

**BASTEI LÜBBE AG
GROUP
QUARTERLY
STATEMENT
1 APRIL –
31 DECEMBER 2019**

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COLD CASE - DAS VERSCHWUNDENE MÄDCHEN

At a glance

	01/04/2019 – 31/12/2019	01/04/2018 – 31/12/2018 ⁴	Change
Key financial figures (IFRS) in EUR million			
Group sales revenue	70.6	73.5	-3.9 %
Thereof core business ²	62.1	66.8	-6.9 %
EBIT	-8.2	2.1	–
Thereof core business ²	3.6	2.3	56.6 %
Adjusted EBIT ¹	4.8	2.1	134.2 %
Adjusted EBIT margin ¹ in %	6.9 %	2.8 %	+4.1 Pp
Earnings per share in EUR	-0.41	0.01	–
	01/10/2019 – 31/12/2019	01/10/2018 – 31/12/2018⁴	
Key financial figures (IFRS) in EUR million			
Group sales revenue	27.5	26.1	5.4 %
Thereof core business ²	23.8	24.2	-1.6 %
EBIT	-10.6	2.2	–
Thereof core business ²	1.8	1.8	0.8%
Adjusted EBIT ¹	2.4	2.2	
Adjusted EBIT margin ¹ in %	8.7 %	8.6 %	+0.1 Pp
Earnings per share in EUR	-0.55	0.09	–
	31/12/2019	31/03/2019	
Balance sheet total	77.4	85.9	-9.9 %
Equity ³	26.9	36.1	-25.5 %
Equity ratio in %	34.7 %	42.0 %	-7.3 Pp
Net debt	6.2	17.8	-64.9 %

1) adjusted for impairment losses on goodwill and computer and video games in the "Games" segment

2) segments "books" and "novel booklets"

3) incl. equity capital shares of non-controlling shareholders

4) adjusted

Economic report

General conditions

In its autumn report, the EU Commission assumes that the euro zone will probably grow by 1.1 % in 2019. This means that the forecast has been revised downwards by a further 0.1 percentage points compared with the summer of 2019.¹ However, the picture for Germany is somewhat more positive than expected. According to preliminary figures and initial calculations by the Federal Statistical Office, Germany will grow by 0.6 % in 2019 compared to the previous year, which is 0.1 percentage points more than was predicted in mid-year.² Trade conflicts, a crisis in the automotive industry and the Brexit chaos had a negative impact on the German economy. Although the German Council of Economic Experts sees a downturn in the economy, a recovery is expected in the course of 2020. For 2020, the German Council of Economic Experts expects gross domestic product to increase by 0.9 %.³

The industry environment in the Bastei Lübbe AG business segments

In **book retailing**, sales in the sales channels retail bookselling, e-commerce, railway station bookselling, department store, electrical goods and drugstore from January to December 2019 were 1.4 % higher than in the same period last year. While sales - i.e. the number of copies sold - declined by 0.4 %, 1.4 % higher book prices more than compensated for this minimal decline in sales, according to the German Publishers & Booksellers Association.⁴

According to the German Publishers & Booksellers Association, sales of **e-books** were down slightly by 0.6 % in the first nine months of 2019 compared to the same period last year. Sales of e-books in the same period fell by 3.9 % compared to 2018. The share of sales in the audience market from January to September 2019 remained almost constant at 5.8 % (previous year: 5.7 %). The number of e-book buyers, at 3.1 million from January to September 2019, was exactly the same as in 2018, while the purchasing intensity of existing e-book readers decreased by 4.7 %. However, the trend towards falling prices was halted. The average price paid for an e-book rose by 3.5 % in the first three quarters.⁵

In 2019, sales of **physical audio books/audio** books recorded a significant decline of 14.1 % compared to the same period of the previous year. Data for digital formats is not yet available for the 2019 calendar year. However, it can be assumed that the revenue share of storage-friendly audio streaming in the audio book market will continue to increase.⁶

According to the German Games Industry Association, revenue in the **games** market in Germany grew by 11 % in the first half of 2019. It thus grew from EUR 2.5 billion (first half of 2018) to EUR 2.8 billion. The main drivers for this rapid growth were on the one hand fees for online services (growth of 52 %) and on the other hand in-game purchases (increase of 28 %).⁷

¹ https://ec.europa.eu/info/sites/info/files/economy-finance/ip115_en_0.pdf

² https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

³ <https://www.sachverstaendigenrat-wirtschaft.de/pressemitteilung-jg-2019.html?returnUrl=%2F&cHash=97ca27842ed87a45a7ddef16479339fc>

⁴ [https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14\[uid\]=1358&tx_boev_pi14\[backend_layout\]=pagets__newsletter](https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1358&tx_boev_pi14[backend_layout]=pagets__newsletter)

⁵ <https://www.boersenverein.de/boersenverein/aktuelles/detailseite/e-book-markt-leicht-ruecklaeufig-erste-drei-quartale-2019-bleiben-hinter-vorjahr-zurueck/>

⁶ [https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14\[uid\]=1358&tx_boev_pi14\[backend_layout\]=pagets__newsletter](https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14[uid]=1358&tx_boev_pi14[backend_layout]=pagets__newsletter)

⁷ <https://www.game.de/deutscher-games-markt-waechst-im-ersten-halbjahr-2019-deutlich/>

Business performance

Profit situation

Bastei Lübbe AG generated consolidated sales revenue of EUR 70.6 million in the period from April to December of the 2019/2020 financial year, compared with EUR 73.5 million in the previous year. Thus, sales revenue were 3.9 % below the previous year. Consolidated EBIT fell to EUR -8.2 million in the period under review compared with EUR 2.1 million in the same period of the previous year. The reporting year includes impairment losses on intangible assets - both internally generated computer and video games and the goodwill of Daedalic Entertainment GmbH - of EUR 13.0 million. Adjusted for the impairments, Group EBIT rose by EUR 2.7 million to EUR 4.8 million in the reporting period.

As expected, sales revenue in the "Books" segment fell from 59.1 million EUR to 56.2 million EUR. Segment EBIT improved from 1.5 million EUR in the previous year to 2.3 million EUR in the current financial year. The efficiency program launched in January 2018 has led to a significant increase in profitability. In particular, personnel expenses have fallen compared with the previous year.

In the first nine months of the year, the "Novel Booklets" segment achieved sales revenue of EUR 6.0 million compared to EUR 7.7 million in the previous year. These figures can only be compared to a limited extent, as Bastei Lübbe sold the puzzle division with effect from May 31, 2019. The negative sales revenue effect amounts to approximately EUR 1.5 million in the reporting period. The segment EBIT increased from EUR 0.8 million to EUR 1.3 million in the current fiscal year. This includes the proceeds from the sale of the puzzle division in the amount of EUR 0.3 million.

Sales revenue in the "Games" segment amounted to EUR 8.5 million in the period from April to December of the financial year, compared with EUR 6.7 million in the same period last year. Segment EBIT declined significantly from EUR -0.2 million in the previous year to EUR -11.8 million. This is due to impairment losses on goodwill of EUR 4.9 million and on computer and video games carried in the balance sheet of EUR 8.1 million.

At EUR 34.6 million, the material expenses in the period under review was slightly below the previous year's level (EUR 35.1 million). The material expense ratio increased from 47.8 % in the previous year to 49.0 % in the period under review as a result of increased depreciation and impairment losses on prepaid royalties.

Personnel expenses fell from EUR 15.5 million in the previous year to EUR 13.8 million. The reduction in personnel expenses is due to the personnel measures within the framework of the efficiency program at Bastei Lübbe AG. In addition, the previous year includes expenses for these measures amounting to EUR 1.0 million.

Other operating expenses fell from EUR 15.8 million in the previous year to EUR 14.2 million. The positive effect of the first-time application of IFRS 16 lessee accounting from 1 April 2019 on other operating expenses was EUR 1.1 million. In addition, advertising expenses and legal and consulting fees declined.

Depreciation and amortisation increased from EUR 3.9 million in the previous year to EUR 17.1 million. This includes in particular the above-mentioned impairment losses on goodwill and recognised computer and video games in the "Games" segment. In addition, depreciation and amortisation increased by EUR 1.1 million due to the application of IFRS 16.

Consolidated earnings before interest and taxes (EBIT) for the period April to December amounted to EUR -8.2 million (previous year: EUR 2.1 million). The EBIT margin was -11.5 % after 2.8 % in the same period of the previous year. Adjusted for the above-mentioned impairment losses, the EBIT margin in the reporting period was 6.9 %. The result from investments accounted for using the equity method amounted to EUR 0.2 million (previous year: -).

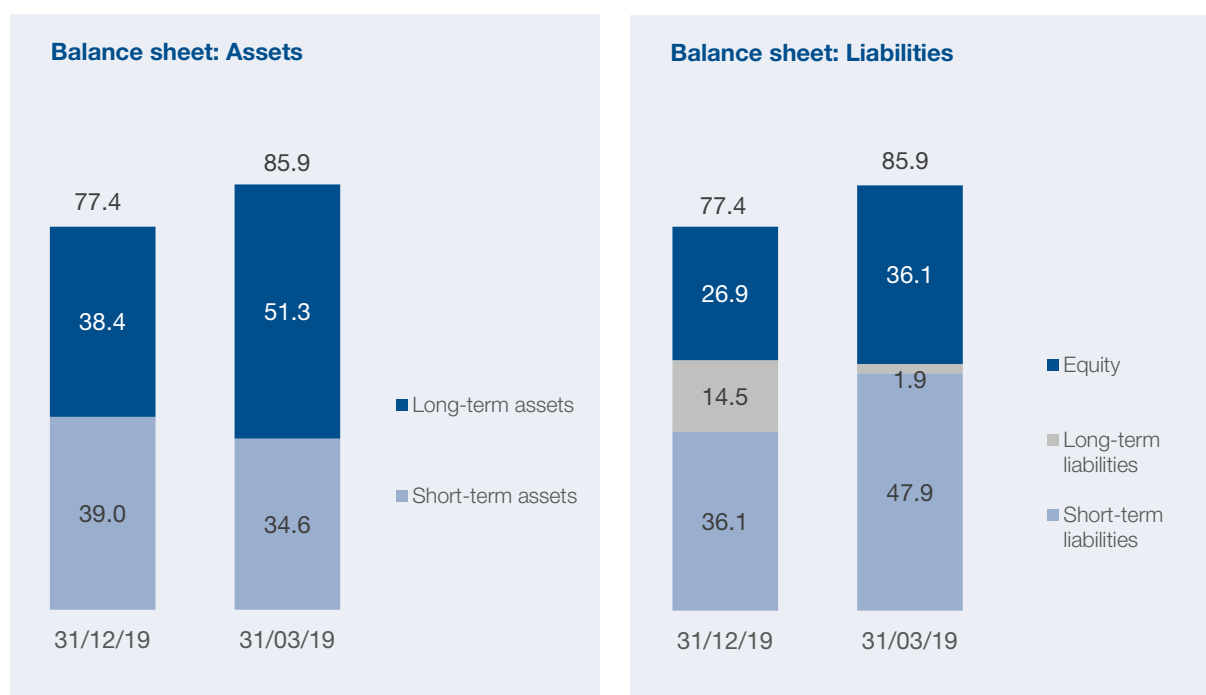
The other financial result was EUR -1.2 million (previous year: EUR -1.0 million) and earnings before taxes (EBT) were EUR -9.1 million (previous year: EUR 1.1 million). The consolidated net loss for the period attributable to Bastei Lübbe

AG shareholders amounted to EUR -6.4 million (previous year: EUR 0.1 million). Earnings per share were EUR -0.48 after EUR 0.01 in the previous year, based on a number of 13,200,100 shares in circulation in the reporting period (unchanged from the previous year).

Asset position

The balance sheet has changed significantly compared with the last consolidated balance sheet date due to the impairment of intangible assets and lessee accounting in accordance with IFRS 16 as of 1 April 2019.

The consolidated balance sheet total fell by EUR 8.5 million from EUR 85.9 million to EUR 77.4 million.



Non-current assets totaled EUR 39.0 million, compared with EUR 51.3 million as of March 31, 2019, mainly due to the impairment of intangible assets in the "Games" segment in the amount of EUR 13.0 million. In addition, intangible assets declined by EUR 1.5 million due to the sale of the puzzle division. This is offset by an increase of EUR 7.7 million in property, plant and equipment due to the introduction of lessee accounting in accordance with IFRS 16 as of April 1, 2019.

As of April 1, 2019, the 30 % stake in Community Editions GmbH was consolidated using the equity method. The carrying amount as of 31 December 2019 is EUR 0.6 million.

Current assets increased by EUR 3.8 million from EUR 34.6 million to EUR 38.4 million as of 31 December 2019. This is mainly due to higher cash and cash equivalents.

At EUR 28.6 million, the share of equity attributable to shareholders of the parent company was down on the previous year (EUR 34.7 million). The reduction is primarily due to the negative result for the period.

Non-current liabilities amounted to EUR 14.5 million, compared with EUR 1.9 million as of March 31, 2019, primarily due to the reclassification of Daedalics bank liabilities from current to non-current liabilities. They also increase due to the first-time recognition of the non-current portion of lease liabilities of EUR 6.5 million in connection with the introduction of lessee accounting in accordance with IFRS 16.

Current liabilities amounted to EUR 36.1 million as of 31 December 2019, compared with EUR 47.9 million as of 31 March 2019. In the year under review, current liabilities decreased due to the reclassification of loan liabilities. In addition, the current portion of lease liabilities in the amount of EUR 1.3 million is included in current liabilities.

At EUR 6.2 million, net debt as of 31 December 2019 is EUR 11.6 million lower than the figure as of 31 March 2019.

Supplementary report

By purchase agreement dated January 28, 2020, Bastei Lübbe AG increased its share in the investment CE Community Editions GmbH from 30 % to 40 %. No other events of particular significance for the assessment of the net assets, financial position and results of operations of the Bastei Lübbe AG Group occurred after the reporting period.

Opportunity and risk report

Compared with the risk situation and opportunities presented in the 2018/2019 Annual Report, the risk of "unplanned development of the portfolio companies" has materialised. As outlined in the ad hoc announcement of 6 February 2020, the Management Board is currently examining options for restructuring and realigning the business model in the "Games" segment. This is the result of the business development in the 3rd quarter of the 2019/2020 financial year and high investments in a new own developed game of Daedalic Entertainment, which was not accepted by the market. The resulting financial risks will continue to be continuously reviewed by the Management Board and, if necessary, adjusted and published again.

As a consequence of the above-mentioned business development in the "Games" segment, the "non-compliance with agreed financial key figures" is unavoidable. The Management Board is already in the dialogue with the banks about the adjustment of the agreed financial ratios. Otherwise, the risk situation of Bastei Lübbe AG and its opportunities have basically not changed compared to the presentation in the 2018/2019 annual report.

Forecast

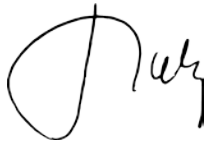
Due to the necessary impairments in the "Games" segment, the Management Board is adjusting its forecast for the 2019/2020 financial year accordingly.

The Management Board continues to expect consolidated sales revenue for the current financial year to be between EUR 85 and 87 million. For Group EBIT, it expects a significantly reduced result of probably EUR -10.5 million to EUR -6.7 million (previously: EUR 3.5 - 5.3 million) compared to the previous forecast due to the charges from the "Games" segment.

The aforementioned reduced forecast for consolidated EBIT will continue to be reviewed by the Management Board on an ongoing basis, in particular also taking into account the examination of options for the restructuring and realignment of the business model in the "Games" segment, and will be adjusted and published again if necessary.

The financial planning of the Bastei Lübbe Group assumes that net debt as at 31 March 2020 should be around EUR 10 million (previously: EUR 15 million; previous year: EUR 17.8 million).

Cologne, February 13, 2020
Bastei Lübbe AG



Carel Halff
Chief Executive Officer



Ulrich Zimmermann
Chief Financial Officer



Klaus Kluge
Program Director.
Sales and Marketing

Consolidated profit and loss account and consolidated statement of income for the period from 01 April to 31 December 2019

	01/04/ – 31/12/19	01/04/ – 31/12/18*
	KEUR	KEUR
Sales revenue	70,645	73,485
Change in inventories of finished goods and work in progress	-2,373	-3,718
Other capitalised self-constructed assets	2,633	2,047
Other operating income	666	503
Material expenses		
a) Expenditure on raw materials and supplies and on purchased goods	-388	-393
b) Expenses for purchased services	-13,622	-13,735
c) Expenses for fees and amortisation of royalties	-20,624	-20,974
	-34,634	-35,101
Personnel expenses		
a) Wages and salaries	-11,801	-13,515
b) Social security contributions and expenses for pensions and support schemes	-2,032	-1,977
	-13,833	-15,492
Other operating expenses	-14,215	-15,795
Operating profit	42	46
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8,930	5,975
Depreciation and Amortisation of intangible assets and property, plant and equipment	-17,080	-3,905
Earnings before interests and taxes (EBIT)	-8,150	2,070
Result from equity valuation	188	-
Other financial result	-1,157	-1,007
Earnings before taxes (EBT)	-9,120	1,063
Taxes on income and earnings	-326	-848
Results for the period	-9,446	215
Of which is attributable to:		
Shareholders of Bastei Lübbe AG	-5,442	128
Equity capital shares of non-controlling shareholders	-2,190	87
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	-0.41	0.01

* adjusted (see segment reporting)

Consolidated profit and loss account and consolidated statement of income for the period from 01 October to 31 December 2019

	01/10/ – 31/12/19	01/10/ – 31/12/18*
	KEUR	KEUR
Sales revenue	27,476	26,078
Change in inventories of finished goods and work in progress	-595	-2,048
Other capitalised self-constructed assets	909	774
Other operating income	170	207
Material expenses		
a) Expenditure on raw materials and supplies and on purchased goods	-75	-335
b) Expenses for purchased services	-5,880	-3,467
c) Expenses for fees and amortisation of royalties	-9,106	-8,462
	-15,061	-12,263
Personnel expenses		
a) Wages and salaries	-3,888	-4,171
b) Social security contributions and expenses for pensions and support schemes	-701	-406
	-4,590	-4,577
Other operating expenses	-4,852	-4,697
Operating profit	0	5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,457	3,480
Depreciation and Amortisation of intangible assets and property, plant and equipment	-14,054	-1,233
Earnings before interests and taxes (EBIT)	-10,597	2,247
Result from equity valuation	0	-
Other financial result	-394	-511
Earnings before taxes (EBT)	-10,991	1,736
Taxes on income and earnings	404	-658
Results for the period	-10,587	1,078
Of which is attributable to:		
Shareholders of Bastei Lübbe AG	-7,310	1,145
Equity capital shares of non-controlling shareholders	-3,277	-66
Profit per share (undiluted = diluted) (with reference to the net period earnings attributable to shareholders of Bastei Lübbe AG)	-0.55	0.09

* adjusted (see segment reporting)

Consolidated statement of comprehensive income for the period from 1 April 2019 to 31 December 2019

	01/04/ – 31/12/19	01/04/ – 31/12/18*
	KEUR	KEUR
Results for the period	-9,446	215
Amounts that cannot be reclassified to the income statement in the future	–	–
Changes in fair value of available-for-sale financial assets	–	–
Amounts that can be reclassified to the income statement in the future	7	2
Currency differences	7	2
Other income	7	2
Total comprehensive income	-9,439	217
Of which is attributable to:		
Shareholders of Bastei Lübbe AG	-6,346	130
Equity capital shares of non-controlling shareholders	-3,093	87

* adjusted (see segment reporting)

Consolidated statement of comprehensive income for the period from 1 October 2019 to 31 December 2019

	01/10/ – 31/12/19	01/10/ – 31/12/18*
	KEUR	KEUR
Results for the period	-10,587	1,078
Amounts that cannot be reclassified to the income statement in the future	–	–
Changes in fair value of available-for-sale financial assets	–	–
Amounts that can be reclassified to the income statement in the future	-9	0
Currency differences	-9	0
Other income	-9	0
Total comprehensive income	-10,596	1,078
Of which is attributable to:		
Shareholders of Bastei Lübbe AG	-7,318	1,145
Equity capital shares of non-controlling shareholders	-3,278	-66

* adjusted (see segment reporting)

Consolidated balance sheet as of 31 December 2019

	31/12/2019	31/03/2019
	KEUR	KEUR
Long-term assets		
Intangible assets	6,679	19,934
Inventory of pre-paid royalties	16,020	20,455
Tangible assets (incl. Leasing assets)	9,196	1,573
Investments accounted for using the equity method	587	
Financial investments	3,066	4,603
Trade receivables	464	672
Deferred tax claims	3,010	4,053
	39,021	51,290
Short-term assets		
Inventories	13,128	15,509
Trade receivables	14,163	12,487
Financial assets	985	1,098
Income tax receivables	260	307
Other receivables and assets	1,626	1,847
Cash and cash equivalents	8,241	3,356
	38,403	34,604
Total assets	77,424	85,894
Equity		
Equity attributable to shareholders of the parent company		
Subscribed capital	13,200	13,200
Capital reserves	26,804	26,804
Net profit/loss	-12,723	-7,245
Other comprehensive income	1,982	1,980
	29,262	34,739
Equity capital shares of non-controlling shareholders	-2,377	1,363
Total equity	26,885	36,102
Long-term liabilities		
Accruals	84	84
Deferred tax liabilities	522	1,200
Financial liabilities	15,521	0
Other liabilities	323	577
	14,450	1,861
Short-term liabilities		
Financial liabilities	10,769	24,684
Trade payables	18,613	14,153
Income tax liabilities	4	4
Accruals	6,017	7,297
Other liabilities	685	1,793
	36,089	47,931
Total debt	50,539	49,792
Total liabilities	77,424	85,894

Segment reporting for the period from 01 April to 31 December 2019

	Book		Games		Novel booklets		Total	
	04-12/ 2019	04-12/ 2018*	04-12/ 2019	04-12/ 2018	04-12/ 2019	04-12/ 2018*	04-12/ 2019	04-12/ 2018*
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Segment sales revenue	56,235	59,084	8,664	6,757	5,977	7,671	70,877	73,512
Internal sales	71	1	160	26	0	0	232	27
External sales revenue	56,164	59,083	8,504	6,731	5,977	7,671	70,645	73,485
EBITDA	3,833	2,269	3,607	2,828	1,490	878	8,930	5,975
Amortisations	-1,521	-742	-15,368	-3,063	-192	-100	-17,080	-3,905
EBIT	2,312	1,527	-11,760	-235	1,298	778	-8,150	2,070
Result from equity valuation							188	-
Other financial result							-1,157	-1,007
Result before income taxes							-9,120	1,063
Taxes on income and profit							-326	-848
Result for the period							-9,446	215

* the previous year's figures include the full consolidation of the Czech subsidiary Moba in the "Book" segment (see note 37 in the 2018/2019 Annual Report); as well as sales deductions within the scope of IFRS 15 (see note 3a) in the 2018/19 Annual Report)

Segment reporting for the period from 01 October to 31 December 2019

	Book		Games		Novel booklets		Total	
	10-12/ 2019	10-12/ 2018*	10-12/ 2019	10-12/ 2018	10-12/ 2019	10-12/ 2018*	10-12/ 2019	10-12/ 2018*
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Segment sales revenue	21,996	21,606	3,674	1,886	1,872	2,586	27,542	26,078
Internal sales	52	0	14	0	0	0	66	0
External sales revenue	21,944	21,606	3,660	1,886	1,872	2,586	27,476	26,078
EBITDA	2,077	1,707	997	1,369	383	404	3,457	3,479
Amortisations	-555	-254	-13,430	-944	-69	-34	-14,054	-1,232
EBIT	1,522	1,452	-12,433	425	314	370	-10,597	2,247
Result from equity valuation							0	-
Other financial result							-394	-511
Result before income taxes							-10,991	1,736
Taxes on income and profit							404	-658
Result for the period							-10,587	1,078

* the previous year's figures include the full consolidation of the Czech subsidiary Moba in the "Book" segment (see note 37 in the 2018/2019 Annual Report); as well as sales deductions within the scope of IFRS 15 (see note 3a) in the 2018/19 Annual Report)

Financial calendar 2020

Date	Event
14 July 2020	Annual results press conference
13 August 2020	Quarterly Statement (Q1)
15 September 2020	General Meeting
12 November 2020	Semi-annual report as of 30 September 2020 (HY1)
11 February 2021	Quarterly Statement (Q3)

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The Q3 2019/2020 Group statement of Bastei Lübbe AG can be downloaded as a PDF file at www.luebbe.com/en.
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