 million euros). The profit before tax amounted to -1.2 million euros (previous year: -2.5 million euros). The consolidated net income attributable to the shareholders of the Bastei Lübbe AG Group for the year amounted to -0.4 million euros (previous year: -1.6 million euros). Earnings per share amounted to -0.03 euros as compared to -0.12 euros in the previous year. The 13,200,100 shares in circulation (unchanged in the previous year) were taken into account for the reporting period.

⁶ https://www.boersenblatt.net/bookbytes/artikel-neue_wege_beim_e-book-verkauf.1342318.html

⁷ <http://www.wiwo.de/technologie/digitale-welt/kindle-unlimited-erpressungs-vorwuerfe-gegenueber-amazon/10214966-2.html>

Assets position

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

KEUR	30/06/2017	31/03/2017	Change
Long-term assets	94,016	89,511	4,505
Short-term assets	54,922	56,540	-1,618
Total assets	148,938	146,051	2,887
Equity	49,942	50,994	-1,052
Long-term liabilities	39,797	40,713	-916
Short-term liabilities	59,199	54,344	4,855
Total liabilities	148,938	146,051	2,887

The group balance sheet total increased by 2.9 million euros, from 146.0 million euros to 148.9 million euros.

The increase of long-term assets amounting to 4.5 million euros primarily relates to prepaid authors' royalties (+4.3 million euros); the slight decline in current assets amounting to -1.6 million euros is mainly attributable to inventories (-1.0 million euros).

The -0.9 million euros decrease in the long-term debt relates to both the financial liabilities of -0.5 million euros and the increase in the short-term debts of 4.9 million euros – here the increase in current financial liabilities is 5.7 million euros. All other liabilities have changed only marginally.

3. Supplementary Report

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

4. Opportunity and risk report

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

5. Forecast

Compared to the annual report of 2016/2017, the prognosis by the Executive Board for the 2017/2018 financial year has not changed. The business and economic conditions in Germany continue to be seen in a positive light. The Board noted that the financial results for the first quarter of 2017/2018 are essentially in line with expectations.

The Group sales forecast for the 2017/2018 financial year amounted to approximately 160 million euros (previous year: 146.3 million euros). It should be noted that approximately 15 million euros sales in the current financial year are missing compared to the previous year due to the discontinued "Non-book" business segment.

Sales in the "Book" segment will increase significantly, in particular as a result of the hardcover new releases by world best-selling authors Dan Brown and Ken Follett. The same applies for the "Digital" segment due to promising new products at Daedalic Entertainment. The planned or already realised expansion of sales areas at BuchPartner will have a positive effect on sales in the "Retail" segment. The "Novel booklets and puzzle magazines" segment will likely maintain the turnover of the previous year.

The EBITDA for the 2017/2018 financial year will significantly exceed the EBITDA for the 2016/2017 financial year and will likely fall somewhere between 14 and 17 million euros. All fully consolidated subsidiaries will contribute positively to the expected EBITDA, excluding oolipo and BEAM shop.

Cologne, 29 August 2017

Bastei Lübbe AG

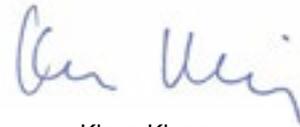
Board of Directors



Ulrich Zimmermann
Chief Financial Officer



Thomas Schierack
Chairman



Klaus Kluge
Board Programme,
Sales and Marketing

Consolidated profit and loss account and consolidated statement of income for Bastei Lübbe AG, Cologne, for the period from 1 April 2017 to 30 June 2017.

	01/04-30/06 2017 KEUR	01/04-30/06 2016 KEUR
Sales revenue	27,494	27,783
Change in inventories of finished goods and work in progress	-1,126	2,133
Other capitalized self-constructed assets	736	852
Other operating income	200	725
Material expenses		
a) Expenditure on raw materials and supplies and on purchased goods	-2,190	-5,014
b) Expenses for purchased services	-5,146	-8,067
c) Expenses for fees and depreciation on author royalties	-4,781	-3,923
	-12,117	-17,004
Personnel expenses		
a) Wages and salaries	-6,205	-6,479
b) Social security contributions a. expenses for pensions and support schemes	-1,158	-1,235
	-7,363	-7,714
Other operating expenses	-7,157	-7,826
Earnings from investments	21	44
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	688	-1,007
Amortisation of intangible assets and property, plant and equipment	-1,526	-1,041
Earnings before interest and taxes (EBIT)	-838	-2,048
Financial result	-372	-487
Earnings before taxes (EBT)	-1,210	-2,535
Taxes on income and earnings	158	801
Results for the period*	-1,052	-1,734
Other profit/loss	0	0
Total earnings	-1,052	-1,734
Of this, attributable to:		
shareholders of Bastei Lübbe AG	-435	-1,576
Equity capital shares of non-controlling shareholders	-617	-158
	-1,052	-1,734
Earnings per share (basic) (relating to profit for the period attributable to shareholders of Bastei Lübbe AG)	-0.03	-0.12

* includes income for the period from discontinued operations amounting to KEUR -87 (previous year: KEUR -218)

Consolidated Balance Sheet of Bastei Lübbe AG, Cologne, dated 30 June 2017

	30/06/2017	31/03/2017
	KEUR	KEUR
Long-term assets		
Intangible assets	39,826	39,934
Inventory of pre-paid royalties	41,636	37,376
Tangible assets	3,612	3,547
Financial investments	4,359	4,380
Trade receivables	1,071	1,135
Deferred tax claims	3,512	3,139
	94,016	89,511
Short-term assets		
Inventories	29,172	30,178
Trade receivables	19,876	19,564
Financial assets	3,835	3,738
Income tax receivables	0	410
Other receivables and assets	931	977
Cash and cash equivalents	991	1,203
Assets from discontinued operations	117	470
	54,922	56,540
Total assets	148,938	146,051
Equity		
Share of equity attributable to parent company shareholders:		
Subscribed capital	13,200	13,200
Capital reserves	26,804	26,804
Net profit	3,412	3,847
	43,416	43,851
Equity capital shares of non-controlling shareholders	6,526	7,143
	49,942	50,994
Liabilities		
Long-term liabilities		
Provisions	156	151
Deferred tax liabilities	4,365	4,271
Financial liabilities	33,937	34,437
Other liabilities	1,339	1,854
	39,797	40,713
Short-term liabilities		
Financial liabilities	22,555	16,867
Trade payables	28,775	28,370
Income tax liabilities	104	175
Provisions	6,302	7,005
Other liabilities	1,364	1,416
Debts from discontinued operations	99	511
	59,199	54,344
Total debts	98,996	95,057
Total liabilities	148,938	146,051

Bastei Lübbe AG, Cologne, Segment reporting for the period from 1 April to 30 June

(KEUR)	Book		Retail		Digital		Non-book		Novel booklets and puzzle magazines		Total	
	4-6/2017	4-6/2016	4-6/2017	4-6/2016	4-6/2017	4-6/2016	4-6/2017	4-6/2016	4-6/2017	4-6/2016	4-6/2017	4-6/2016
Segment sales revenue	17,975	13,307	4,470	8,197	2,825	1,523	-76	3,234	2,471	2,388	27,665	28,649
Internal sales	153	866	0	0	18	0	0	0	0	0	171	866
External sales	17,822	12,441	4,470	8,197	2,807	1,523	-76	3,234	2,471	2,388	27,494	27,783
EBITDA*	1,218	-621	-1,525	-636	752	-87	-129	-5	372	342	688	-1,007
including:												
Earnings from investments	0	0	0	0	0	0	0	0	21	44	21	44
Amortisations	274	254	308	96	902	531	0	114	42	46	1,526	1,041
EBIT	944	-875	-1,833	-732	-150	-618	-129	-119	330	296	-838	-2,048
Financial result											-372	-487
Earnings before taxes (EBT)											-1,210	-2,535
Taxes on income and earnings											158	801
Results for the period											-1,052	-1,734

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

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

Legal notice

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The group quarterly report for Bastei Lübbe AG

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