BASTEI LÜBBE

ANNUAL REPORT 2022/23

At a glance

Key figures Bastei Lübbe Group

	2022/2023	2021/2022	Change
Financial indicator (IFRS) in EUR millions			
Revenues	100.0	94.5	5.8%
EBIT	7.2	14.7	-51,0%
EBIT margin (%)	7.2%	15.5%	-8.3 Pp
Net profit for the period	4.0	11.0	-64.0%
Total assets as of 31 March	107.9	104.3	3.5%
Equity* as of 31 March	55.0	56.3	-2.3%
Equity ratio (%) as of 31 March	51.0%	54.0%	-3.0 Pp
Net financial assets as of 31 March	16.7	14.2	17.6%
Free cash flow	9.7	10.1	-4.1%
EBIT			
Earnings per share** (in EUR)	0.30	0.80	-63.9%
Share price at the end of the fiscal year (EUR)	4.6	6.9	-33.6%
Employees as of 31 March	321.0	280.0	14,6%

*incl. non-controlling interests
**See note 15 for details of the calculation method

Contents

TO THE SHARE HOLDERS

CHILDREN –
BAUMHAUS AND
BAUMHAUSBANDE

© A. Martin UW Photography / Getty Images

Letter from the Executive Board

Soheil Dastyari, Chief Executive Officer

Dear Shareholders,
Ladies and gentlemen,

People have a basic need for high-quality entertainment. This one of the key realisations emerging in the 2022/2023 financial year and also one of the reasons behind our success. Despite extremely high inflation, the consumer restraint that this has produced and the noticeable effects of the Russian attack on Ukraine, Bastei Lübbe achieved revenues of over EUR 100 million in this challenging environment, thus exceeding our own expectations. At the same time, Bastei Lübbe was able to gain a larger share of a slightly contracting market.

However, Group earnings were unable to keep pace with this growth. At EUR 7.2 million, EBIT was down roughly 50 percent on the previous year. In this connection, it should be borne in mind that the figures for the previous year included significant positive non-recurring effects outside our operating business. Moreover, the effects of higher material and personnel costs and particularly also the impairment losses that we recognised on the assets of our subsidiary smarticular left traces in the year under review, significantly impacting our profitability. Adjusted for the impairments recognised in connection with smarticular, operating EBIT would have come to EUR 9.9 million, accompanied by an EBIT margin of 9.9%, a satisfactory figure given the massive macroeconomic dislocations. In the light of this, we want to continue our dividend policy this year and allow our shareholders to participate in the Company's success as usual. The Executive Board and the Supervisory Board will be asking the shareholders to approve at the annual general meeting the distribution of a dividend of 16 euro-cents per share, equivalent to 48% of the distributable profit.

Growth with community models

Our two imprints LYX and Lübbe Audio made a significant contribution to our revenue performance. LYX is operating very successfully in the new adults segment, growing with its young target group via forward-looking communities. We are driving this momentum forward and implemented an innovative new "LYX Pop-up Tour" event format in the past financial year in addition to various social media activities. Lübbe Audio is benefiting from the growing demand for audio streaming services, a segment in which we are positioned on a particularly broad and effective basis. Unlike other publishers, we produce a large portion of our audio titles internally and thus address the entire value chain as far as possible.

Last financial year was generally a year of normalisation for Bastei Lübbe following on from the previous pandemic years. At the Frankfurt Book Fair, which took place in its accustomed form for the first time again, we were not only one of the largest exhibitors but also enjoyed the greatest demand on the part of trade visitors and the general public.

Strategic focus on the issues of the future

We continued implementing our strategy last year. In doing so, we are responding to a dynamically changing market environment characterised by the emergence of new media, disruptive technologies and young channels. However, we see these changes as a great opportunity rather than a risk – this attitude runs like a thread through our entire history as a publisher and is thus also the basis of our strategy. In fact, this orientation has its roots in 1953, the year of our foundation, in which Gustav Lübbe, together with his wife Ursula, took over the small Cologne-based publishing company Bastei and thus laid the foundations for all that was yet to come. Starting with novel booklets, to which it added books and magazines shortly after, Bastei Lübbe has always been looking for new ways and means to entertain people and to bond with them in the best sense of the word.

Thus it is that in our 70th year we are concentrating on optimising the marketing activities for our community-driven business models with imprints that communicate and share with their readers in real and virtual communities, providing them with inspiration. The pop-up tour for our new adult imprint LYX in five cities marked a new event concept in the industry that not only aroused the interest of young readers, but also served as a source of inspiration for numerous bookstores. A trilogy by successful LYX author Mona Kasten is currently being filmed and is scheduled for release on Amazon in 2023. The extraordinary success of the LYX imprint testifies to the opportunities and potential that can be harnessed by working closely with the authors together with a communication policy that takes the community's interests into account. ONE, our imprint for young adults, offers a diverse mix of romantic love stories and coming-of-age novels as well as fantasy and suspense material by German and international authors and will be stepping up its discourse and dialogue with the community this year. Via additional digital offerings and forums for sharing and discussion as well as target group-specific events, we will also be expanding the community dialogue here.

We have also been investing in a data-driven future, e.g. through the development of a new data warehouse system, the expansion of the CRM system and the targeted use of supportive AI technology. It is with this in mind that, in addition to optimising various automation processes, we have begun to increasingly integrate social listening technologies in our processes, helping us to identify the interests and wishes of our many communities more swiftly and at an earlier stage and incorporate them in our plans. We do not want to be merely "popular and personal", but also "progressive" by recognising and promoting innovations with potential. Accordingly, we have also restructured and expanded our business development department. The team is specifically charged with the further development of existing business models and is responsible for identifying and leveraging new opportunities. In this way, we hope to gain greater agility and faster responses to current trends and topics.

However, we don't want to generate growth solely from our existing business but also through new businesses. To this end, we held a company-wide strategy day, at which the key points of the strategy were presented. On top of this, the Executive Board also engaged in dialogue with the employees.

All these measures are contributing to our strategy and future development and take account of the aspirations – personal, popular and progressive – with which we are implementing our strategy.

Shaping the future together

Last year, we worked on strengthening the aspects that bring us together as a company. "Doing things together" is our motto. For example, we have introduced various exchange formats, such as the "employee stand-up" in the company foyer, and developed and implemented an intranet that will serve as a point of contact for all employees as a source of information and for internal communications in the future.

Externally, our intensified open and innovation-oriented communication is reflected in our new corporate design with a new logo, as well as in the relaunch of our corporate website. We started off by revising our retailer, wholesale and business partner portal, after which we will be overhauling our website for the general public. Our investor relations portal already boasts a new guise for investors. We also stepped up our social media activities last year and are increasingly active on B2B platforms, such as LinkedIn.

These numerous measures reflect our openness and transparency as a company and particularly also the key importance we attach to our entire workforce in line with our conviction that a good corporate strategy is more than just slogans and jargon. Rather, it is the sum total of all the projects, measures and ideas of all those involved, generating success and growth through orderly interaction. For this reason, we would like to thank each individual for their commitment last year.

Facing 2023/2024 with confidence

Overall, we are satisfied with our performance last financial year. A lot of things went very well, while we are still working on others. But we are making great progress. We are very optimistic with regard to the new financial year. With the new novel by Ken Follet, which will be published in the autumn, and another novel by the successful duo Dirk Rossmann and Ralf Hoppe, we already have two crowd-pleasers in the pipeline that will attract great attention. In the children's and young people sector, US children's book star Jeff Kinney is also headed for Germany to present Volume 18 of "Diary of a Wimpy Child" in person. Number 1 bestselling authors Mona Kasten, Laura Kneidl, Ava Reed, Sarah Sprinz and Lena Kiefer will be releasing new books. At the same time, we have in Hannah Grace, Ana Huang, Scarlett St. Clair and Brittainy C. Cherry some of the major BookTok trending topics in our catalogue. Among other things, our subsidiary Community Editions has announced new releases by Paluten, Arazhul and ViktoriaSarina. As well as this, we want to expand our production capacities in the audiobook sector and are working on ensuring continued high growth.

Looking forward to the 2023/2024 financial year, we expect revenues of EUR 100 to 105 million and thus a top line consistently above the EUR 100 million threshold. In terms of EBIT, we are targeting a range between EUR 9.0 and 10.0 million, equivalent to an EBIT margin of 9% to 10%. This will be underpinned by the appreciable improvement in our earnings situation thanks to our community models as well as the substantially improved profitability of the "Novel Booklets" segment. Obviously, this forecast assumes the absence of any material deterioration in the underlying economic conditions and of any greater restraint in consumer spending on books.

Successful together

At this point, I would also like to thank you, our shareholders, for the confidence you placed in us during the past financial year. We trust that we can count on your continued support. I would also like to express my gratitude to all our business partners and the Supervisory Board for their contribution to our success.

Finally, I wish to thank our Chief Financial Officer, Joachim Herbst, who is leaving our Company at his own request this summer. As the person in charge of our finances and a spokesperson for the Executive Board he has played a crucial role in laying the foundations for the Company's future development.

We look forward to working with Mathis Gerkensmeyer, who was appointed as his successor on 1 September.

I invite you to join us in writing the next few pages of our success story as a way of "shaping the future together".

Sincerely,

Soheil Dastyari

Cologne, July 2023

The Executive Board of Bastei Lübbe AG

from left to right:

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

Joachim Herbst
Chief Financial Officer
joined Bastei Lübbe in: 2020

Simon Decot
Chief Programme Officer
joined Bastei Lübbe in: 2015

Soheil Dastyari
Chief Executive Officer
joined Bastei Lübbe in: 2022

Bastei Lübbe on the capital market

Situation on the capital market

After two years of being battered by the effects of the Covid-19 pandemic, the stock markets turned in another poor year in 2022. All major national and international stock market indices sustained significant losses: the bellwether US Dow Jones index ceded 9%, the technology-heavy Nasdaq Composite as much as 34%, the bellwether European Euro Stoxx 50 index 11% and the German DAX 12% over the year as a whole. However, almost all other asset classes also suffered significant losses.

Fears of an escalation of the conflict between Russia and Ukraine were confirmed by Russia's invasion of Ukraine at the end of February 2022. In an environment that was already feeling the strain of the aftermath of the pandemic, the European stock exchanges, in particular, as well as leading stock exchanges in America and Asia, sustained significant declines. The Ukrainian war also had many different adverse effects on the real economy. In particular, shortfalls in crucial raw materials and intermediate products placed a damper on the economy in numerous countries. To make matters worse, uncertainty over energy supplies in Europe and especially in Germany emerged as an additional challenge. The price of electricity more than doubled in some cases. Both factors jointly led to the highest rate of inflation in 40 years, prompting central banks around the world to raise their interest rates substantially. Central banks' restrictive monetary policies and, resulting from this, tight liquidity triggered a decline across all asset classes – from equities to the bond market and the precious metals sector, causing further restraint on the part of consumers.

Overall, the stock market was characterised by heavy volatility as a result of the multiple crises in 2022. The DAX retreated by around 25% up until September, hitting a low for the year of 11,863 points. In the wake of the dynamic monetary policy and the damper that this placed on the economy, inflation slowed slightly from the third quarter onwards, giving rise to hopes of a more defensive approach in monetary policy. Against this backdrop, the markets bounced significantly off their lows in the fourth quarter of 2022. Even so, the DAX closed 2022 down 12.3%.

In the first quarter of 2023, Russia's war against Ukraine continued unabated. Despite further interest rate hikes by central banks, inflation subsided only slightly. In this environment, the DAX generally performed well, albeit with significant fluctuations in individual stocks. March saw significant losses after bank failures in the United States and the takeover of UBS by Credit Suisse followed by a swift recovery. All in all, the DAX climbed to 15,628 points by the end of the first quarter of 2023.

The Bastei Lübbe share on the capital market

As a media and consumer share, Bastei Lübbe was unable to shrug off the effects of the adverse economic and capital market environment. The share entered the 2022/2023 financial year at EUR 7.08 on 1 April 2022, closing it at EUR 4.61 on 31 March 2023, thus losing some 35%. The high for the year of EUR 7.30 was reached on 8 June 2022 and the low for the year of EUR 4.40 on 3 November 2022 following the announcement of a correction to the earnings forecast for the 2022/2023 financial year as a result of higher production costs and an impairment recognised on a subsidiary.

Average daily trading volumes (Xetra and Frankfurt Stock Exchange) amounted to 3.7 thousand shares the 2022/2023 financial year (previous year: 12.8 thousand shares). Market capitalisation as of 31 March 2023 stood at EUR 60.9 million based on 13.2 million shares.

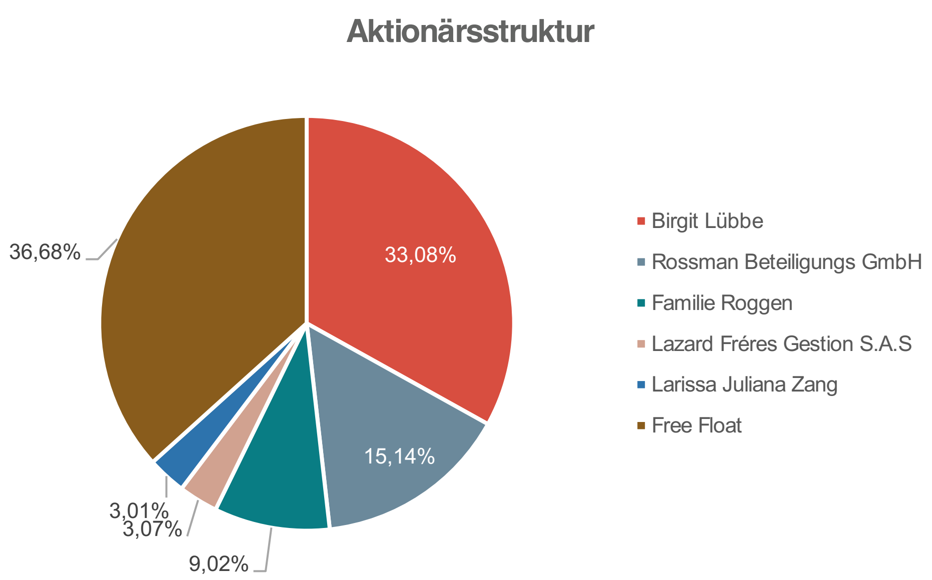
Share information

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 2023	EUR 4.61
12-month high (closing price) on 8 June 2022	EUR 7.30
12-month low (closing price) on 3 November 2022	EUR 4.40

Favourable analyst ratings

The Bastei Lübbe AG share is currently being covered by DZ Bank as well as Warburg Research and Solventis. In their studies published in response to the publication of the interim report, all analysts gave the share a buy rating. The consensus target price stands at between EUR 5.90 and 6.70. The full studies are available on the Bastei Lübbe AG website at www.bastei-luebbe.de/de/unternehmen/investor-relations/aktie/download#.

Stable shareholder structure (as of 19 June 2023)



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. With 15.1%, Rossman Beteiligungs GmbH is the second largest shareholder. The Roggen family holds 9.0% of the voting rights. Lazard Frères Gestion S.A.S holds 3.1% and Larissa Juliana Zang 3.0% of the voting rights. 36.7% of the shares are free float. Accordingly, there were no changes in the shareholder structure in the year under review.

Active investor relations activities

Bastei Lübbe AG attaches key importance to regular and close communications with institutional investors, analysts, private investors and the editorial teams of financial and business media, providing them with updates on the Company's business performance and outlook. In the 2022/2023 financial year, the Company once again attended the German Equity Forum in Frankfurt am Main and the Solventis Equity Forum.

The Bastei Lübbe share is listed in the strictly regulated Prime Standard of the Frankfurt Stock Exchange. Accordingly, Bastei Lübbe AG complies with all important disclosure and transparency standards and provides detailed and timely information on important events, which are published in the form of ad hoc announcements or press releases. Bastei Lübbe AG is continuing its targeted communications strategy and open dialogue with capital market participants in the current financial year. It plans to participate in HIT Hamburg Investors Day for the first time.

Further information is available to investors in the Investor Relations section of the website at www.bastei-luebbe.de/de/unternehmen/investor-relations.

Annual general meeting for the 2021/2022 financial year

The Supervisory Board and the Executive Board attach key importance to direct contact with the shareholders. For this reason, Bastei Lübbe AG's annual general meeting was held in physical form again on 14 September 2022. After a review of the previous year, the new CEO introduced himself to the shareholders. The members of the Executive Board outlined the Company's performance in the past financial year, touching on its strategic direction and, in particular, the successful performance of community business as well as the broad positioning across numerous distribution channels. In addition, the long-standing Chairman of the Supervisory Board said goodbye to the shareholders and handed over his office to his elected successor Carsten Dentler.

Almost 50% of Bastei Lübbe AG's statutory share capital was represented at the annual general meeting. The actions of the members of the Executive Board and the Supervisory Board were ratified for the previous financial year by a large majority and all items on the agenda approved. Details of the items of the agenda as well as the voting results can be found in the Investor Relations section of the Company's website.

Dividend policy

Bastei Lübbe AG continues to pursue a policy of dividend continuity with a distribution rate of 40-50% of distributable profits in order to allow shareholders to participate appropriately in the Company's success. In this context, long-term and sustainable business performance is seen as a prerequisite for the distribution of dividends. This safeguards the strategy as a value-oriented company, ensuring that shareholders can participate appropriately and continuously in its success. A dividend of EUR 0.40 per share was distributed in the previous year.

The Executive Board and the Supervisory Board will be asking the shareholders to approve at the annual general meeting the distribution of a dividend of 16 euro-cent per share for the 2022/2023 financial year. Allowing for treasury stock, on which no dividend is payable, this is equivalent to a payout of EUR 2.6 million or 48% of the distributable profit.

Bastei Lübbe AG's annual financial statements for the 2022/2023 financial year, which are prepared in accordance with the German Commercial Code and form the basis for the resolution approving the dividend to be distributed, carry an unappropriated surplus of EUR 4.4 million for that year. The remaining amount after payment of the dividend is to be carried forward.


CORPORATE GOVER NANCE
INFLUENCER PROGRAM – COMMUNITY EDITIONS
© Oleh_Slobodeniuk / Getty Images

Report of the Supervisory Board

Carsten Dentler, Chairman of the Supervisory Board

Dear shareholders,

With the outbreak of the Ukraine conflict in spring 2022, the inflationary shock that it unleashed in the energy and other commodity markets impacting the economy in general and the media sector in particular and, hence, also Bastei Lübbe AG, the 2022/2023 financial year saw challenges unprecedented in terms of their cumulative effect.

Uncertainty over the further course of the conflict, which has posed a very specific threat to the political and strategic balance that emerged after German reunification and the subsequent integration of large parts of Central and Eastern Europe into the European Union and NATO, triggered temporary broad-based consumer restraint. In combination with the effects of demand for printed products in individual segments, which was initially returning to pre-pandemic levels, planning assumptions had to be revised and adapted as events unfolded.

This forced the Company to adopt measures on the cost and income side proactively and prudently and to implement them pragmatically with minimum delay with the aim of placing the Company in a position allowing it to address existing and potential challenges without having to depart from its strategic development plan. The main task was to stabilise business performance in the year under review at an appropriate level despite what in some cases was the erratic situation in supplies of paper and energy in order to continue making the necessary adjustments as well as future-oriented investments on this basis.

The Executive Board and employees proved particularly adept at doing this in an extremely challenging environment. The Supervisory Board wishes to expressly thank the Executive Board and all employees of Bastei Lübbe AG for this.

Thus, despite the difficult business environment described above, the Company was able to generate operating earnings. This was underpinned by the very favourable performance of individual segments, such as LYX, accompanied by pronounced cost and spending discipline. Ultimately, the Company outperformed the guidance that had been issued by the Executive Board in the course of the year. Overall, Bastei Lübbe AG was thus able to generate Group revenues of EUR 100 million for the first time in the year under review, achieving an increase of around 6% over the previous year and thus defying the trend emerging across the industry during this period.

The necessary measures included the analysis and preparation of structural and content-related adjustments to the book programme, including nonfiction. The failure of the sustainability-oriented subsidiary smarticular to meet the expectations that had been placed in it necessitated a realignment and the revaluation of the investment, resulting in the recognition of a non-cash impairment loss of EUR 2.7 million on the assets held on the balance sheet in the course of the financial year. The Executive Board backed this measure up with strategic and personnel realignment and expects to see the first tangible effects of these changes in the current financial year. In their entirety, these necessary adjustments left traces on the Group's net profit for the year.

Once again, Bastei Lübbe AG's broad positioning as a full-range publisher with a comprehensive programme and a large proportion of digital business, whose resilience to rising paper, production and logistics costs had a dampening effect on the otherwise clearly noticeable inflationary trends in the “Book” and “Novel Booklets” segments, proved to be successful.

During the financial year, Mr Joachim Herbst informed us that for personal reasons he would not be seeking a renewal of his contract when it expires in July 2023. Thereupon, the Supervisory Board found in Mr. Mathis Gerkensmeyer a suitable and highly qualified successor in a structured identification and selection process. He was appointed by the Supervisory Board to Bastei Lübbe AG’s Executive Board effective 1 September 2023.

The examination and, depending on the outcome, the subsequent assertion of claims against former members of the Company’s governance bodies in connection with the ongoing investigations by the public prosecutor’s office is being pursued by the Executive Board and the Supervisory Board of Bastei Lübbe AG with the assistance of legal specialists. Likewise, the scope for asserting claims against third parties under a transaction deal is also being assessed.

Bastei Lübbe AG participated very successfully in the Frankfurt Book Fair and the London Book Fair, which resumed their pre-pandemic rhythm in the year under review. Our existing and new authors made a significant contribution to this with their titles as well as their eagerness to attend in person, resulting in very good feedback. Jeff Kinney, Rebecca Gablé, Mona Kasten and Paluten, among others, achieved great success for the Company. New releases announced by Ken Follett, Dirk Rossmann / Ralf Hoppe, Arnold Schwarzenegger, Mona Kasten and Sarah Sprinz are being eagerly awaited in the current financial year.

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

A large number of matters were discussed at length in the 2022/2023 financial year. These discussions were based on written and oral reports submitted by the Executive Board to the Supervisory Board. Thus, the Executive Board informed us regularly, promptly and comprehensively about the Company’s course of business, its revenues, earnings and financial situation, the employment situation, compliance as well as its planning and strategic development. Deviations from the plans were brought to the Supervisory Board’s attention in good time and explained in detail. The risk situation, risk management and the internal control system were subject to careful consideration at all times.

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

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

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

In the 2022/2023 financial year, the Supervisory Body held a total of five physical ordinary meetings in accordance with Section 110 (3) Sentence 1 of the German Stock Corporation Act. In addition, regular telephone conferences were held and one further resolution passed in the form of a written circular. All members of the Supervisory Board attended all ordinary and extraordinary meetings as well as the telephone conferences.

- The main subjects of the deliberations held in the financial year under review included:
- ongoing business performance in the 2022/2023 financial year,
- the future development and strategy of the Company and its divisions,
- the analysis of the Company and its investments as well as the definition and implementation of strategic measures,
- discussions on organic and non-organic growth,
- discussion of the scope for asserting possible claims against third parties under a transaction deal,
- discussion of further measures in connection with the breach of duty by former members of the Company's governance bodies,
- securing ongoing production and energy supplies,
- the preservation of the Company's liquidity,
- planning and budget for 2023/2024,
- scheduling for 2023/2024 as well as the planning of the annual general meeting,
- personnel planning and organisational structure,
- the selection of a new member of the Executive Board in a structured selection process,
- the extension of the lease for the Company's headquarters,
- participation in and communication at industry fairs as well as in the capital market.

Furthermore, we discussed the following key matters at the individual meetings during the 2022/2023 financial year:

Ordinary meeting of 5 July 2022

At the meeting of 5 July 2022, the individual and consolidated financial statements of Bastei Lübbe AG were discussed in detail in the presence of the independent auditor. The Executive Board provided supplementary and explanatory information. The auditor reported on the key findings of the audit of the annual financial statements, the management report, the consolidated financial statements and the Group management report. After a thorough review, the Supervisory Board approved the annual financial statements of the Company for the financial year ending 31 March 2022 prepared in accordance with the German Commercial Code (HGB), which were thus duly adopted. The consolidated financial statements as of 31 March 2022 prepared in accordance with IFRS were also approved. Furthermore, the dividend proposal and the other items on the agenda for the annual general meeting on 14 September 2022 including the resolutions proposed by management were approved. In conclusion, the Company's current business performance as well as existing legal disputes were discussed.

Ordinary meeting of 8 September 2022

At its meeting on 8 September 2022, the Supervisory Board discussed the progress of the investigations of the public prosecutor's office in connection with the breaches of duty by former members of the Company's governance bodies. The Supervisory Board and the Executive Board passed a joint resolution providing for the necessary internal measures to be taken with minimum delay and to have them reviewed by third parties.

Constitutive meeting of the Supervisory Board of 14 September 2022

The constitutive meeting of the newly elected Supervisory Board of Bastei Lübbe AG was held on 14 September 2022. At this meeting, Mr. Carsten Dentler was elected Chairman of the Supervisory Board.

Ordinary meeting of 24 November 2022

The progress of the investigations by the public prosecutor's office in connection with the breaches of duty by former members of the Company's governance bodies and related measures were discussed. However, it was not possible to make a final decision on the basis of the available documents. Work on preparing a decision was delegated to a subcommittee comprising members of the Supervisory Board and the Executive Board. Questions relating to possible claims under a transaction deal were submitted to the Executive Board for review. The situation at smarticular as well as the progress of discussion on potential acquisition projects were outlined. The overview of the programme and the strategic orientation of the imprints for the 2023 financial year presented by the Executive Board were duly noted.

Ordinary meeting of 1 March 2023

The subcommittee's report on possible measures in connection with breaches of duty by the former members of the Company's governance bodies was duly noted and a decision taken to obtain a subsequent written opinion on the further course of action in various scenarios. The Executive Board provided an overview of the Company's current business performance and an outlook for the 2022/2023 financial year. An ongoing acquisition project was presented by the Executive Board. The Supervisory Board approved the continuation of the negotiations. The Executive Board submitted a detailed proposal for the reorganisation of the nonfiction segment, which was duly approved by the Supervisory Board.

The Executive Board outlined the current status of Bastei Lübbe AG's revenue planning for the upcoming 2023/24 financial year broken down by segment. The ensuing discussion resulted in various suggestions, which are to be considered and included in a submission to be presented to the Supervisory Board on an agreed date in the near future.

In a subsequent meeting in the absence of the Executive Board, the Supervisory Board discussed the efficiency of its own work. It came to the conclusion that the conditions for efficient work on the part of the Supervisory Board are in place and that its activities meet the criteria for efficiency.

Resolution passed in a written circular dated 30 March 2023

The Supervisory Board approved the exercise of the option to extend the lease for the Company's headquarters at Schanzenstraße 6-20.

Self-assessment

As recommended by the German Corporate Governance Code, the Supervisory Board again examined the efficiency of its activities in the 2022/2023 financial year with regard to effective control and advice of the Executive Board. The Supervisory Board is of the opinion that Bastei Lübbe AG has sufficient organisational structures and systems to enable the Supervisory Board to fulfil its legal and statutory duties appropriately. The rules of procedure for the Supervisory Board and the defined procedures, the determination of transactions requiring approval as well as the timely and sufficient submission of information to the members of the Supervisory Board are decisive factors in ensuring that it can fulfil its supervisory duties in the required manner. The Supervisory Board believes that the existing risk management, control and compliance systems are also suitable and appropriate for supporting it in the performance of its functions. The systems in question are regularly reviewed by the Supervisory Board. If any shortcomings are identified, efforts are made to eliminate them. Due to the systems in place and monitoring by the

Supervisory Board, the Company is always managed in accordance with the law and the articles of association, and risks jeopardising the Company's going concern status are identified in a timely manner. On the basis of their qualifications and professional experience, the members of the Supervisory Board possess the knowledge required to fulfil their duties efficiently.

The members of the Supervisory Board make use on their own responsibility of the measures for training and further education required for the performance of their tasks. The Company supports the members of the Supervisory Board in an appropriate manner. In particular, the members of the Supervisory Board are informed both during their meetings and between the meeting dates about topics relevant to it, changes in the law and current developments relating to the Supervisory Board's activities. In addition, lectures or workshops with internal or external speakers may be held in the plenary sessions of the Supervisory Board on topics of particular relevance. Furthermore, the members of the Supervisory Board are able to access external information channels or attend specialist events with the Company's support. In the 2022/2023 financial year, the Supervisory Board participated in training and further education measures. This included attendance of external online seminars on topics relevant to the Supervisory Board as well as the receipt of ongoing information on changes in the law provided by the Company's legal advisors.

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

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

German Corporate Governance Code

The Supervisory Board again dealt with the recommendations of the German Corporate Governance Code in the 2022/2023 financial year. Save for a few exceptions, Bastei Lübbe AG complies with the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board passed a resolution on 20 July 2023 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 2022/2023

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, audited the annual financial statements prepared by the Executive Board in accordance with the provisions of the German Commercial Code and the consolidated financial statements prepared in accordance with IFRS, together with the combined Group management report and the management report of the Company for the 2022/2023 financial year, issuing an unqualified audit opinion. The aforementioned documents and the audit report prepared by Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, were submitted to the members of the Supervisory Board in a timely manner. They were dealt with in detail at the balance sheet meeting of the Supervisory Board on 4 July 2023, at which the Executive Board explained the annual financial statements, the consolidated financial statements and the combined Group management report and management report of the Company; the auditor Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, reported on the results of the audit in detail. During the meeting, all questions were answered exhaustively by the Executive Board and the auditor. After its own examination, the Supervisory Board had no reason to raise any objections to the annual financial statements, the management report, the consolidated financial statements or the Group management report. The Supervisory Board satisfied itself in a detailed examination that the mandatory disclosures made by the Executive Board in the combined management report and the Group management report were free of any errors or omissions. It concurred with the Executive Board in its assessment of the Company's situation and approved the annual financial statements, which were thus adopted, and the consolidated financial statements for the 2022/2023 financial year. We endorse the Executive Board's proposal for the distribution of a dividend of 16 euro-cents per share.

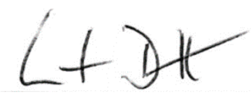
Expression of thanks from the Supervisory Board

As in previous years, the year under review was marked by external crises, which our generation has previously not seen in this form and in terms of their cumulative effect and which are largely continuing unabated. The Company had to address them within the shortest possible time and was largely successful in doing so. Not unexpectedly, they left noticeable traces on this year's earnings. Nevertheless, the Company was able to achieve good operating earnings, something which could by no means be taken for granted after the first few months of the financial year. As a result, it is able to distribute a reasonable dividend again. Against the backdrop of this resilient, ongoing performance under particularly adverse conditions, we would like to thank the Executive Board as well as the employees and employee representatives of Bastei Lübbe AG for their loyal and dedicated commitment in the financial year under review.

I would particularly also like to express my gratitude to my colleagues on the Supervisory Board, the current Executive Board and also the members of the Executive Board and employees who no longer work for us but have made material contributions over the last few years. Many thanks for your confidence in us!

Cologne, July 2023

For the Supervisory Board



Carsten Dentler

Chairman of the Supervisory Board

Corporate governance statement

Underlying principles of corporate activity

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

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

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 28 April 2022 (published in the official section of the Bundesanzeiger on 27 June 2022) ("2022 Code") have been complied with and will continue to be complied with in the future:

Supervisory Board committees (D.2 to D.4)

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

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

Contrary to the recommendation in F.2, the consolidated financial statements and the management report for the 2022/2023 financial year will not be made publicly available within 90 days of the end of the financial year due to the processes related to the audit of the annual financial statements.

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

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

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

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

For Bastei Lübbe AG, the fundamental principle of responsible corporate governance is to ensure efficient cooperation between the Executive Board and the Supervisory Board through a responsible and transparent corporate management and supervisory structure. Thus, a large number of issues were discussed in detail between the Supervisory Board and the Executive Board in the 2022/2023 financial year. The Supervisory Board monitored the actions of the Executive Board carefully and regularly and supported its activities continuously in an advisory capacity.

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

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

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

The compliance officer submitted a report to the Executive Board at the end of the 2022/2023 financial year, coming to the following conclusion: "In the light of my activities in the reporting year, I am satisfied that the compliance policy is being implemented as intended and that there are no noteworthy problems, especially serious ones or ones impacting the Company's going-concern status."

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 under 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 fortnightly basis at a minimum.

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

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

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

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

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

Remuneration of the members of the Executive Board

The current remuneration system for the members of the Executive Board is in line with the German Corporate Governance Code save for the exception to recommendation G.10 Sentence 2 of the 2022 Code as explained in the declaration of conformity. The remuneration system was submitted to and approved by the shareholders at the annual general meeting held on 14 September 2022. The resolution and the system for the remuneration of the members of the Executive Board as well as the remuneration report are publicly available at www.bastei-luebbe.de/de/unternehmen/unternehmensfuehrung.

Working methods of the Supervisory Board

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

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 Carsten Dentler (Chairman of the Supervisory Board, Managing Director of Palladio Infrastruktur GmbH), member of the Supervisory Board since 14 September 2022, 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. In accordance with Section 107 (1) Sentence 2 of the German Stock Corporation Act, the three members of the Supervisory Board also serve on the Audit Committee. Mr Carsten Dentler holds a degree in business administration and, due to his many years of professional experience at an auditing company, as well as at various national and international banks and as managing shareholder of Palladio Infrastruktur GmbH, holds special knowledge and experience in accounting and auditing, including sustainability reporting and auditing. He is a member of the supervisory boards of several listed and private companies. Accordingly, Mr Carsten Dentler simultaneously holds the function of financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act. He actively contributes his expertise to the Supervisory Board. As a graduate business economist and Co-Chairman of the Executive Board of Mister Spex SE, Dr Mirko Alexander Caspar possesses special knowledge and experience in accounting, particularly the application of accounting principles and internal control and risk management systems. He actively contributes this expertise to the Supervisory Board. Dr Mirko Caspar is also a financial expert with expertise in accounting as defined in Section 100 (5) of the German Stock Corporation Act.

A woman is to be included on Bastei Lübbe AG's Supervisory Board by the end of the current term of office at the latest. The Chairman coordinates the Supervisory Board's work, chairs its meetings and is responsible for its concerns and external representation. He maintains constant and regular contact with the Executive Board, in particular with the Chief Executive Officer, and discusses with him, both during and outside meetings, the main processes and upcoming decisions concerning the Company, particularly strategy and business performance as well as the risk situation, risk management and compliance. None of the members of the Supervisory Board are formerly members of the Executive Board.

At its meeting on 1 March 2023, the Supervisory Board discussed and reviewed the efficiency of its own activities with regard to the 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 its main areas of activity, digitalisation, finance, accounting, auditing, controlling/risk management, human resources, governance/compliance and corporate sustainability. The members of the Supervisory Board in their entirety must be familiar with the sector in which the Company operates as a result of their own experience in the media industry. At least one member of the Supervisory Board must have expertise in accounting and at least one other member of the Supervisory Board must have expertise in auditing (financial experts within the meaning of Section 100 (5) of the German Stock Corporation Act).

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

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

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

	Carsten Dentler	Dr Mirko Alexander Caspar	Prof. Dr Friedrich L. Ekey
Date of birth	12 September 1964	21 January 1972	12 April 1951
Gender	Male	Male	Male
Nationality	German	German	German
Independence[1]	✓	✓	✓
No overboarding[1]	✓	✓	✓
National and international business experience	✓	✓	✓
Management experience	✓	✓	✓
Understanding of the business in relation to the main areas of activity of the company	✓	✓	✓
Digitalisation	–	✓	✓
Finance	✓	✓	✓
Accounting[2]	✓	✓	✓
Auditing[2]	✓	–	–
Risk management, compliance and law	✓	✓	✓
Controlling	✓	✓	✓
Human resources	✓	✓	✓
Governance/compliance	✓	✓	✓
Corporate sustainability	✓	✓	✓

✓ Criterion fulfilled. The criteria for professional suitability are based on an annual self-assessment by the Supervisory Board. A tick signifies the presence of at least "good knowledge" and thus the ability to understand the relevant facts and make informed decisions on the basis of existing qualifications and the regular training measures taken by all members of the Supervisory Board.

1 As defined in the 2022 Code

2 As defined in Section 100 (5) of the German Stock Corporation Act and recommendation D.3 of the 2022 Code

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

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

Remuneration of the members of the Supervisory Board

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

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. A female candidate will be proposed for election to the Supervisory Board at the Company's annual general meeting on 13 September 2023. Assuming that the shareholders accept this proposal, this target will thus be achieved. For the Executive Board, the Supervisory Board set a female representation target of 0 to 30% on 27 March 2019 together with a deadline for achieving this target by 30 June 2023. As a woman has sat on the Executive Board since 1 August 2020, this target has been duly achieved. On 16 June 2023, the Supervisory Board passed a resolution reaffirming the targets achieved for the Supervisory Board and the Executive Board and thus setting a new female representation target for the Supervisory Board of one woman and 25% for the Executive Board to be achieved by 15 June 2028.

On 2 September 2020, the Executive Board decided to set a target gender representation ratio of 50% for the two management levels below the Executive Board. As of the reporting date, the proportion of women in the top two management levels stood at 55%. Accordingly, the target figure has been achieved.

Avoidance of conflicts of interest

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

Transparency

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

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

Securities transactions subject to compulsory disclosure

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

Reporting and audit of the financial statements

The consolidated financial statements of Bastei Lübbe AG and the interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU. The annual financial statements of Bastei Lübbe AG are prepared in accordance with the provisions of the German Commercial Code (HGB). Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, was elected as auditor for the 2022/2023 financial year at the annual general meeting held on 14 September 2022. Ebner & Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft ensures through internal rotation procedures that the audit activities are carried out with the necessary distance from the Company and, in particular, that the responsible auditors terminate their involvement in the audit of the Company's financial statements no later than five years after their initial appointment. Before being proposed for election at the annual general meeting, the auditor declared to the Supervisory Board that there were no circumstances with respect to the relationship between him and the Company liable to cast any doubts on his independence. Under the terms of his engagement, it was agreed that he would inform the Chairman of the Supervisory Board without delay of all findings and occurrences of significance for his duties that came to his attention during the performance of the audit. It was also agreed that the auditor would inform the Chairman of the Supervisory Board without delay and make a note in the audit report if, during the performance of the audit, he ascertained any facts indicating any misstatements in the declaration on the German Corporate Governance Code issued by the Executive Board and the Supervisory Board.

Cologne, 20 June 2023

For the Supervisory Board

- Chairman of the Supervisory Board -

Carsten Dentler

For the Executive Board

- Chief Executive Officer -

Soheil Dastyari

COMBINED MANAGEMENT REPORT

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

Company profile

Group business model

Bastei Lübbe AG is a German general-interest publisher based in Cologne, specialising in the publication of physical books, audio books and e-books for different, complementary target groups and enjoys market success via 14 imprints featuring fiction and popular science content. Licensing of rights is also part of the Company's business activities.

Bastei Lübbe divides its business activities into the "Book" and "Novel Booklets" segments. The "Book" segment includes all of Bastei Lübbe AG's print, audio and e-book products, which are sold under the Lübbe, Lübbe Life, Quadriga, Eichborn, Baumhaus, ONE, LYX, LYX.AUDIO, beHeartbeat, BETHRILLED and Lübbe Audio imprints. In addition, the Czech associate Moravská Bastei MOBA s.r.o. ("Moba") and the associates Business Hub Berlin UG ("smarticular") and CE Community Editions GmbH ("Community Editions") are allocated to the "Book" segment. Both Community Editions and smarticular are community-driven business models. Whereas Community Editions mainly publishes books by successful influencers, smarticular offers books and products on the topic of sustainability with the support of a generically structured online community.

The Group's business model entails the development of content in conjunction with the authors, the purchase of rights, the editing of content, the operation of standard physical and digital playback channels as well as customer- and reader-centric marketing. Its sell-side markets are mainly located in Germany, Switzerland and Austria. In the production of physical products, Bastei Lübbe works with various printing companies in Germany and the rest of the EU. The main input factors for the Group's business activities are its employees and the raw materials required for printing.

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 Booklets" segment has continued unabated since 1953.

Non-consolidated associates

As of 31 March 2023, Bastei Lübbe AG holds investments in the following non-consolidated companies:

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

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

Objectives and strategies

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

The extensive brand portfolio allows the Group to address different target groups precisely and gives it a broad position that diversifies risk. With respect to books for children and young people with the Baumhaus, Boje and ONE imprints, the Company publishes “Diaries of a Wimpy Child”, the world’s most successful children’s book series. With LYX, we have established an imprint that achieved substantially higher revenues than in the previous year in the new adult segment in 2022/2023 thanks to extraordinarily strong brand loyalty within the community and, related to this, high visibility, e.g. on Booktok. In fiction, international top-selling authors such as Ken Follett, Dan Brown and the duo Dirk Rossmann and Ralf Hoppe are published on the Lübbe imprint. With its national and international authors, Eichborn gives us a strong position in upmarket literary entertainment. Accordingly, we cover a broad range of fiction.

With the non-fiction Quadriga imprint, we are intensifying debate with relevant voices who have something to contribute to social and political discourse. Our subsidiary smarticular was realigned in 2022/2023 to achieve a keener focus on e-commerce business and, associated with this, a rebalanced brand presence. We will continue to publish content on sustainability with the support and involvement of an organically assembled online community and address and monetize the product-related interests of the community in e-commerce. Our subsidiary Community Editions is very successful in influencer book business, representing the modern development of community-driven business models in the Bastei Lübbe Group.

Under the Lübbe Audio and LYX.audio imprints, we are successfully exploiting our own as well as licensed content in audio formats and continuing to achieve attractive growth rates in streaming and download business. We are continuing to develop the beTHRILLED and beHEARTBEAT digital-only imprints, which are targeted at the ebook market, with a focus on developing serial content. Overall, Bastei Lübbe garnered around 32% of its revenues from digital formats in the 2022/2023 financial year (previous year: 32%), a figure that places it above the industry average again.

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

- We exploit opportunities for digitalisation by expanding digital media products, additional distribution channels and customer touchpoints as well as by implementing digital processes.
- In marketing and programme work, we seek a close connection to our readers and develop communities (especially LYX, ONE, Community Editions, smarticular) and digital marketing measures to address specific target groups.
- By using digital channels in particular, we are increasingly understanding our readers better and are able to translate their wishes and lifestyles into content that inspires and captivates them. On this basis, we are seeking to develop not only new book products but also additional book-related ranges.
- Backed by a broad and diverse retail partner network, we reach our target groups in both stationary retail and online channels.
- Together with our authors, we design content that is a perfect fit for our target groups and also maintain and develop a close network in the rights market.

- We are seeking both organic and inorganic growth and, to this end, are focusing on our key performance indicators, namely revenues and EBIT.

Corporate governance

Governance bodies

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

The Supervisory Board appoints the members of the Executive Board and supervises and advises them in the management of the companies. The three members of the Supervisory Board represent the shareholders. The shareholder representatives are elected at the annual general meeting. The Supervisory Board has consisted of the three members Carsten Dentler (Chairman of the Supervisory Board), Dr Mirko Alexander Caspar (Deputy Chairman of the Supervisory Board) and Prof. Dr Friedrich L. Ekey since the annual general meeting on 14 September 2022. Robert Stein held the position of Chairman of the Supervisory Board from 1 April 2022 until stepping down at the annual general meeting on 14 September 2022.

Internal corporate control system

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

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

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

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

Non-financial performance indicators

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

Research and development

Bastei Lübbe AG does not conduct any research and development in the narrower sense. Nevertheless, we develop content by identifying and incorporating the needs of our potential readers and make it available on all playout channels. We thus complement the successful “push business” of a publishing company with “pull-oriented” content. For example, we incorporate the lifestyles and interests of our more than 132,000 LYX followers on Instagram in our programme planning. At smarticular, sustainability-related topics are also tested and developed in the online community. In addition, we offer digital-only content in innovative structures via our beHEARTBEAT, beTHRILLED and LYX imprints. With these measures, our publishing company has also been able to achieve an above-average share of digital business in its revenues compared to other publishers. In addition, the Group tracks the latest technological trends on an ongoing basis. In particular, the use of artificial intelligence (AI) can generate added value in various areas, for example circulation control or the automated management of author contracts. The Bastei Lübbe Group works with renowned technology partners and research institutions in these areas.

Employees

At the end of the year under review, the Bastei Lübbe Group had 321 employees, up from 280 as of 31 March 2022.

Training and further education

Our employees provide the basis for the Group’s success. Special attention is therefore paid to promoting and developing them both professionally and personally. This also includes sharing information with each other. To encourage this, we have developed and implemented the new Bastei Lübbe intranet and supplemented it with various formats for sharing, such as the monthly stand-up or the employee breakfast with the Executive Board. Generally speaking, we want to support our employees in performing their current and future tasks as effectively as possible. To this end, we coordinate training and further education with them and offer internal and external training courses in a wide range of areas aligned to the needs of individual target groups. We attach importance to encouraging the use of tools such as Microsoft Teams and OneNote to digitize our activities and foster collaborative working practices.

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

With the help of various training methods, we are able to attract book- and digital-savvy talent to our Company. Through our apprenticeships, traineeships and student internships, we offer a wide range of opportunities for career beginners interested in entering the publishing industry and are thus able to train qualified junior staff internally. In the year under review, we also developed a media management trainee programme specifically aimed at high potentials, launching it with the first two trainees.

Over the past few years, our trainees and our Company as an employer offering apprenticeships have regularly received awards from the Chamber of Industry and Commerce for our training courses and results. In addition, we support part-time study programmes by making a contribution to the costs and also granting paid leave.

Favourable work/life balance and other benefits

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

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

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

Engaging with society

As a general-interest publisher, we are aware of our high responsibility towards society. With our novel booklets, printed books, 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 encourage and promote social and political discourse. The Group also regularly supports corresponding organisations with appropriate donations and projects on special occasions.

Economic report

Macroeconomic environment

According to the International Monetary Fund (IMF), the global economy expanded by 3.4% in 2022, while global inflation reached 8.7%.[1] The situation is challenging given the turmoil in the financial sector, high inflation, the ongoing impact of the Russian invasion of Ukraine and the three-year Covid-19 crisis. Nevertheless, the Eurozone economy grew by 3.5% in 2022 according to preliminary estimates by the EU Commission, while inflation in the EU reached 9.2%.[2] According to initial calculations by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) in Germany expanded by 1.9% in 2022 over the previous year, thus reaching a solid figure despite high energy costs and the continued disruption of supply chains for commodities and materials.[3] Paper was also in short supply, resulting in a sharp rise in procurement-side prices.[4] On the demand side, consumer spending was the most important growth pillar of the German economy in 2022. In price-adjusted terms, it rose by 4.6% over the previous year, almost returning to the pre-crisis level recorded in 2019. This was due to catch-up effects after almost all the pandemic protection measures were lifted in spring 2022 together with a solid labour market.[5] The unemployment rate stood 2.8% in Germany at the end of 2022 (December 2021: 3.0%).[6] Unemployment in the Eurozone fell by 0.3 percentage points over the end of 2021, reaching 6.7%.[7]

Consumer spending in Germany was dominated by catch-up effects and higher inflation in 2022. Rising inflation caused consumer spending to fall by 3.4% in price-adjusted terms compared with the previous year.[8]

Quarter-on-quarter GDP growth (%)	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Eurozone	0.9	0.4	-0.1	0.1
Germany	0.1	0.5	-0.5	0.0
Austria	2.1	0.1	0.0	-0.3
Luxembourg	-0.3	1.5	-3.8	-
Switzerland	0.3	0.2	0.0	-
Czech Republic	0.3	-0.3	-0.4	0.1

Source: Eurostat (adjusted for seasonal and calendar effects), as of 16 May 2023

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

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

Industry environment in the Bastei Lübbe business segments

The challenging macroeconomic environment also took its toll on the book industry in 2022. Procurement bottlenecks, rising production and energy costs and higher inflation rates led to muted sentiment across the industry. According to industry association Börsenverein des Deutschen Buchhandels (German Publishers & Booksellers Association), revenues in the main distribution channels (book retailing, e-commerce including Amazon, railway

[1] https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023
[2] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/winter-2023-economic-forecast-eu-economy-set-avoid-recession-headwinds-persist_en
[3] https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_020_811.html
[4] https://www.sueddeutsche.de/wirtschaft/buchbranche-papiermangel-pandemie-1.5616916
[5] https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_020_811.html
[6] https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_040_132.html
[7] https://ec.europa.eu/eurostat/cache/infographs/economy/ecotrends/index.html?&lang=de&indicator=unemployment
[8] https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/03/PD23_106_811.html

station book stores, department stores, consumer electrics stores and chemists) were down 2.1% year-on-year. In the previous year, revenues had risen by 3.5% compared to 2020. Although brick-and-mortar book retailers, which had suffered from the months-long store closures in 2021, failed to return to their pre-pandemic level in 2022, they were able to regain lost revenues. Accordingly, they closed 2022 with a 4.8% increase in revenues over 2021. Across all sales channels, fiction achieved revenue growth of 4.3% compared to 2021. Revenues from books for children and young people sustained a decrease of 3.3% over the previous year. However, revenues in this segment were still significantly above their pre-pandemic level thanks to strong growth in earlier years. Revenues from all other relevant product groups, such as non-fiction books and guides, were down in 2022.[9] [10]

The e-book market has largely held onto the level that it had achieved as a result of the growth spurt during the coronavirus pandemic in the previous year. Revenues from e-book sales in the general-interest market contracted slightly in 2022 by 0.2% over 2021. With 37.3 million copies sold, volume sales were down 1.9% (2021: 38.0 million). In 2022, 3.0 million people purchased e-books, 9.6% fewer than in the previous year (2021: 3.4 million). However, spending per buyer climbed by 10.4% to EUR 80.31 and 8.5% more paid-for e-books per person were downloaded. However, since the number of buyers dropped significantly, revenues and volume sales fell short of the prior year.[11] 6.0% of all revenues in the general-interest book market were generated by e-books. In 2022, fiction accounted for 87.0% of revenues in the general-interest book market.[12]

Audio books continue to enjoy great popularity in Germany; indeed, they are Germans' favourite form of audio content, even ahead of audio plays and podcasts. According to the Audible Compass 2022, 42% of all Germans have listened to at least one audio book, audio play or podcast in the past twelve months. 36% consume audio content at least once a month. Among those under the age of 30, 68% regularly use audio content. 64% of Germans consume audio content at home, but also away from home (49%). An international survey of 14,000 consumers aged between 18 and 65 years shows that 75% of audiobook users worldwide are also book readers. Regular users of audio content also have a higher level of education than the average population according to the survey. 50% of listeners have a university degree, while 48% have high (2,500 euros to 3,500 euros) to very high (over 3,500 euros) monthly net household income.[13]

On the other hand, audio revenues in bricks-and-mortar book retailing are continuing to fall due to the significant decline in the use of physical audio books. Since the beginning of 2021, revenues have fallen year-on-year in almost every month.[14] Cumulative revenues from physical audio books were down a substantial 24.8% on the previous year in 2022.[15] The shift in the format mix in favour of streaming and download formats is continuing.

German press wholesalers closed 2022 with a decline of 7.0% in revenues from press products, including novel booklets. All in all, press wholesale revenues fell from EUR 1.69 billion to EUR 1.57 billion in 2022. Revenues from the core press range contracted by 8.3%. At the same time, total volume sales of newspapers, magazines and press-related non-press products declined by 11.2% to 1,005 million copies. The press wholesale sector continued to consolidate, with the number of press retail outlets shrinking from 89,212 in the previous year to 85,768.[16]

In the hardcover fiction segment, Bastei Lübbe ranked fifth among German general-interest publishers with a market share of 4.4% (previous year: 5.1%) in calendar year 2022 according to Media Control. With a market share of around 23.3% (previous year: 18.2%), it was able to increase its lead in the paperback segment, ranking first again. In the paperback fiction segment, Bastei Lübbe achieved 7th place with a market share of 5.9% (previous year: 6.0%). It was also among the Top 7 general-interest publishers in Germany in children's book (up to eleven years) and among the Top 6 in the physical audio segment, with market shares of 4.5% (previous year: 5.2%) and 5.1%

---

[9] https://www.boersenverein.de/presse/pressemitteilungen/detailseite/buchmarkt-bilanz-2022-kaufzurueckhaltung-zeigt-sich-auch-bei-buechern/
[10] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14%5buid%5d=2274&tx_boev_pi14%5bbackend_layout%5d=pagets__newsletter
[11] https://www.boersenverein.de/presse/pressemitteilungen/detailseite/e-book-markt-waechst-2022-nicht-weiter/
[12] https://www.boersenverein.de/markt-daten/marktforschung/e-books/ (E-Book in Deutschland:2022 – Präsentation (PDF)
[13] https://magazin.audible.de/audible-compass-2022
[14] https://de.statista.com/statistik/daten/studie/183138/umfrage/umsatzentwicklung-von-hoerbuechern-im-buchhandel-monatszahlen/
[15] https://www.boersenverein.de/tx_boev_newsletter_view?tx_boev_pi14%5buid%5d=2274&tx_boev_pi14%5bbackend_layout%5d=pagets__newsletter
[16] https://www.pressegrosso.de/fileadmin/user_upload/Presse-Grosso_in_Zahlen/Presse-Grosso_in_Zahlen_2022.pdf

(previous year: 6.0%), respectively.[17] We continue to rate the industry environment, which is particularly characterised by increasing digitalisation, as neutral to challenging.

Group business and financial performance

General statement on business performance and economic situation

Revenues in the book market were slightly lower in the 2022 calendar year than in 2021, dropping by 2.1%. For Bastei Lübbe, however, the 2022/2023 financial year proved to be favourable in terms of revenues despite the overall economic situation. The risks arising from the macroeconomic upheavals, notably the effects of the high inflation rates and the resulting damper on consumer spending, were successfully addressed by the Bastei Lübbe Group, which benefited significantly from the extraordinary success of the LYX community model. At EUR 100.0 million, revenues were very encouraging, exceeding the previous year's figure of EUR 94.5 million substantially as well as the projected range of EUR 90 to 95 million. This was mainly due to the pleasing performance in the fourth quarter of the 2022/2023 financial year, which saw revenues of EUR 26.6 million (year-ago quarter: EUR 20.1 million). By contrast, smarticular's business performance was not satisfactory in the year under review, causing significant exceptional effects on consolidated earnings. smarticular's operating EBIT of EUR -1.0 million (previous year: EUR -0.1 million) and the impairments of EUR 2.7 million recognised on the assets carried on the balance sheet including goodwill (EUR 1.7 million) were a material reason for the lower earnings compared with the previous year and the failure to meet the forecast figures. Overall, the Bastei Lübbe Group achieved EBIT of EUR 7.2 million, well below the previous year's figure of EUR 14.7 million. EBIT was impacted by exceptional effects in the previous year as well as in the year under review[18]. Adjusted for these special effects, EBIT fell by EUR 2.2 million from EUR 12.1 million in the previous year to EUR 9.9 million in the year under review. Of this, the aforementioned decline in smarticular's earnings accounted for EUR 0.9 million. Otherwise, the decline in EBIT was primarily due to higher printing and paper costs. At EUR 7.2 million, EBIT in the year under review fell substantially short of the original forecast of EUR 9.5 to 10.5 million but was slightly above the adjusted forecast[19] of EUR 6.0 to 7.0 million.

With revenues coming to EUR 92.8 million, the "Book" segment exceeded the previous year (EUR 87.4 million) by EUR 5.4 million or 6.2%. This was primarily underpinned by the higher revenues posted by LYX and Lübbe Audio. On a very gratifying note, the disproportionately large share of digital business in publishing activities held steady at 32% (previous year: 32%) on revenues of EUR 31.7 million (previous year: EUR 29.9 million). The contribution to revenues made by the community-driven business models widened significantly from 24% in the previous year to 33% in the year under review mainly due to the successes of the LYX imprint. For the above reasons, the EBIT of EUR 7.0 million in the "Book" segment was substantially lower in the year under review than in the previous year (EUR 13.9 million).

At EUR 7.2 million, revenues in the "Novel Booklets" segment proved to be very stable despite the ongoing reduction in the number of press retail outlets, and even slightly exceeded the previous year's figure of EUR 7.1 million. However, EBIT fell significantly to EUR 0.2 million (previous year: EUR 0.8 million) due to disproportionately sharp increases in printing and paper costs in this segment.

As in previous years, the cash flow from operating activities of EUR 10.4 million (previous year: EUR 12.8 million) reflects the profitable business models, which proved to be largely resilient in the face of the adverse macroeconomic influences. Accordingly, net financial assets (cash and cash equivalents less liabilities to banks) increased from EUR 14.2 million in the previous year to EUR 16.7 million as of 31 March 2023. At the same time,

[17] Own calculations based on Media Control figures
[18] Exceptional effects in the 2022/23 financial year: impairment of EUR 2.7 million of goodwill attributable to smarticular and other assets; exceptional effects in the 2021/22 financial year: extraordinary investment income of EUR 1.2 million from Räder and the reversal of impairments of EUR 1.4 million recognised on the former investee Daedalic Entertainment GmbH
[19] See ad hoc bulletin of 4 November 2022

dividend payments of EUR 5.3 million were distributed in September 2022 and an acquisition loan reduced by a further EUR 1.0 million in the year under review.

Results of operations

Bastei Lübbe generated Group revenues of EUR 100.0 million in the 2022/2023 financial year, compared with EUR 94.5 million in the previous year. The increase of EUR 5.5 million (5.8%) was primarily underpinned by higher revenues in the “Book” segment (EUR 5.4 million compared to the previous year), with the new adult imprint LYX recording disproportionately strong year-on-year growth of 63%. Revenues in the audio segment, which increased by 14% over the previous year in the digital sector, and license revenues, which were 21% up on the previous year, were also again very pleasing.

Finished goods and work in progress increased to EUR 1.3 million in the 2022/2023 financial year, compared with EUR 1.2 million in the previous year.

Other operating income came to EUR 0.9 million, compared with EUR 1.3 million in the previous year. In the year under review, this item mainly included reversals of loss allowances of EUR 0.5 million that had been recognised on author advances. In the previous year, the income had been mainly attributable to the reversal of loss allowances and liabilities of a combined EUR 0.8 million.

At EUR 50.8 million in the year under review, the cost of materials was EUR 3.6 million up on the previous year (EUR 47.1 million), reflecting the higher revenues and particularly also higher printing and paper costs. These led to an increase of 0.9 percentage points in the cost-of-materials ratio over the previous year.

Personnel expenses climbed from EUR 18.7 million to EUR 20.2 million. The main reasons for this were the 1.8% increase in salaries at Bastei Lübbe AG as of 1 April 2022 under the industry-wide collective agreement[20] and recruiting activities in line with plans, particularly to gain digital skills.

Other operating expenses rose slightly in the year under review by EUR 2.1 million from EUR 16.5 million to EUR 18.6 million, chiefly as a result of higher marketing and advertising costs.

Amortisation and depreciation climbed from EUR 2.7 million in the previous year to EUR 5.4 million in the year under review The increase is mainly due to the impairment losses of EUR 2.7 million on the assets attributable to smarticular. This amount also includes depreciation of EUR 1.4 million (previous year: EUR 1.4 million) of right-of-use assets under leases.

Group operating earnings (EBIT) thus fell to EUR 7.2 million in the 2022/2023 financial year, down from EUR 14.7 million in the previous year, causing the EBIT margin to shrink to 7.2% (previous year 15.5%). In the previous year, EBIT had included extraordinary investment income of EUR 1.2 million from Räder GmbH and income of EUR 1.4 million from the repayment of an impaired loan to Daedalic. Adjusted for these two effects, the Group’s EBIT had amounted to EUR 12.1 million in the previous year. Compared with the previous year’s adjusted EBIT, the decline in the year under review amounted to EUR 4.9 million, of which EUR 2.7 million was due to the impairment recognised on assets and EUR 0.9 million to the decline in earnings, both factors attributable to smarticular. Moreover, the decline in EBIT despite the 5.8% increase in revenues resulted from the higher cost-of-materials ratio, which was mainly due to the higher printing and paper costs as well as the increase of EUR 1.5 million in personnel expenses. Adjusted for the impairments of EUR 2.7 million recognised in connection with smarticular’s assets, operating EBIT would have come to EUR 9.9 million accompanied by an EBIT margin of 9.9%, which was satisfactory given the massive macroeconomic dislocations.

Other net finance expense came to EUR -0.4 million, thus deteriorating by EUR 0.2 million compared with the previous year (EUR -0.2 million). Consolidated net profit before income taxes reached EUR 6.8 million in the year

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

under review (previous year: EUR 14.8 million). After income taxes of EUR 2.8 million (previous year: EUR 3.8 million), consolidated net profit for the period stood at EUR 4.0 million (previous year: EUR 11.0 million). Of this, EUR 3.9 million (previous year: EUR 11.0 million) is attributable to the equity holders of Bastei Lübbe AG.

This translates into earnings per share of EUR 0.30, compared with EUR 0.83 in the previous year.

Business performance by segment

Revenues in the “Book” segment climbed from EUR 87.4 million to EUR 92.8 million, thus exceeding the original forecast range of EUR 83 to 88 million. This was particularly underpinned by the success of the community-driven new adult imprint LYX, whose revenues improved by around 63% over the previous year. In audio business, total revenues expanded by 9.4% over the previous year despite the sustained decline in revenues from physical audiobook CDs (down EUR 0.5 million over the previous year in the year under review). This increase reflects the extraordinarily successful marketing of download and streaming content. Revenues from the digital programme rose by 7.2% over the previous year. Revenues from Eichborn, non-fiction and books for children and young people fell short of the previous year. Moreover, revenues from the associate Community Editions were included in full for the first time in the year under review following the initial consolidation of this company with effect from 1 August 2021. This generated a revenue effect of around EUR 1.4 million.

Operating earnings (EBIT) in the “Book” segment came to EUR 7.0 million (previous year: EUR 13.9 million). In comparing these figures with those for the previous year, it is important to bear in mind the two aforementioned exceptional effects, namely the dividend distribution of EUR 1.2 million from Räder GmbH and the repayment recognised through profit and loss of EUR 1.4 million towards the loan that had been granted to Daedalic. Both these effects were assigned to the “Book” segment. Earnings in the year under review came under pressure to the tune of EUR 3.6 million by smarticular’s unsatisfactory business performance and the related impairment losses. Adjusted for the impairments of EUR 2.7 million, EBIT in the “Book” segment would have reached EUR 9.7 million, thus coming within the original forecast of EUR 9.0 to 10.0 million.

The “Novel Booklets” segment generated revenues of EUR 7.2 million, compared with EUR 7.1 million in the previous year, thus slightly exceeding the forecast of roughly EUR 7 million. This is favourable in view of the further decline in the number of sales outlets. However, segment EBIT dropped from EUR 0.8 million in the previous year to EUR 0.2 million in the year under review. The forecast had been for EBIT of EUR 0.8 million This primarily reflects the disproportionately large increase in printing and paper costs in this market segment compared with the previous year.

Financial position

Principles and objectives of financial and capital management

Objectives

The Bastei Lübbe Group’s financing strategy serves 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 51.0% as of 31

March 2023, the equity ratio substantially exceeded this target. The ratio of net debt to consolidated EBITDA stood at 0 as of the reporting date. Accordingly, instead of net debt, the Group has net financial assets of EUR 16.7 million. The covenant provided for in the syndicated loan agreement is tied to gearing (adjusted financial liabilities less cash in hand divided by EBITDA) as shown in the consolidated financial statements.

Financing mix

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

- Working capital facility
- Acquisition loan
- Factoring

Trade receivables arising from Bastei Lübbe AG's physical business are sold under factoring agreements. The purpose of factoring is to generate short-term cash less a discount to allow for the transfer of risk to the factor. Bastei Lübbe AG has a factoring limit of EUR 10.0 million.

The following criteria are applied in selecting financing instruments:

- Terms
- Flexible drawdowns
- Covenants
- Maturity profiles

Dividend policy

The Executive Board confirms the goal communicated in earlier periods of pursuing a dividend policy aligned to continuity with a dividend ratio of 40 - 50% of the Group's distributable profit as long as this is warranted by the Group's funding and earnings situation and its long-term sustainable business performance. The Executive Board and the Supervisory Board will be asking the shareholders to approve the distribution of a dividend of 16 euro-cents per share, equivalent to 48% of the distributable profit, at the annual general meeting.

Capital structure

As of 31 March 2023, the Group's liquidity reserves are composed of cash and cash equivalents of EUR 19.5 million (previous year: EUR 18.0 million). Credit facilities 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 2.8 million (previous year: EUR 3.8 million). In addition, a large part of the receivables from sold books (physical) are subject to non-recourse factoring.

The Bastei Lübbe Group had current and non-current financial liabilities of EUR 11.9 million on 31 March 2023 (previous year: EUR 14.1 million). Of these, an amount of EUR 4.3 million is due for settlement within the next twelve months as of 31 March 2023 (previous year: EUR 4.8 million) . Current and non-current financial liabilities include lease liabilities of EUR 6.9 million as of 31 March 2023 (previous year: EUR 7.7 million).

As of 31 March 2023, net financial assets were valued at EUR 16.7 million (previous year: EUR 14.2 million). This increase is primarily due to the Group's favourable business performance.

Liquidity analysis and capital spending

Cash flow from operating activities fell from EUR 12.8 million in the previous year to EUR 10.4 million in the year under review. This was primarily attributable to the significantly lower consolidated net profit.

The cash flow from investing activities of EUR -0.8 million in the year under review was mainly attributable to investments in software and in operating and business equipment (cash flow from investing activities in the previous year: EUR -2.8 million). In the previous year, it had particularly included the acquisition of 60% of the shares in Community Editions.

The cash flow from financing activities shows a total outflow of EUR -8.2 million in the year under review (previous year: EUR -6.6 million). A dividend of EUR 5.3 million was distributed to the shareholders of Bastei Lübbe AG in the year under review. As in the previous year, loan liabilities of EUR 1.0 million were also settled. Payments made to settle lease liabilities stood at EUR 1.2 million (previous year: EUR 1.3 million).

At EUR 9.7 million, free cash flow (cash flow from operating activities plus cash flow from investing activities) fell slightly short of the previous year (EUR 10.1 million) but was well above the forecast of EUR 4 to 5 million.

Net assets

At EUR 56.1 million, non-current assets are virtually unchanged (31 March 2022: EUR 56.6 million). The investment in Räder GmbH, which is measured at fair value, was unchanged at EUR 15.1 million (previous year: EUR 15.1 million). Impairments of EUR 2.7 million were recognised on assets attributable to smarticular, while author advances increased from EUR 20.1 million to EUR 23.9 million.

Current assets climbed by EUR 4.1 million from EUR 47.7 million to EUR 51.8 million as of 31 March 2023. This was primarily attributable to the increase in cash and cash equivalents from EUR 18.0 million to EUR 19.5 million as of 31 March 2023 as a result of the positive cash flow. Inventories climbed from EUR 11.8 million to EUR 13.0 million as of 31 March 2023 mainly due to price-related stock-piling at Bastei Lübbe AG.

At EUR 54.8 million (previous year: EUR 56.1 million), the proportion of equity attributable to the equity holders of the parent company resulted in an equity ratio of 51.0% (previous year: 54.0%). This also reflects the dividend of EUR 5.3 million distributed to the shareholders of Bastei Lübbe AG in September 2022.

Non-current liabilities were valued at EUR 8.8 million as of the reporting date, compared with EUR 12.0 million as of 31 March 2022. This decline is primarily due to the settlement of liabilities to banks of EUR 1.0 million in the year under review. In addition, deferred tax liabilities fell by EUR 0.7 million due to the impairments recognised in connection with smarticular.

Current liabilities are valued at EUR 44.2 million as of 31 March 2023, compared with EUR 36.0 million as of 31 March 2022. This is mainly due to the increase of EUR 5.5 million in trade payables (which mainly comprise royalty commitments to authors), primarily as a result of a contract signed with a best-selling international author and higher liabilities to printers. In addition, income tax liabilities rose from EUR 5.2 million to EUR 8.0 million in the year under review.

* including non-controlling interests.

Material events occurring after the reporting date

See Note 47 to the consolidated financial statements for the corresponding details.

Outlook

Macroeconomic environment

The economic outlook for the 2023 calendar year remains challenging. Global economic activity is still subdued in the wake of high inflation, rising interest rates, relatively high energy prices, the Russian war of aggression on Ukraine and the aftermath of the coronavirus pandemic. In addition, instability in the global banking sector is causing uncertainty. In its World Economic Outlook of April 2023, the International Monetary Fund (IMF) projects slower global economic growth of 2.8% in the current year (2022: 3.4%). In the advanced economies, growth is expected to decline at a particularly sharp rate from 2.7% in 2022 to 1.3% in 2023. In an alternative scenario which assumes further pressure on the financial sector, global growth could drop to around 2.5% in 2023, with growth in advanced economies falling below 1%.[21] A comparable situation applies to Germany. In its annual economic report, the German Federal Government expects only muted economic growth of 0.2% for 2023. In contrast to the autumn 2022 report (forecast: -0.4%), a recession is no longer expected. At the same time, it projects an annual inflation rate of 6% for 2023 (previously 7.9%).[22] Continued high inflation against the backdrop of the above-mentioned uncertainties could place a further damper on consumer confidence. The EU Commission assumes that a recession can be avoided this year. The growth outlook has been raised to 1.0% for the EU and to 1.1% for the Eurozone. Overall, inflation in the EU is expected to decline from 9.2%[23] in 2022 to 6.1% in 2023.[24] This forecast is also exposed to great uncertainties and actual developments could deviate considerably due to the risk factors already mentioned.

Industry environment in the Bastei Lübbe business segments

The book market proved to be relatively resilient during the COVID-19 pandemic and in the face of the challenging macroeconomic circumstances. Revenues grew in the first three months of 2023. According to Media Control, the industry closed the first quarter of calendar year 2023 with a 6.7% year-on-year increase in revenues in the main distribution channels.[25] Volume sales in the e-book market also widened by 3.2% in the first quarter of the current year. The sharp growth recorded by the e-book market at the beginning of the coronavirus pandemic has levelled off, although revenues have remained steady at a high level. Compared to the first quarter of 2019, 27% more e-books were sold in the first quarter of 2023. Volume sales were also up by a double-digit rate of 16% over the first quarter of 2020, in which the initial effects of the measures to contain the coronavirus pandemic were already being felt.[26]

The experts at PricewaterhouseCoopers (PwC) project an average annual decline of 1.5% in revenues for books, e-books and audiobooks between now and 2026. Total revenues in the German book market are expected to reach EUR 7.2 billion in 2026. According to PwC, user preferences, which have also changed as a result of the pandemic, will continue to favour digital media formats strongly. As a result, PwC projects an average annual growth rate of 3.0% for e-books and digital audiobooks and revenues of EUR 536 million by 2026.[27]

[21] https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023
[22] https://www.bundesregierung.de/breg-de/aktuelles/jahreswirtschaftsbericht-2023-2160264
[23] https://ec.europa.eu/commission/presscorner/detail/de/ip_23_707
[24] https://ec.europa.eu/commission/presscorner/detail/de/ip_23_2723
[25] https://www.boersenverein.de/boersenverein/aktuelles/detailseite/die-buchbranche-zur-leipziger-buchmesse-kulturelle-vielfalt-erhalten-lesen-und-demokratie-foerdern/
[26] https://www.buchreport.de/news/beim-e-book-ist-keine-ermuedung-in-sicht/
[27] https://www.pwc.de/de/technologie-medien-und-telekommunikation/german-entertainment-and-media-outlook-2022-2026.html

Expected earnings and financial position of the Group

The Executive Board of Bastei Lübbe AG is confident about the 2023/2024 financial year. The basis for improved earnings compared to the 2022/2023 financial year has been created with the further optimisation and expansion of marketing for the community-driven business models and the inlicensing of attractive rights. In this connection, the extraordinary success of the LYX imprint in the 2022/2023 financial year testifies to the overarching opportunities and potential that can be successfully harnessed by working closely with the authors together with a communication policy that takes the community's interests into account. In the 2023/2024 financial year, the community-driven approaches will be stepped up, especially for books for children and young people as well as in the digital programme. We are also leveraging the wishes and interests of our readers of fiction and Eichborn titles in close consultation with our authors to create a successful and reader-centric programme structure. The Executive Board is striving for improved profitability in the fiction segment. In addition, Bastei Lübbe AG is planning investments in a data-driven future, e.g. for the development of a new data warehouse system, the expansion of the CRM system and the targeted use of suitable AI technology. Following its unsatisfactory business performance, a new strategy was developed for smarticular in the 2022/2023 financial year with a keener focus on e-commerce business and, associated with this, a rebalanced brand presence. Work on implementing this new strategy has commenced. The planned measures should help smarticular to break even again in the 2023/2024 financial year. In the case of Community Editions, the effect of a disproportionately large number of returns in the previous year prevented the budgeted EBIT margin from being reached in the 2022/2023 financial year. Looking forward to 2023/2024, we anticipate improved profitability due to lower expected returns and the further expansion of the programme. We continue to expect very satisfactory liquidity for the Group in the 2023/2024 financial year, ensuring it of the necessary scope for financing investments, including the plans for inorganic growth that are still being pursued.

Even so, the adverse exogenous conditions still call for prudent and attentive risk management. The worrying inflationary tendencies, which have so far not been eliminated by a monetary policy that is seeking to place a damper on consumer spending, may prompt our readers to critically review and scale back the amount of money they spend on books. In addition, the unabated Russian war of aggression against Ukraine is continuing to spur consumer restraint. Procurement risks in the print and paper markets have subsided slightly over the previous year, although costs remain well above the levels seen prior to the outbreak of war in Ukraine. Despite these adverse macroeconomic factors, the Executive Board of Bastei Lübbe AG assumes that it has taken sufficient account of these risks in its revenue and cost budgets and that it will be possible to achieve the economic targets.

Looking forward to the 2023/2024 financial year, we consider ourselves to be very well positioned in terms of our catalogue. After the exceptionally successful financial year for LYX in 2022/2023, we are again very confident about the prospects for this imprint in the current financial year. Number 1 bestselling authors Mona Kasten, Laura Kneidl, Ava Reed, Sarah Sprinz and Lena Kiefer will be releasing new books. At the same time, we have in Hannah Grace, Ana Huang, Scarlett St. Clair and Brittainy C. Cherry some of the top BookTok trending topics in our catalogue. In the fiction segment, we are eagerly awaiting the release in autumn 2023 of Ken Follett's new historical novel "The Weapons of Light", the fifth instalment of the successful "Kingsbridge" saga. Dirk Rossmann and Ralf Hoppe are continuing their top-selling series with "Das dritte Herz des Oktopus" – electrifying thrillers that weave the imminent environmental problems facing humanity into exciting storylines. The new romantic comedy entitled "Morgen mach ich bessere Fehler" by bestselling author Petra Hülsmann was released in May 2023. At the end of April 2023, Eichborn published the multi-award-winning American number 1 bestseller "Babel, or the Necessity of Violence" by Rebecca Kuang, with this release to be followed in the autumn by another top seller from America, namely the novel by Coco Mellors. In the non-fiction segment, we are looking forward to the autobiography of German Hollywood star Oliver Masucci as well as Arnold Schwarzenegger's "Be Useful", in which he shares with us his rules for a fulfilling life. In children's books, we are celebrating the 15th anniversary of the release of the first volume of "Diaries of a Wimpy Child" with a major marketing and POS campaign and, of course, the latest release, volume 18 of this highly successful series. In addition, the successful Petronella Apfelmus series continues under the title "Burggespenst und Hexensümpfe". Community Editions will also be releasing new titles by number-one top-selling authors of books for children and young people, such as Paluten, Arazhul and ViktoriaSarina. Top-selling authors ViktoriaSarina are also publishing a new cookbook. The Executive Board of Bastei Lübbe AG expects Lübbe Audio to remain on its growth trajectory thanks, in particular, to the large number of the Group’s own top-selling books which are turned into audiobooks with great professionalism and quality awareness at its own production facilities.

The Executive Board projects revenues of between EUR 100 and 105 million for the 2023/2024 financial year (year under review: EUR 100.0 million). Of this, the “Book” segment should account for revenues of between EUR 93 and 98 million (year under review: EUR 92.8 million) and the “Novel Booklets” segment roughly EUR 7.0 million (year under review: EUR 7.2 million).

The target range for EBIT in the 2023/2024 financial year is EUR 9.0 to 10.0 million (year under review: EUR 7.2 million). Accordingly, the planned EBIT margin will be between 9% and 10% (year under review: 7.2%, excluding the impairments in connection with smarticular: 9.9%). This translates into EBIT of between EUR 8.6 and 9.6 million for the “Book” segment (year under review: EUR 7.0 million), equivalent to an EBIT margin of 9% to 10%. EBIT in the “Novel Booklets” segment is expected to come to around EUR 0.4 million (year under review: EUR 0.2 million).

Financial planning for the 2023/2024 financial year anticipates a free cash flow of EUR -0,5 to 0,5 million, as tax payments from previous periods are also due. In the year under review, the free cash flow was EUR 9.7 million.

General statement on the Group’s expected performance

The Executive Board is convinced that the book as part of our cultural heritage, supplemented by the attractive e-book and audio play-out channels, will continue to enable promising and highly profitable business models to be established and offer diverse opportunities for growth. We will be stabilising and expanding modern variants of community-driven models and, above all, addressing and leveraging the needs and wishes of readers seeking exciting and emotional entertainment and additional book-related products through digital channels in particular. In particular, the 2023/2024 financial year should see a significant improvement at smarticular, something which is expected to have an equally positive effect on the Bastei Lübbe Group’s profitability. In addition, there will be significantly higher investments in the IT infrastructure in 2023/2024, compared to previous years, accompanied by an increase in the digital visibility of our books and authors, as well as in community building and strategic brand strengthening in individual segments. Alongside the aforementioned effects, significantly higher trade fair costs must be expected in the 2023/2024 financial year. As the 2023 Leipzig Book Fair was pushed back into the 2023/2024 financial year, we plan to participate in three major book fairs, while only the Frankfurt Book Fair 2022 took place in the year under review. The once-only increase in expenses described above will mean that the EBIT margin will remain more or less at the same level as in the year under review. We assume that profitability will improve in the following years compared to 2023/2024. Business is exposed to risks resulting from inflationary tendencies and the consumer restraint that this is likely to prompt. However, these have been factored into our forecast. Beyond that, the forecasts do not account for adverse scenarios such as extraordinary interest rate increases, an expansion of the war in Europe or disproportionately negative trends in the labour market and other procurement markets. As usual, the Executive Board will review the forecasts for the 2023/2024 financial year in future quarterly statements and the half-year report on the basis of the earnings figures achieved and, if necessary, revise them.

Looking beyond the 2023/2024 financial year, the Executive Board expects the Group’s core business to exceed the EUR 100 million mark on a sustained basis. Looking forward, opportunities for non-organic growth will also continue to be explored on an ongoing basis and may accelerate sales growth. Above all, the improvements in earnings in individual areas anticipated in the 2023/2024 financial year, the potential for price adjustments and the expansion of the community-driven business models will help the Group to achieve an EBIT margin of more than 10% on a sustained basis. At the same time the balance sheet ratios - equity ratio and gearing - will remain at a level appropriate to the Company’s risk profile.

The Bastei Lübbe Group continues to stand for core publishing competencies, leveraging its digital potential with innovative measures and concepts. The disproportionately large share of digital business in its revenues and the growing proportion of community-driven business models strengthen the Executive Board in its assumption that the Group’s revenues will increase contrary to forecasts for the overall market. The focus will remain on the interests and lifestyles of our readers, which we will use as a basis for offering them contemporary and emotional content together with our authors in the appropriate playout channels. As these goals can only be achieved with motivated and committed employees, Bastei Lübbe will continue to do everything in its power to remain a sought-after employer. The implementation of the aforementioned goals and projects forms the basis for retaining our appeal as a partner to our shareholders and potential investors.

Risk report

General information

One of the key tasks of the Executive Board is to secure the Company's long-term success on a permanent basis. The performance of its business exposes the Bastei Lübbe Group to the fundamental and individual risks that inevitably accompany corporate activity. The Executive Board addresses this risk situation with a risk management system.

Risk management system

The purpose of the risk management system (RMS) is to identify risks for the Group at an early stage to allow countermeasures to be taken and checks to be performed. The principles of risk management are governed by binding guidelines. Manageable, appropriate and controllable risks are deliberately accepted if they lead to the generation of appropriate returns. Where possible and if sensible, risks are covered by insurance. For all other risks, suitable countermeasures are determined and adherence to the measures is monitored at regular intervals. The countermeasures and the risk situation are revised and updated as required, at least every six months. This was also done in the 2022/2023 financial year.

The RMS includes all consolidated subsidiaries. Risks are classified in accordance with uniform predefined categories and documented in a risk inventory. Subsequently, the risks are assessed on the basis of their probability and the potential loss they may cause.

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

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

The Bastei Lübbe Group's risk management system is managed by a unit reporting to the Chief Financial Office (risk manager) under the overall organisational responsibility of the Executive Board. The managers below the Executive Board level are viewed as risk owners. In their areas or companies, they are responsible for identifying, evaluating, managing and monitoring the main risks and the precautions taken to mitigate risk. They are supported in this by Controlling. The risk owners are responsible for reporting the risks to the risk manager. Risks with a gross potential loss of less than EUR 250 thousand are not included in risk management. The Bastei Lübbe Group conducts a risk inventory once a year, on the basis of which a risk report is prepared. The risk assessments are updated as required and otherwise regularly every six months. If any risks with a material impact on the Group's business performance or reputation occur, the Executive Board is informed immediately.

The risk report is prepared by the risk manager on the basis of the risks reported by the risk owners and discussed with the Executive Board. The Executive Board regularly reviews the risk situation during its meetings and reports periodically to the Supervisory Board on risk management.

The risk management system is regularly updated, and its adequacy and effectiveness reviewed by the Executive Board. In addition, the statutory auditor checks the risk early warning system integrated in the risk management system. In this connection, a particular emphasis is placed on determining the fundamental suitability of the risk management system for detecting any developments liable to affect the Company's going-concern status.

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.

Accounting-related internal control system (ICS)

The Bastei Lübbe Group has an internal control system which is geared to the size of the Group. The accounting-related ICS includes the principles, procedures and measures for ensuring the proper operation and reliability of the internal and external accounting systems. It undergoes continuous further development with the aim of ensuring that the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The additional provisions of German corporate law in accordance with Section 315e (1) of the German Commercial Code are also observed. The accounting-related ICS can also only provide relative, but not absolute, assurance that material accounting misstatements have been avoided or detected.

The Supervisory Board of the Group monitors the effectiveness of the ICS in accordance with Section 107 (3) Sentence 2 in conjunction with Section 107 (4) Sentence 1 of the German Stock Corporation Act. However, the scope and structure of the ICS are subject to the discretion and responsibility of the Executive Board in accordance with Section 91 (3) of the German Stock Corporation Act. The Executive Board holds this responsibility but delegates it to the relevant process and control owners.

Responsibility for preparing the financial statements is assigned to the CFO for organisational purposes and specifically to the accounting and controlling functions. Accordingly, this function has the authority to issue guidelines for the application of the relevant accounting rules as well as for the content and timing of the steps in the preparation of the financial statements.

The Chief Financial Officer’s department as well as the accounting and controlling function at Bastei Lübbe AG oversee the processes for the preparation of the consolidated financial statements and the management reports. Statutory requirements, accounting standards and other standards are regularly analysed to determine whether and to what extent they are relevant and have an impact on the Group’s ICS and accounting practices.

On the other hand, material information and facts relevant for Group accounting are discussed with the relevant departments before being used and are subject to a critical assessment by Accounting to ensure they comply with the applicable accounting regulations.

Relevant requirements are documented and communicated internally and, together with the Group-wide financial statement schedule, form the basis for the preparation of the financial statements.

In addition, supplementary procedural instructions such as standardised reporting formats, IT systems and IT-based reporting and consolidation processes ensure uniform and proper group accounting.

Where necessary, the Bastei Lübbe Group obtains external specialist support in the preparation of its consolidated financial statements. For example, Bastei Lübbe AG engages external appraisers to measure the personnel provisions and the fair value of its investments in associates and to calculate discount rates applied in impairment testing or in connection with purchase price allocation.

By harmonising the operational accounting processes at Bastei Lübbe AG and its group companies, the processes will become more efficient, additionally enhancing their quality and, thus, the reliability of the internal control system. The ICS secures internal process quality as well as the interfaces to the Group companies by means of appropriate controls. The Accounting and Controlling department handles the support and monitoring functions.

The accounting-related ICS includes internal controls defined in the light of risk aspects, which are both preventive and detective in nature, such as:

- Functional separation (e.g. approval of payment batches, annual financial statements postings)
- Four-eyes principle (including master data entry / invoice verification)
- IT-supported and manual reconciliation
- IT controls such as access controls for IT systems
- Documentation

Bastei Lübbe AG and the Group companies are responsible for ensuring compliance with the Group-wide requirements and procedures. The Group companies see to the proper and timely execution of their accounting-related processes and systems.

With the exception of Business Hub Berlin UG and Moravská Bastei MOBA s.r.o., accounting activities for the companies included in the consolidated financial statements are integrated in the Group's SAP environment. They are largely performed in accordance with uniform accounting plans, account assignment specifications and processes. In this connection, the above-mentioned separation of functions and the four-eyes principle are implemented appropriately by means of preventive and downstream controls.

Access to the accounting systems and processes is protected by an authorisation system that is tailored to the respective job profiles of the users. Employees involved in the accounting process receive regular training.

To prepare the consolidated financial statements, the single-entity financial statements and supplementary information are entered in the LucaNet consolidation accounting software system. If the single-entity financial statements do not comply with the IFRS accounting guidance, corresponding 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.

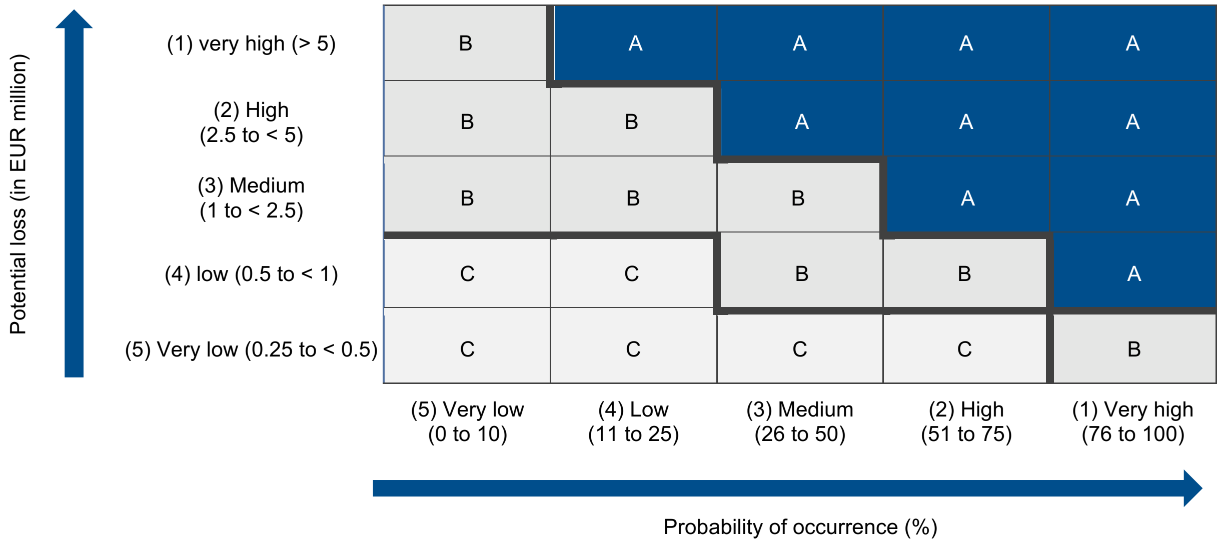
After the financial statements have been prepared, the annual and consolidated financial statements together with the combined management report are submitted to the Supervisory Board, which reviews the financial statements after discussion with the independent auditor and on the basis of the independent auditor's opinion. The Supervisory Board is continuously involved in the installation and ongoing development of the accounting-relevant internal control and risk management system.

The ICS incorporates new technologies and working methods on an ongoing basis and, where appropriate, integrates them within the operational processes.

If any shortfalls in the controls are identified, an analysis and evaluation are carried out to determine, in particular, the effects on the consolidated financial statements and the combined management report. In the event of any significant shortcomings in the controls, the content, the corresponding plans of action for rectifying the shortfalls and the ongoing progress are reported to the Executive Board and, in addition, to the Supervisory Board of Bastei Lübbe AG.

Material risks

In addition to general business risks, the Group is exposed to the risks outlined below as of 31 March 2023. During an observation period of two years they are classified into categories A, B and C in descending order according to the expected potential loss, as shown in the chart below. The potential loss stated is derived from a net analysis of the impact on EBIT.



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

Risk of associates not performing as planned

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

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

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.

Despite the impairment of goodwill and other assets attributable to smarticular in the year under review, the consolidated financial statements as of 31 March 2023 continue to reflect the material goodwill and assets of the associates smarticular and Community Editions. As a result, a potential risk of the associates not performing as planned must continue to be taken into account.

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

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

Absence of potentially successful titles in the programme

There is a risk that not enough titles, especially top titles, will be purchased in the “Book” segment for a given financial year to generate the necessary revenues and profits for that year. As a general rule, Bastei Lübbe plans its content with a lead time of 12 to 24 months. Contracts with international bestselling authors are signed with a longer lead time. In some segments, such as non-fiction and LYX, the lead time may be shorter. For the “Book” segment, programme targets have been set, arranged by size cluster and genre. The degree to which the targets have been met is updated regularly and analysed. This report serves as a basis for acquiring new titles, making it possible to determine whether the defined revenue targets can be achieved. As a result of the existing lead times, it may be possible to bring forward existing titles or acquire additional ones in order to generate revenues.

There is also a risk that an author may fail to meet the contractual deadlines for the submission of the manuscript and that the manuscript is received only subject to a delay or not at all. Although in such cases a request can be made for the return of any advances already made, the failure to publish top titles, in particular, could lead to EBIT falling below the forecast figure. Material revenue shortfalls may cause EBIT to drop below the forecast figure given the existing overheads structure of Bastei Lübbe AG and thus the Group.

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

Compliance risks

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

The Executive Board and the relevant persons responsible have identified the compliance risks that are to be taken into account and classified as “core compliance issues”. The risks arising from the use of freelancers (“bogus self-employment”), anti-corruption law, competition and antitrust law as well as data protection have been identified as “core compliance matters” and corresponding responsibilities expressly assigned. The remaining compliance risks are managed and monitored in the departments. In order to mitigate the “bogus self-employment risk”, new guidelines and a new process for utilising the services of freelancers have been adopted in consultation with specialist lawyers. Training courses on anti-corruption, competition and antitrust law have been set up with the external compliance officer and specialist lawyers. 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.

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

Risks resulting from excessive advances

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

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

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

Risks from changes to the price of paper and paper availability

Prices of raw materials are currently flat or falling slightly following the increases caused by the effects of the pandemic, rising energy costs and manufacturers' previously short-term procurement practices in the spot markets. However, the shutdown of paper production mills or changes in the way in which they are used, for example in favour of packaging materials, is resulting in a situation in which paper producers are able to dictate the prices, something which could cause costs to rise again.

Although disruptions in the supply chain for raw materials for paper and print production have eased, the shutdown of paper production facilities and the continued tight personnel situation in the logistics sector constitute a risk in the paper supply chain.

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

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

Credit losses

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

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

IT risks

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

This 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 the market-price, credit and liquidity risks inherent in its business activities. The credit risk is addressed through the above-mentioned measures (non-discourse factoring). To avoid liquidity risks, a regular cash forecast is drawn up as part of the planning process and on an ongoing basis in connection with the daily sales reports. There is only limited scope for controlling the market price risk arising from the measurement of the material investment in Räder GmbH as Bastei Lübbe does not exert any material influence on this company. Changes in the fair value of this investment that are within a range considered possible by the Company have a direct influence solely on net assets and only indirectly on the results of operations and the financial situation, via the cash inflow from investment income or from the possible sale of shares in the associate.

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

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

The Executive Board considers the risk of loan agreements being terminated as a consequence of a future covenant breach to be low as the Group has sufficient additional financing under the agreed covenants and the Executive Board considers the core business to be stable and robust.

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 mitigated by means of factoring, by taking out credit insurance and through creditworthiness assessments as well as the credit checks and credit management systems.

Macroeconomic dislocations

With the COVID-19 pandemic now overcome, the Executive Board currently does not see any material risks for the Group’s business performance. Even so, it is concerned by the ongoing war in Europe and the high inflation and interest rates. The assumptions and forecasts with regard to the Group’s future performance factor in the current uncertainties caused by the war and the current inflationary trends in the existing interest rate environment. As the Executive Board does not think it likely that the war will spread to other countries in Europe or that inflation will continue rising substantially in the German-speaking region, these scenarios are not included in the forecasts.

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

The Executive Board of Bastei Lübbe AG also uses risk management for the structured identification of opportunities and potential that ensure the Company's long-term success and further growth. Together with the executives responsible for strategic planning, it additionally assesses existing and emerging options in the light of the constantly changing interests of our readers and the likewise changing practices of our competitors. Potential and opportunities are particularly seen in the following areas:

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

The Executive Board is convinced that the opportunities described below offer sufficient potential for the Group to achieve the revenue targets in the long term with an EBIT margin of at least 10% and can also serve as a basis for non-organic growth.

Strategic opportunities

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

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

Opportunities through further expansion of the digital dialogue with readers

Traditional publishing business currently offers only limited opportunities for direct contact with end customers. Bastei Lübbe is therefore using digital touchpoints with readers as an additional important building block to gain an even better understanding of their needs. In addition to the indispensable contact with our retail partners we therefore see attractive opportunities in the establishment of target group communities, e.g. on the relevant social media channels. One example of this is the more than 132,000 followers of our LYX imprint on Instagram. With our presence on TikTok, we have expanded our digital reach and thus our interface with selected communities in a further, increasingly relevant channel. Via the Buchstabenbande.com website, we have created a digital home where children and parents can find additional content for fun and games that binds them to our children's book stories and characters and offers genuine added value for the community.

The digital dialogue with the community supports the tailored development of content for our readers. Bastei Lübbe remains committed to expanding its community-driven business models and views this as an important factor in the success of its programme development and sustained target group growth.

This focus on community-driven business models allows us to expand our business in the specific context of the community and thus tap new sources of sources of monetisation. Thus, e-commerce in particular offers many opportunities for all of the Group's imprints and labels in this connection. It is already evident that selected communities are displaying a high degree of affinity to related stationery and complementary products through the associated imprints. Initial products have been developed and successfully marketed. This field is to be expanded cautiously and should result in a lucrative expansion of the community-driven business models.

Other opportunities

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

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

The newly developed artificial intelligence tools and the possibilities they offer provide further opportunities for enhancing efficiency and performance. Appropriate tools and programmes that are already being utilised in a publishing context will be tested in various areas to determine their suitability for use and marketability in the future. The aim is to be a progressive pioneer in the book-publishing industry in this regard as well and to objectively explore, adopt and leverage the possibilities of using artificial intelligence as a company at an early stage.

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 2022 until 31 March 2023 in accordance with the German Commercial Code

	2022/2023 EUR k	2021/2022 EUR k
Revenues	**91,665**	**87,050**
Changes in inventories of finished goods and work in progress	994	1,376
Other operating income	961	991
Cost of materials	-44,574	-42,101
Personnel expenses	-17,620	-16,529
Depreciation and amortisation	-823	-682
Other operating expenses	-20,322	-18,548
Share of profit of associates	511	2,085
Income from other securities and loans of financial assets	–	1,485
Depreciation of financial assets and securities held as current assets	-2,939	-8
Other interest and similar income	60	15
Interest and similar expenses	-371	-300
Income taxes	-3,181	-3,453
Other taxes	–	-142
Profit for the year	**4,360**	**11,241**
Profit carried forward	10,408	4,447
Unappropriated surplus	**14,768**	**15,688**

Compared to the previous year's figure of EUR 87.1 million, Bastei Lübbe AG's revenues rose by EUR 4.6 million to EUR 91.7 million. This was mainly due to the extraordinary successes of the LYX imprint. Revenues were well in excess of the forecast range of EUR 83.0 to 86.0 million.

The business performance of the "Book" and "Novel Booklets" segments is described in the segment report (Note 35 to the Consolidated Financial Statements).

The main components of other operating income are income from the reversal of impairments (EUR 0.5 million) and income from the reversal of provisions (EUR 0.2 million).

The share of profit of associates of EUR 0.5 million (previous year: EUR 2.1 million) is composed of dividends received from Moba (EUR 0.5 million) and various press wholesalers. In the previous year, dividends had been received from Räder GmbH (EUR 1.2 million), Moba (EUR 0.4 million), Community Editions (EUR 0.3 million) and smarticular (EUR 0.2 million).

In the year under review, the fair value of the investment in Business Hub Berlin UG was impaired by an amount of EUR 2.9 million. In the previous year, there had been fair-value remeasurement gains on financial assets and securities held as current assets through the reversal of impairments on the loans granted to Daedalic (EUR 1.4 million) and J.P. Bachem Editionen (EUR 0.1 million).

Bastei Lübbe AG had an average of 269 employees in the 2022/2023 financial year (previous year: 222).

At EUR 10.8 million, the forecast for operating earnings (EBIT[28]) of EUR 9.0 to 10.0 million was slightly exceeded. Net profit for the year came to EUR 4.4 million, compared with EUR 11.2 million in the previous year.

Bastei Lübbe AG's financial position

As of 31 March 2023, Bastei Lübbe AG's liquidity reserves are composed of cash and cash equivalents of EUR 17.1 million (previous year: EUR 15.6 million). Credit facilities of a total of EUR 10.0 million (previous year: EUR 10 million) are available under the existing loan agreements but had not been drawn on as of the reporting date. Bastei Lübbe AG had liabilities to banks of EUR 2.8 million on 31 March 2023 (previous year: EUR 3.8 million).

Bastei Lübbe AG's net assets

ASSETS (EUR k)	31 March 2023	31 March 2022
Fixed assets		
Intangible assets	1,245	1,045
Property, plant and equipment	684	853
Financial assets	9,552	12,206
	11,481	**14,104**
Author advances	**23,026**	**19,858**
Current assets		
Inventories	11,108	10,124
Receivables and other assets	13,730	12,891
Cash at banks	17,136	15,583
	41,975	**38,598**
Deferred income	**1,029**	**737**
Total assets	**77,511**	**73,297**

Compared with 31 March 2022, total assets rose by EUR 4.2 million to EUR 77.5 million (previous year: EUR 73.3 million).

The decline in fixed assets is primarily due to the impairments of EUR 2.9 million recognised in connection with smarticular within financial assets.

Author advances increased from EUR 19.9 million to EUR 23.0 million.

Current assets climbed from EUR 38.6 million to EUR 42.0 million. As a result of the favourable business performance, bank balances widened from EUR 15.6 million to EUR 17.1 million. Inventories increased from EUR 10.1 million in the previous year to EUR 11.1 million.

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

EQUITY AND LIABILITIES (EUR k)	31 March 2023	31 March 2022
Equity		
Issued capital	13,200	13,200
Share premium	8,900	8,900
Retained earnings	100	100
Unappropriated surplus	14,768	15,688
	36,968	**37,888**
Provisions	**19,471**	**16,970**
Liabilities		
Liabilities to banks	2,750	3,750
Prepayments received on account of orders	137	125
Trade payables	17,023	13,582
Other liabilities	975	982
	20,885	**18,438**
Deferred income	**188**	**–**
Total equity and liabilities	**77,511**	**73,297**

At EUR 37.0 million, equity was down on the previous year's figure of EUR 37.9 million mainly due to the dividend distribution of EUR 5.3 million in September 2022. By contrast, net profit for the year under review amounted to EUR 4.4 million.

Provisions are valued at EUR 19.5 million, compared with EUR 17.0 million of 31 March 2022. They include amounts of EUR 4.5 million (previous year: EUR 5.0 million) set aside for returns as well as provisions for outstanding invoices, bonuses, taxes and onerous author contracts. Tax provisions increased by EUR 2.9 million over the previous year. The provisions for onerous author contracts were reduced by EUR 0.2 million following a reassessment of the expected revenues for a best-selling author.

Liabilities increased from EUR 18.4 million to EUR 20.9 million, primarily as a result of higher royalty commitments. In the year under review, loan liabilities of EUR -1.0 million were repaid.

Bastei Lübbe AG's risk situation

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

Forecast for Bastei Lübbe AG

Revenues of between EUR 90.0 and 95.0 million are expected for the 2023/2024 financial year (year under review: EUR 91.7 million). Of this, the "Book" segment should contribute EUR 83.0 to 88.0 million (year under review: EUR 84.5 million) and the "Novel Booklets" segment roughly EUR 7.0 million (year under review: EUR 7.2 million). All in all, Bastei Lübbe AG projects earnings before interest and taxes (EBIT) of EUR 8.0 to 9.0 million (year under review: EUR 10.8 million). Of this, the "Book" segment is expected to generate EBIT of EUR 7.6 to 8.6 million (year under review: EUR 10.6 million) and the "Novel Booklets" segment EBIT of around EUR 0.4 million (year under review: EUR 0.2 million).

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.

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 14 of the Consolidated Financial Statements).

Appointment and dismissal of the members of the Executive Board

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

Amendments to the articles of association

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

Authorization of the Executive Board to issue or buy back shares

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

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

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

Equity investments of more than 10%

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

Material agreements subject to a change-of-control provision

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

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

Special rights and control of voting rights

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

Corporate governance

The Company again addressed the contents of the German Corporate Governance Code (the Code) in the 2022/2023 financial year. The Executive Board and the Supervisory Board issued a declaration of conformity under Section 161 of the German Stock Corporation Act on 20 June 2023. Bastei Lübbe complies with the recommendations and suggestions of the Code with the exceptions described in the declaration of conformity. The current declaration of conformity as well as all previous ones have been made permanently available to shareholders on the Company's website (see www.bastei-luebbe.de/de/unternehmen/unternehmensfuehrung).

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.bastei-luebbe.de/de/unternehmen/unternehmensfuehrung.

Cologne, 3 July 2023
Bastei Lübbe AG

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position as of 31 March 2023

	Note	31 March 2023 EUR k	31 March 2022 EUR k
Non-current assets			
Intangible assets	5.	8,204	11,177
Author advances	6.	23,931	20,144
Property, plant and equipment (including right-of-use assets)	7.	7,307	8,435
Financial assets	8.	15,338	15,496
Deferred tax assets	9.	1,285	1,370
		56,066	**56,622**
Current assets			
Inventories	10.	13,001	11,806
Trade receivables	11.	16,114	14,143
Financial assets	8.	135	210
Income tax refund claims	9.	203	522
Other receivables and assets	12.	2,912	3,014
Cash and cash equivalents	13.	19,482	17,974
		51,848	**47,668**
Total assets		**107,914**	**104,291**
Equity			
Equity attributable to the Parent Company's equity holders			
Subscribed capital	14.	13,200	13,200
Share premium	14.	9,045	9,045
Unappropriated surplus/accumulated deficit	14.	17,314	18,678
Other comprehensive income	14.	15,219	15,163
		54,778	**56,086**
Shares held by non-controlling shareholders	14.	215	206
Total equity		**54,993**	**56,292**
Non-current liabilities			
Provisions[1)]	16.	318	960
Deferred tax liabilities	9.	705	1,358
Financial liabilities	17.	7,593	9,315
Trade payables	18.	149	351
		8,766	**11,984**
Current liabilities			
Financial liabilities[1)]	17.	4,273	4,820
Trade payables	18.	21,838	16,291
Income tax liabilities	9.	8,010	5,156
Provisions[1)]	16.	8,014	8,049
Other liabilities	19.	2,021	1,698
		44,156	**36,015**
Total liabilities		**52,921**	**47,998**
Total equity and liabilities		**107,914**	**104,291**

1) Previous year adjusted, see Note 16

Consolidated income statement for the period from 1 April 2022 to 31 March 2023

	Note	2022/2023 EUR k	2021/2022 EUR k
Revenues	20.	100,016	94,507
Changes in inventories of finished goods and work in progress	21.	1,252	1,191
Other operating income [1)]	22.	889	1,275
Cost of materials [2)]	23.	-50,753	-47,130
Personnel expenses [1)]	24./25.	-20,228	-18,717
Other operating expenses [2)]	26.	-18,587	-16,516
Share of profit of associates	27.	39	1,235
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**12,627**	**15,844**
Amortisation and depreciation	28.	-5,439	-2,652
Impairment/remeasurement gains on financial assets	28.	–	1,467
Earnings before interest and income taxes (EBIT)		**7,189**	**14,659**
Share of profit of associates		–	377
Net finance income/expenses	29.	-396	-236
Earnings before taxes (EBT)		**6,793**	**14,800**
Income taxes	30.	-2,821	-3,779
Consolidated net profit for the period		**3,972**	**11,021**
Of which attributable to:			
Equity holders of Bastei Lübbe AG		3,916	10,956
Shares held by non-controlling shareholders	31.	56	65
Earnings per share in euros (basic = diluted) (based on the net profit for the period attributable to the equity holders of Bastei Lübbe AG)	15.	0.30	0.83

1) Previous year adjusted, see Note 22; 2) Previous year adjusted, see Note 23

Consolidated statement of comprehensive income for the period from 1 April 2022 to 31 March 2023

	Note	2022/2023 EUR k	2021/2022 EUR k
Consolidated net profit for the period		**3,972**	**11,021**
Amounts that cannot be recycled to profit and loss in the future		**–**	**6,345**
Changes in the fair value of equity instruments	32.	–	6,345
Amounts that can be recycled to profit and loss in the future		**62**	**106**
Foreign currency translation differences		62	106
Other comprehensive income		**62**	**6,451**
Consolidated comprehensive income		**4,034**	**17,471**
Of which attributable to:			
Equity holders of Bastei Lübbe AG		**3,972**	**17,396**
Shares held by non-controlling shareholders		**62**	**76**

Consolidated cash flow statement for the period from 1 April 2022 to 31 March 2023

		2022/2023 EUR k	2021/2022 EUR k
Net profit/loss for the period		3,972	11,021
+/-	Depreciation and amortisation/remeasurement gains of intangible assets and property, plant and equipment	5,439	2,652
+/-	Impairment/remeasurement gains of financial assets	–	-1,467
+/-	Depreciation/remeasurement gains of author royalties	10,240	11,497
+/-	Other non-cash expenses/income[1)]	-114	-245
+/-	Share of profit and loss of associates	–	-377
+/-	Increase/decrease in provisions	-677	-353
-/+	Profit/loss from the disposal of intangible assets and property, plant and equipment	–	8
-	Author advances	-14,025	-11,675
-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-2,971	-393
+/-	Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	5,411	109
+/-	Interest expenses/income[1)]	581	437
+/-	Income tax expenses/income	2,821	3,779
+/-	Tax payments made	-216	-911
-	Other investment income	-39	-1,235
Cash flow from operating activities		**10,423**	**12,848**
+	Payments received from the disposal of intangible assets	–	–
-	Payments made for purchases of intangible assets	-440	-299
+	Payments received from the disposal of property, plant and equipment	–	5
-	Payments made for purchases of property, plant and equipment	-431	-253
+	Payments received from the repayment of loans granted	66	1,584
-	Payments made for the grant of loans	-45	–
-	Payments made for the acquisition of fully consolidated companies, less cash and cash equivalents acquired	–	-5,159
+	Payments received from the sale of fully consolidated companies less cash and cash equivalents sold	–	-3
+	Payments received from the sale of shares in other associates	–	110
+	Loans to other associates	39	1,235
+	Interest received	50	3
Cash flow from investing activities		**-761**	**-2,777**
-	Payments to the shareholders of the Parent Company (dividends)	-5,280	-3,828
-	Payments made to non-controlling interests (dividends)	-54	-40
-	Payments made for the discharge of loans	-1,000	-1,000
-	Payments made for lease liabilities[1)]	-1,216	-1,333
-	Interest paid[1)]	-633	-433
Cash flow from financing activities		**-8,183**	**-6,633**
	Changes to cash and cash equivalents recognised in the cash flow statement	1,478	3,437
	Exchange-rate and valuation-related changes to cash and cash equivalents	30	64
+	Cash and cash equivalents at the beginning of the period	17,974	14,472
=	**Cash and cash equivalents at the end of the period**	**19,482**	**17,974**

1) Previous year adjusted, see Note 33

Consolidated statement of changes in equity for the period from 1 April 2022 to 31 March 2023

	Parent Company						Non-controlling interests	Group equity
				Cumulative other comprehensive income				
(all amounts in EUR k)	Subscribed capital	Share premium	Unappropriated surplus	Reserve from investments in equity instruments	Foreign currency translation reserve	Equity	Equity	Equity
Amount on 1 April 2021	13,200	9,045	11,550	8,759	-36	42,519	109	42,628
Changes in reporting entity structure	–	–	–	–	–	–	61	61
Dividend distributions to shareholders	–	–	-3,828	–	–	-3,828	-40	-3,868
Net profit/loss for the period	–	–	10,956	–	–	10,956	65	11,021
Other comprehensive income	–	–	–	6,345	95	6,440	11	6,451
Comprehensive income	**–**	**–**	**10,956**	**6,345**	**95**	**17,396**	**76**	**17,471**
Amount on 31 March 2022	**13,200**	**9,045**	**18,678**	**15,104**	**59**	**56,086**	**206**	**56,292**
Amount on 1 April 2022	13,200	9,045	18,678	15,104	59	56,086	206	56,292
Changes in reporting entity structure	–	–	–	–	–	–	–	–
Dividend distributions to shareholders	–	–	-5,280	–	–	-5,280	-54	-5,334
Net profit/loss for the period	–	–	3,916	–	–	3,916	56	3,972
Other comprehensive income	–	–	–	–	56	56	6	62
Comprehensive income	**–**	**–**	**3,916**	**–**	**56**	**3,972**	**62**	**4,034**
Amount on 31 March 2023	**13,200**	**9,045**	**17,314**	**15,104**	**114**	**54,778**	**215**	**54,993**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NEW ADULT - LYX
YOUNG ADULT – ONE

© Westend61 / Getty Images

Contents

General disclosures

1. Information about the Group

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 performance of its business activities, Bastei Lübbe publishes books, audio books, e-books and other digital products featuring fiction and popular science content as well as periodicals in the form of novels.

The main areas of activity of the Bastei Lübbe Group (“Bastei Lübbe”) are described in the segment report (Note 35).

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 (EUR k). Totals and percentages were calculated on the basis of non-rounded euro amounts and may differ from a calculation based on the reported thousand euro amounts.

The consolidated financial statements for the financial year from 1 April 2022 to 31 March 2023 were prepared by the Executive Board and approved for publication on 3 July 2023 and will be submitted to the Supervisory Board on 4 July 2023 for approval.

Reference should be made to Note 47 with regard to events between the reporting date and 3 July 2023 that could be material for an assessment of the Group’s net assets, financial position and results of operations as well as its cash flows.

2. Basis of preparation

a) Underlying accounting rules

The consolidated financial statements as of 31 March 2023 have been prepared in accordance with the accounting rules in force on the reporting date in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the interpretations of the IFRS Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB), London. In addition, the German statutory provisions applicable pursuant to Section 315e (1) of the German Commercial Code (HGB) are observed.

b) Measurement of assets and liabilities

The consolidated financial statements are prepared on the basis of the historical cost principle, with the exception of the shares held in Räder GmbH, contingent purchase price liabilities and the provisions for share-based payment, which are measured at their fair value in accordance with IFRS 13 and IFRS 2.

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 concern

- discounted future cash flows in connection with impairment tests for author advances and goodwill,
- the determination of amortisation processes for author advances,
- the expected return rates for sold goods for the determination of corresponding provisions,
- the measurement of provisions for onerous contracts,
- the depreciation of inventories due to limited marketability to calculate net realisable amounts,
- the measurement of the fair values of assets in connection with purchase price allocation,
- the measurement of contingent purchase price liabilities,
- the fair value of the investment in Räder GmbH,
- the measurement of the provisions for share-based cash-settled remuneration and
- projected impairments of trade receivables.

Reference should be made to the corresponding notes for further disclosures that were determined on the basis of estimates.

Significant discretionary decisions particularly relate to the amortisation method for author advances, the methods for identifying impairments of inventories and the measurement of lease liabilities in connection with the exercise of termination and extension options. In addition, the assessment of Bastei Lübbe AG’s inability to exercise material influence on its associate Räder GmbH entails a significant discretionary decision. The management of Bastei Lübbe does not exercise any significant influence on Räder GmbH despite the fact that the parent company holds 20% of the shares in this company. This view is based on the status that Bastei Lübbe has under company law as a minority shareholder, preventing it from being involved in any of the associate’s financial and business policy decisions.

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 in the preparation of these consolidated financial statements provided that they had been endorsed by the EU and were thus subject to mandatory application by Bastei Lübbe AG in the 2022/2023 financial year.

The application of the standards, clarifications and interpretations that are mandatory from 1 April 2022 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 year under review

In the year under review, the Bastei Lübbe Group did not make use of the option to early adopt new standards and interpretations. It plans to apply the standards and interpretations from the date on which they become mandatory. The application of new standards and interpretations is not expected to have any material impact on the Group's net assets, financial position and results of operations. In accordance with the transitional guidance contained in the respective IFRS, restatement of the previous year's figures is waived as far as permissible.

g) Consolidation principles and reporting date

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

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

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

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

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

One fully consolidated Group company and one Group company that is not consolidated for reasons of materiality have a financial year that matches calendar year and thus differs from the Group's financial year. The annual financial statements of the fully consolidated company Moravská Bastei MOBA s.r.o. , which are prepared for the calendar year, are included in the consolidated financial statements. 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. There were no corresponding adjustments in the year under review. No interim financial statements are prepared for the company as its inclusion has no material impact on the Group's net assets, financial position and results of operations despite its different financial year. For one thing, it makes only a small contribution to the Group's revenues and earnings for the period. For another, its revenues and earnings have been stable over the last few years.

h) Intangible assets

Intangible assets (with the exception of the author advances shown under (i)) 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. Systematic amortisation is based on the following useful lives and rates:

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

Impairment tests are carried out at least annually on goodwill and intangible assets for which their useful life cannot be determined; in the case of intangible assets subject to systematic amortisation, impairment tests are carried out whenever there is any evidence 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.

i) Author advances

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

Systematic depreciation is generally calculated on the basis of the revenue generated. If the revenues achieved fall short of a typified revenue trend, this is used as a basis for calculating depreciation. Author advances are generally amortised over five years. There is a close correlation between revenues and the consumption of the economic benefit of the exploitation rights. Author advances and part payments made are also reviewed at least once a year (usually on the reporting date) to determine whether there are any indications of impairment. If there is any evidence of impairment, the expected net income before royalty expenses is compared with the guaranteed royalties on the basis of an estimate of future sales volumes and the revenue calculated on this basis. To test the guaranteed royalties for any impairment, a DCF (discounted cash flow) method based on an average WACC (weighted average cost of capital) in a range of 7.2 to 7.6% (previous year: 5.1%) is applied. The WACC is calculated on the basis of the data for a group of suitable peers. In cases in which the guaranteed royalties exceed the expected net income before royalty expenses, corresponding impairments are made or - if necessary - provisions recognised for onerous contracts. The resulting expenses are recognised within the cost of materials. Remeasurement gains are recognised within other operating income.

All expenses in connection with author advances are included in a separate item entitled “Author royalties and depreciation of author royalties” 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	10.00-20.00
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

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

k) Impairment testing

Bastei Lübbe tests assets for impairment at least once a year on the reporting date or during the year if any special events are identified and - if and to the extent that an independent measurement of the assets concerned is not possible - at the next higher level of the cash-generating units (CGU) within the meaning of IAS 36 (Impairment of Assets).

(I) Definition of CGUs

At Bastei Lübbe, goodwill and intangible assets with indefinite useful lives acquired through business combinations are allocated to a group of CGUs that are expected to benefit from the synergistic effects of the business combination. This group of CGUs represents the lowest level at which these assets are monitored for management purposes. These are usually individual companies or publishers.

(II) Impairment testing

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

To determine the present value, the discount rate is calculated on the basis of the weighted cost of capital applying an underlying interest rate which is currently (as of the reporting date) 2.3% and a market risk premium of 7.5% (upper end of the range recommended by IDW).

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

l) Leases

Leases are reported as a right-of-use asset and a corresponding liability on the date on which the leased asset become available for use by the Group. Assets and liabilities under leases are initially recognised at their present value. Lease liabilities include the present value of the following lease payments:

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

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

Lease payments are discounted at the implied interest rate underlying the lease as far as this can be determined without difficulty. Otherwise – and this is usually the case for the Group – the lessee's incremental borrowing rate is applied. This corresponds to the interest rate that the lessee would have to pay if it had to borrow funds to acquire an asset of a comparable value for a comparable term with comparable security under comparable conditions in a comparable economic environment.

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

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

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

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

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

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

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

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

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

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

The assessment is reviewed when an option to extend a lease is actually exercised or not exercised. The original assessment is revised upon the occurrence of a significant event or change in circumstances liable to influence the previous assessment. In the year under review, the lease for Bastei Lübbe AG's office building and parking spaces was extended at short notice by six months and subsequently by a further three months until 30 September 2024. The extension of the agreed fixed term of the lease resulted in the remeasurement of the lease liability and the recognition of the corresponding right-of-use asset. On 31 March 2023, the extension options for the above-mentioned leases were exercised for a further period of five years. As this extension had already been expected, it was not necessary to remeasure the lease liability. In addition, the right-of-use asset and the lease liability for the office building (including rented parking spaces) were remeasured as a result of an increase in the lease payments linked to a consumer price index. Other than this, there were no changes in the current reporting period as a result of the remeasurement of leases or modifications and adjustments to the lease durations.

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

m) Financial instruments

(III) Financial assets

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

- **(a)** At amortised cost (AC);
- **(b)** At fair value through other comprehensive income (FVOCI);
- **(c)** At fair value through profit and loss (FVPL).

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

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

(IV) Impairment of financial assets

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

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

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

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

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

(V) Derecognition of financial assets

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

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

(VI) Cash and cash equivalents

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

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

(VII) Trade receivables

The simplified procedure is 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.

(VIII) 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.

(IX) Financial liabilities

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

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

n) Financial assets

Equity instruments are generally measured at fair value in accordance with IFRS 9 and any changes recognised in other comprehensive income.

o) Inventories

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

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

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

p) Other provisions

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

In the case of cash-settled share-based payments for the Executive Board, provisions (LTIP provisions) are recognised for the services received and measured at fair value upon initial recognition using an option pricing model in accordance with IFRS 2. 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.

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 IFRS 15 at the time at which the promised goods as well as rights and licences are transferred to the customer, i.e. when the Group has fulfilled its performance obligation.

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

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

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

Revenues are also generated from the transfer of exploitation rights for e-books and digital audio books via digital distribution portals.

In addition, licensing income arises from the resale of purchased and previously exploited rights to licensees in Germany and other countries. Revenues are recognised in accordance with the terms of the underlying contract, generally upon the transfer of the exploitation rights.

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.

Net finance income/expenses mainly comprise interest income and interest expenses as well as income from the fair value measurement of the contingent purchase price liability. Interest income and expenses are recognised using the effective interest method. Interest expenses include interest expenses on loans and factoring 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.

4. Companies consolidated and shareholdings

The following table sets out the Group's main subsidiaries in the 2022/2023 financial year.

Fully consolidated companies

	Domicile	Share held 31 March 2023	Share held 31 March 2022
Moravská Bastei MOBA s.r.o.[1)]	Brno, Czech Republic	89.76%	89.76%
CE Community Editions GmbH	Cologne	100.00%	100.00%
Business Hub Berlin UG	Berlin	100.00%	100.00%

1) Different financial year from 1 January 2022 until 31 December 2022 included in the consolidated financial statements

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

Non-controlling interests

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

	Domicile	Shares held by non-controlling shareholders 31 March 2023	Shares held by non-controlling shareholders 31 March 2022
Moravská Bastei MOBA s.r.o.[1)]	Brno, Czech Republic	10.24%	10.24%

1) Different financial year from 1 January 2022 until 31 December 2022 included in the consolidated financial statements

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

(EUR k)	Moba 31 December 2022	Moba 31 December 2021
Non-current assets	86	102
Current assets	2,387	2,228
Non-current liabilities	–	–
Current liabilities	371	310
Net assets	2,102	2,021
Net assets attributable to non-controlling interests	215	206
Revenues	2,530	2,271
Total profit/loss for the period	545	537
Total profit/loss attributable to non-controlling interests	56	55

Non-consolidated subsidiaries and other investments

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

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

(EUR k)	Domicile	Share held	Equity	Net profit/loss for the year
Siebter Himmel Bastei Lübbe GmbH[1)]	Cologne	100%	271	55
Bastei Ventures GmbH[2)]	Cologne	100%	7	-3

1) Figures taken from annual financial statements as of 31 March 2022
2) Figures taken from annual financial statements as of 31 December 2021

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

(EUR k)	Domicile	Share held	Equity	Net profit/loss
Räder GmbH[1)]	Essen	20%	21,264	7,935

1) Figures taken from annual financial statements as of 31 December 2022

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

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

Notes to the consolidated statement of financial position

5. Intangible assets

(EUR k)	Goodwill	Title and trademark rights	Software	Prepayments made	Total
Historical cost					
Amount on 1 April 2021	4,305	4,293	6,777	440	15,816
Changes in consolidated companies	3,680	1,512	2	–	5,194
Additions	–	–	205	94	299
Reclassifications	–	–	196	-196	–
Disposals*	-2,315	–	–	–	-2,315
Currency translation differences	–	–	1	0	1
Amount on 31 March 2022	**5,671**	**5,805**	**7,181**	**338**	**18,995**
Cumulative amortisation and impairment losses					
Amount on 1 April 2021	228	490	6,723	–	7,441
Changes in consolidated companies	-228	-33	2	–	-259
Depreciation and amortisation	–	540	95	–	635
Currency translation differences	–	–	1	–	1
Amount on 31 March 2022	**–**	**997**	**6,821**	**–**	**7,818**
Carrying amounts					
Amount on 1 April 2021	4,077	3,803	54	440	8,375
Amount on 31 March 2022	**5,671**	**4,808**	**360**	**338**	**11,177**
Historical cost					
Amount on 1 April 2022	5,671	5,805	7,181	338	18,995
Changes in consolidated companies	–	–	–	–	–
Additions	–	–	356	84	440
Reclassifications	–	–	77	-77	–
Currency translation differences	–	–	1	–	1
Amount on 31 March 2023	**5,671**	**5,805**	**7,615**	**345**	**19,436**
Cumulative amortisation and impairment losses					
Amount on 1 April 2022	–	997	6,821	–	7,818
Depreciation and amortisation	–	583	191	–	774
Impairment losses	1,727	912	–	–	2,639
Currency translation differences	–	–	1	–	1
Amount on 31 March 2023	**1,727**	**2,492**	**7,013**	**–**	**11,232**
Carrying amounts					
Amount on 1 April 2022	5,671	4,808	360	338	11,177
Amount on 31 March 2023	**3,943**	**3,313**	**602**	**345**	**8,204**

* The disposal of the acquisition costs for goodwill in the previous year is due to the reduction in the contingent purchase price liability, which was netted against the goodwill of smarticular through other comprehensive income.

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

(EUR k)	31 March 2023	31 March 2022
Book		
Community Editions	3,908	3,908
smarticular	–	1,727
Eichborn	35	35
	3,943	5,671

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.

The key assumptions used for estimating the recoverable amount are presented below. The recoverable amount was determined by calculating the value in use using cash flow projections on the basis of financial plans approved by the Executive Board for a detailed planning period of three years and on scenarios derived from these. The values assigned to the key assumptions represent the Executive Board's assessment of future developments and are based on historical data obtained from external and internal sources. Under the Company's assumptions, the growth rates do not exceed the long-term average growth rates of the business segment in which the respective group of cash-generating units operates. In the case of the calculation of the value in use of the cash-generating units, the greatest estimation uncertainties relate to the EBIT margin as well as the growth rate of the perpetual annuity and discount rates.

Cash-generating unit	Community Editions	smarticular	
Measurement date	31 March 2023	30 September 2022	31 March 2023
Revenue growth p.a. after the end of the planning period	1.0%	1.0%	1.0%
Discount rate (before taxes)	10.87%	11.13%	14.43%
Discount rate (after taxes)	7.34%	7.77%	10.08%
Carrying amount (EUR k)	6,530	5,325	2,937
Recoverable amount (EUR k)	7,352	3,361	2,264
Difference between value in use and carrying amount (EUR k)	822	-1,964	-673
Change in the EBIT margin in the perpetual annuity causing the value in use to equal the carrying amount	-0.62 percentage points	–	–
Change in the growth rate causing the value in use to equal the carrying amount	-0.74 percentage points	–	–
Change in WACC causing the value in use to equal to the carrying amount	0.62 percentage points	–	–

The planned EBIT margin for Community Editions, which is adjusted for risks through the inclusion of several scenarios, is based on expected future revenues and earnings. These are derived from programme portfolios consisting of titles that have already been acquired as well as target programme portfolios and past business experience. Revenue growth was mainly planned on the basis of the increase in the number of titles. Sales planning is based on historical volume sales data for comparable titles.

In the case of smarticular, the planned EBIT margins, which are adjusted for risks through the inclusion of several scenarios, are primarily based on expected revenue growth in e-commerce business. The planned launch of an improved shop platform and the expansion of the product range is expected to be a revenue driver. Revenue planning is based on historical volume sales data for comparable titles as well as external analyses.

An impairment test was carried out on smarticular as of 30 September 2022 due to a triggering event. Restructuring measures were initiated in response to a further deterioration in the company's revenues and earnings. The new risk-adjusted planning, which is based on scenario analyses, is significantly below the previous expectations for this company. As a result of the impairment test, impairments of EUR 1,727k were recognised in full on goodwill, EUR 263k on intangible assets (trademark and book rights) and EUR 10k on property, plant and equipment as of 30 September 2022.

A further impairment test was carried out on smarticular as of 31 March 2023 due to a triggering event, namely the significantly higher discount rate in tandem with unchanged cash flow planning assumptions. As a result, impairments of EUR 649k were recognised on intangible assets (trademark and book rights) and of EUR 21k on property, plant and equipment as of 31 March 2023.

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

Other intangible assets mainly include title rights and trademarks totalling EUR 294k (previous year: EUR 344k) as of the reporting date, which are amortised over a useful life of 15 years. The hidden reserves on the brands and domains that were activated as part of purchase price allocation for Community Editions and smarticular amounted to EUR 2,415k as of the reporting date (previous year: EUR 3,262k). The hidden reserves within book rights acquired stood at EUR 604k as of the reporting date (previous year: EUR 1,202k). These are written down over 15 and 8 years, respectively. Depreciation, amortisation and impairment losses are presented in the consolidated income statement within the item entitled "Amortisation and depreciation".

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

6. Author advances

(EUR k)	Author advances	Prepayments made	Total
Historical cost			
Amount on 1 April 2021	96,140	6,127	102,267
Changes to consolidated companies	399	–	399
Additions	11,015	1,752	12,766
Disposals	-1,067	-25	-1,092
Reclassifications	2,275	-2,275	–
Currency translation	9	–	9
Amount on 31 March 2022	**108,771**	**5,578**	**114,349**
Cumulative amortisation and impairment losses			
Amount on 1 April 2021	82,421	86	82,507
Changes to consolidated companies	194	–	194
Depreciation and amortisation	11,195	–	11,195
Impairment losses	706	8	713
Reversals of impairment losses	-411	–	-411
Currency translation	7	–	7
Amount on 31 March 2022	**94,111**	**94**	94,205
Carrying amounts			
Amount on 1 April 2021	13,719	6,041	19,759
Amount on 31 March 2022	**14,660**	**5,484**	**20,144**
Historical cost			
Amount on 1 April 2022	108,771	5,578	114,349
Additions	14,937	2,296	17,234
Disposals	-3,200	-8	-3,209
Reclassifications	1,604	-1,717	-113
Currency translation	9	–	9
Amount on 31 March 2023	**122,121**	**6,150**	**128,271**
Cumulative amortisation and impairment losses			
Amount on 1 April 2022	94,111	94	94,205
Depreciation and amortisation	9,217	–	9,217
Impairment losses	1,369	112	1,481
Reversals of impairment losses	-458	–	-458
Reclassifications	-113	–	-113
Currency translation	7	–	7
Amount on 31 March 2023	**104,134**	**206**	**104,340**
Carrying amounts			
Amount on 1 April 2022	14,660	5,484	20,144
Amount on 31 March 2023	**17,988**	**5,943**	**23,931**

In the year under review, impairment losses of EUR 1,481k (previous year: EUR 713k) were recognised where it was assumed that the present value of expected future net income before royalty expenses for the manuscript concerned would not cover the amount still recognised as an asset. In the year under review, remeasurement gains of EUR 458k (previous year: EUR 411k) were recognised on author advances and prepayments made 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 the estimates of future expected revenues.

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

(EUR k)	Land and buildings	Technical equipment and machinery	Operating and business equipment	Total
Historical cost				
Amount on 1 April 2021	11,022	38	5,639	16,699
Changes to consolidated companies	–	–	12	12
Additions	552	–	311	863
Disposals	-39	–	-174	-214
Currency translation differences	–	–	7	7
Amount on 31 March 2022	**11,535**	**38**	**5,795**	**17,368**
Cumulative amortisation and impairment losses				
Amount on 1 April 2021	3,195	37	3,881	7,114
Changes to consolidated companies	–	–	13	13
Depreciation and amortisation	1,190	1	826	2,017
Disposals	-33	–	-168	-201
Reclassifications	-15	–	–	-15
Currency translation differences	–	–	6	6
Amount on 31 March 2022	**4,337**	**38**	**4,558**	**8,933**
Carrying amounts				
Amount on 1 April 2021	7,827	1	1,757	8,415
Amount on 31 March 2022	**7,198**	–	**1,237**	**8,435**
Historical cost				
Amount on 1 April 2022	11,535	38	5,795	17,368
Additions	469	–	421	889
Disposals	–	–	-117	-117
Currency translation differences	–	–	4	4
Amount on 31 March 2023	**12,004**	**38**	**6,102**	**18,144**
Cumulative amortisation and impairment losses				
Amount on 1 April 2022	4,337	38	4,558	8,933
Depreciation and amortisation	1,114	–	880	1,995
Impairment losses	31	–	–	31
Disposals	–	–	-117	-117
Reclassifications	-8	–	–	-8
Currency translation differences	–	–	4	4
Amount on 31 March 2023	**5,474**	**38**	**5,324**	**10,837**
Carrying amounts				
Amount on 1 April 2022	7,198	–	1,237	8,435
Amount on 31 March 2023	**6,529**	–	**778**	**7,307**

In the year under review, impairment losses of EUR 31k (see item 5; previous year: EUR 0) were recognised. All depreciation of property, plant and equipment is included under the item “Depreciation and amortisation” in the income statement.

Property, plant and equipment include right-of-use assets of EUR 6,600k (previous year: EUR 7,484k) in connection with leased assets (see Note 39).

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).

8. Financial assets

(EUR k)	31 March 2023	31 March 2022
Non-current (financial) assets		
Other investments	15,187	15,187
Other borrowings	45	133
Shares in affiliated companies	106	106
Net investment in a lease	–	70
	15,338	**15,496**
Current		
Creditors with debit accounts	86	160
Net investment in a lease	–	15
Others	49	35
	135	**210**

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

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

As of 31 March 2023, the share in Räder GmbH had a fair value of EUR 15,100k (previous year: EUR 15,100k). No dividend was collected in the year under review (previous year: EUR 1,200k). Further information can be found in Note 37.

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. The lease was transferred to the sublessee on 1 January 2023.

Current financial assets are due for settlement within one year.

9. Income tax assets and liabilities

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

(EUR k)	31 March 2023	31 March 2022
Deferred tax assets	1,285	1,370
Income tax refund claims	203	522
Deferred tax liabilities	-705	-1,358
Income tax liabilities	-8,010	-5,156
Net amount	**-7,226**	**-4,622**

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:

(EUR k)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	31 March 2023		31 March 2022	
Other intangible assets	771	936	925	1,378
Property, plant and equipment	102	0	59	18
Financial assets	16	–	16	–
Trade receivables	61	47	56	83
Other provisions	360	–	415	–
Financial liabilities	38	–	4	–
Other liabilities	0	–	1	–
Tax losses carried forward	216	–	16	–
	1,564	**984**	**1,492**	**1,479**
Net amount	-278	-278	-122	-122
Carrying amounts	**1,285**	**705**	**1,370**	**1,358**

Deferred tax assets on unused tax losses relate to Business Hub Berlin UG. On the basis of the medium-term forecast, they are expected to be utilised in the coming three years.

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

(EUR k)	31 March 2023		31 March 2022	
Deferred tax assets 1 April	1,370		1,634	
Deferred tax liabilities 1 April	-1,358	13	-1,042	592
Deferred tax assets 31 March	1,285		1,370	
Deferred tax liabilities 31 March	-705	580	-1,358	13
= change in the net amount		567		-579
+/- disposals/additions from changes to the companies consolidated		–		630
= Net deferred tax assets/liabilities as shown in the income statement		**567**		**51**

Further information can be found in the details concerning income tax expenses in Note 30.

10. Inventories

(EUR k)	31 March 2023	31 March 2022
Raw materials, supplies and consumables	99	103
Work in progress	529	553
Finished goods	12,321	11,035
Merchandise	52	89
Prepayments towards inventories	–	26
	13,001	**11,806**

Impairments of inventories amounted to EUR 244k in the year under review (previous year: EUR 0k). Inventories that relate to Bastei Lübbe AG and with the exception of customary retained ownership rights are used as collateral for the existing loan agreements.

11. Trade receivables

Trade receivables break down as follows:

(EUR k)	31 March 2023	31 March 2022
Receivables from		
third parties	16,696	14,549
less loss allowances	-582	-406
	16,114	**14,143**

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 characteristics of the overall customer base, including the credit risk inherent in the sectors in which 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:

(EUR k)	31 March 2023	31 March 2022
Trade receivables		
Trade receivables from third parties	16,696	14,549
Lifetime expected credit losses (Level 2)	-197	-177
Individual loss allowances (Level 3)	-385	-229
Total trade receivables	**16,114**	**14,143**

Loss allowances in the financial year

(EUR k)	Lifetime expected credit losses (Level 2)	Individual loss allowances (Level 3)	Loss allowances
Trade receivables			
Amount on 1 April 2021	222	142	365
Changes in companies consolidated	29	–	29
Added	2	100	102
Utilised	–	-1	-1
Reversed	-77	-14	-91
Currency translation differences	1	1	2
Amount on 31 March 2022	**177**	**229**	**406**
Amount on 1 April 2022	177	229	406
Added	28	268	296
Utilised	–	–	–
Reversed	-8	-112	-120
Currency translation differences	–	–	–
Amount on 31 March 2023	**197**	**385**	**582**

The credit risk for trade receivables (Level 2) as of 31 March 2023, broken down by customer group, is as follows:

(EUR k)	Average default rate	Carrying amount	Loss allowance
Wholesale book trade	1.2%	5,002	59
Digital portals	0.8%	7,090	54
Other retail book trade	1.7%	1,817	30
Other customers	2.2%	2,402	54
Lifetime expected credit losses (Level 2)	**1.2%**	**16,311**	**197**

Information on loss allowances for trade receivables as of 31 March 2022 (Level 2):

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

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

12. Other receivables and assets

(EUR k)	31 March 2023	31 March 2022
Assets from expected returns	1,199	1,195
VAT refund claims	515	991
Other accruals and deferrals	1,112	766
Others	87	62
	2,912	**3,014**

All amounts can be collected within one year.

13. Cash and cash equivalents

(EUR k)	31 March 2023	31 March 2022
Cash at banks	19,287	17,967
Cash in hand	196	7
	19,482	**17,974**

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

14. Equity

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

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

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

The unappropriated surplus (including retained earnings) is made up of the net profit for the year plus the profit carried forward. As in the previous year, the profit carried forward includes amounts of EUR1,920k from (re-)measurements in connection with the preparation of the opening IFRS statement of financial position as of 1 April 2011 as well as the income and expenses of previous years that deviate from the result under German commercial law and are recognised in profit and loss.

A dividend of EUR 5,280k was distributed to the equity holders of Bastei Lübbe AG in the year under review, equivalent to a payout of EUR 0.40 per share. Non-controlling interests relate to the shares in equity attributable to minority shareholders and break down as follows in the year under review:

(EUR k)	Moba
Amount on 31 March 2022	206
Proportionate net profit/loss for the period	56
Addition/disposal due to changes in the companies consolidated	–
Dividend	-54
Currency translation differences	6
Amount on 31 March 2023	**215**

15. Earnings per share

Earnings per share (EUR 0.30 per share, previous year: EUR 0.83 per share) are calculated by dividing the weighted average net profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding (13,200,100 shares) less treasury shares.

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

16. Provisions

Movements in other provisions break down as follows:

(EUR k)	Amount on 1 April 2022*	Reclassified	Utilised	Reversed	Added	Amount on 31 March 2023
Non-current						
Archiving costs	88	–	–	–	–	88
LTIP provisions	759	-609	–	-17	–	133
Provisions for anniversaries	113	–	–	-27	11	97
	960	**-609**	**–**	**-44**	**11**	**318**
Current						
Returns	6,480	–	-6,480	–	6,141	6,141
LTIP provisions	316	609	-316	–	151	759
Others	1,253	–	–	-150	10	1,114
	8,049	**609**	**-6,796**	**-150**	**6,302**	**8,014**
	9,009	**–**	**-6,796**	**-194**	**6,313**	**8,332**

*) Previous year adjusted

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

The "Others" item includes provisions for an onerous contract with an author in an amount of EUR 1.1 million in the year under review.

The provisions for variable share-based bonuses for the members of the Executive Board were reported within other provisions in the year under review. In the previous year, they had been reported within financial liabilities. See Note 25 for details of the structure of the share-based remuneration for the members of the Executive Board

17. Financial liabilities

(EUR k)	Amount on 31 March 2023 of which due for settlement in				Amount on 31 March 2022 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	2,750	1,000	1,750	–	3,750	1,000	2,750	–
Lease liabilities	6,914	1,086	4,104	1,724	7,749	1,372	4,468	1,909
Employees*	2,047	2,047	–	–	1,977	1,977	–	–
Contingent purchase price liabilities	24	10	14	–	469	281	188	–
Debtors with credit balances	130	130	–	–	188	188	–	–
Derivatives (interest rate swap)	–	–	–	–	–	–	–	–
Others	1	1	–	–	0	0	–	–
	11,866	**4,273**	**5,869**	**1,724**	**14,134**	**4,820**	**7,406**	**1,909**

* Previous year adjusted, see Note 16

The contingent purchase price liability represents the expected consideration under the future contingent purchase price payments to the sellers of Business Hub Berlin UG, the amount of which is tied to the achievement of contractual targets in the four financial years following the purchase. The fair value of the expected contingent purchase price payments dropped by EUR 181k compared with 31 March 2022 to EUR 24k on the reporting date, with this difference recognised through profit and loss. This reduction resulted in income, which is recognized within finance income, from the reduction of the contingent purchase price liability.

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

18. Trade payables

Trade payables (EUR 21,987k, previous year: EUR 16,643k) mainly relate to royalty liabilities to authors and agencies, liabilities to printers, liabilities to other publishers and liabilities from consulting services and under rental agreements. The non-current liabilities of EUR 171k (previous year: EUR 399k) to a licensor have been discounted to their present value of EUR 149k (previous year: EUR 351k) as they are not subject to interest.

19. Other liabilities

(EUR k)	31 March 2023	31 March 2022
Liabilities (to/under)		
Employees	509	553
Other taxes	478	478
Deferred income	205	21
Prepayments received on account of orders	142	125
Phased retirement obligations	7	50
Others	680	472
	2,021	**1,698**

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

In the 2022/2023 financial year a phased retirement agreement was in force with an employee (phased retirement block model). 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:

(EUR k)	31 March 2023	31 March 2022
Present value of the phased retirement obligation	18	129
Fair value of plan assets	-11	-79
	7	**50**

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

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

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

Notes to the statement of comprehensive income

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

20. Revenues

Revenues and their development by segment and region are shown in the segment report (Note 35).

	2022/2023			2021/2022		
(EUR k)	Physical	Digital	Total	Physical	Digital	Total
Book	61,617	31,204	92,821	57,990	29,420	87,410
Novel booklets	6,677	518	7,195	6,663	434	7,096
Revenues	**68,294**	**31,722**	**100,016**	**64,653**	**29,854**	**94,507**

The physical revenues in the “Book” segment mainly comprise revenues from the sale of physical books and audiobooks to retailers, less discounts (EUR 58,295k), as well as license revenues (EUR 2,588k). They also include income from e-commerce business (EUR 500k) and other revenues (EUR 234k). Revenues from digital business in the “Book” segment comprise income from the sale of e-books and digital audio books less discounts (EUR 30,701k) as well as licence income (EUR 317k) and advertising income (EUR 186k).

Physical revenues in the “Novel Booklets” segment are derived from sales of physical novel booklets via retailers, the segment’s own e-commerce shop (EUR 6,645k) and licence and advertising income (EUR 33k) Revenues from digital business in the “Novel Booklets” segment come from the sale of e-books (EUR 505k) and licence income (EUR 12k).

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

	Amount		Changes in inventories	
(EUR k)	31 March 2023	31 March 2022	2022/2023	2021/2022
Work in progress	529	553	-23	100
Finished goods	12,321	11,035	1,285	2,262
			1,262	**2,362**
Currency translation differences			-11	-17
Changes in the reporting entity structure			–	-1,155
			1,252	1,191

Changes in the reporting entity structure in the previous year relate to the initial consolidation of CE Community Editions GmbH and the deconsolidation of J.P. Bachem Editionen GmbH.

22. Other operating income

(EUR k)	2022/2023	2021/2022*
Income from the reversal of impairments	513	535
Income from the derecognition of liabilities	241	296
Currency translation gains	37	30
Off-period income	13	76
Income from asset disposals	1	3
Income from the reversal of provisions	–	3
Others	84	333
	889	**1,275**

*) Previous year adjusted

In the previous year, income from non-cash remuneration had been reported within other operating income. In the year under review, it was netted with non-cash remuneration in personnel expenses (Note 24).

23. Cost of materials

(EUR k)	2022/2023	2021/2022*
Author royalties and amortisation of author royalties	28,884	28,379
Cost of services bought	21,595	18,472
Cost of raw materials and supplies	274	279
	50,753	**47,130**

*) Previous year adjusted

In the previous year, the cost of services bought was reported within marketing expenses in other operating expenses. In the year under review, it was included in the cost of materials.

24. Personnel expenses

(EUR k)	2022/2023	2021/2022*
Wages and salaries	17,292	16,054
Retirement benefits and other social security contributions	2,936	2,664
	20,228	**18,717**

* Previous year adjusted, see Note 22

The employer contributions to statutory pension insurance amounted to EUR 1,369k in the year under review (previous year: EUR 1,263k).

25. Share-based payments

Bastei Lübbe AG grants former and current members of the Executive Board share-based payments as defined by IFRS 2 in the form of a salary component. Under the agreements, the members of the Executive Board are entitled to collect a cash payment. The plan is structured in such a way that a number of virtual shares are issued in an amount equalling a contractually defined target on the grant date based on the average closing price of the Bastei Lübbe share over the 30 days prior to the respective start date (1 April), multiplied by a target achievement level as of the applicable reporting date. 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 variable remuneration for the three-year period from 2020 to 2023 for the former Executive Board members Carel Halff, Klaus Kluge and Ulrich Zimmermann began on 1 April 2020. On the basis of the valuation as of 31

March 2023, 238,893 virtual shares were awarded to the former members of the Executive Board for the three-year period from 2020 to 2023. For the current Executive Board members Sandra Dittert and Simon Decot, multi-year variable remuneration began on 1 April 2020 for the three-year period from 2020 to 2023. On the basis of the valuation as of 31 March 2023, 120,175 virtual shares were awarded for the three-year period from 2020 to 2023.

For the Executive Board members Simon Decot, Sandra Dittert and Joachim Herbst, multi-year variable remuneration began on 1 April 2021 for the three-year period from 2021 to 2024. On the basis of the valuation as of 31 March 2023, 43,394 virtual shares were awarded.

For the Executive Board members Soheil Dastyari, Simon Decot, Sandra Dittert and Joachim Herbst, multi-year variable remuneration began on 1 April 2022 for the three-year period from 2022 to 2025. On the basis of the valuation as of 31 March 2023, no virtual shares were awarded.

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

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

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

Measurement parameters in accordance with IFRS 2	Grant date 1 April 2021	Measurement date 31 March 2023	Measurement date 31 March 2022
Fair value of cap of 375% (in euros)	4.24	4.60	6.50
Share price (in euros)	4.46	4.61	6.94
Expected volatility (weighted average, %)	48.6%	36.2%	41.4%
Expected term (in years)	3	1	2
Expected dividends (%)	6.6%	4.0%	4.2%
Risk-free interest rate (based on government bonds, %)	-0.7%	2.8%	-0.5%

Measurement parameters in accordance with IFRS 2	Grant date 1 April 2022	Measurement date 31 March 2023
Fair value of cap of 375% (in euros)	6.59	4.60
Fair value of cap of 250% (in euros)	6.15	4.57
Share price (in euros)	6.94	4.61
Expected volatility (weighted average, %)	44.8%	36.7%
Expected term (in years)	3	2
Expected dividends (%)	2.6%	4.0%
Risk-free interest rate (based on government bonds, %)	-0.4%	2.7%

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

The total expenses under cash-settled share-based payments come to EUR 134k (previous year: EUR 860k).

The total carrying amount of the liabilities under share-based payments is EUR 892k (previous year: EUR 1,075k).

26. Other operating expenses

(EUR k)	2022/2023	2021/2022*
Marketing expenses	6,617	6,071
Advertising	4,454	3,857
Legal, consulting and acquisition costs	2,510	2,397
IT expenses	1,736	1,578
Rents, leases and other costs of premises	891	578
Currency translation losses	57	17
Other expenses	2,323	2,018
	18,587	**16,516**

* Previous year adjusted, see Note 23

27. Share of profit of associates

The share of profit of associates comprises dividends distributed by various press wholesale distribution companies. In the previous year, it included a dividend distribution of EUR 1,200k from Räder GmbH.

28. Depreciation and amortisation

(EUR k)	2022/2023	2021/2022
Systematic depreciation and amortisation		
Intangible assets	-774	-635
Property, plant and equipment	-1,995	-2,017
	-2,769	**-2,652**
Impairment losses		
Intangible assets	-2,639	–
Property, plant and equipment	-31	–
Financial assets	–	-8
	-2,670	-8
Reversal of impairment losses		
Financial assets	–	1,475
	–	1,475
	-5,439	**-1,185**

Impairment losses on intangible assets and property, plant and equipment relate to impairment testing of smarticular (see Note 5). The income from the reversal of impairment losses on financial assets in the previous year mainly relates to the loan to Daedalic Entertainment GmbH, which was repaid by that company with effect from 3 February 2022.

29. Net finance income/expenses

(EUR k)	2022/2023	2021/2022
Finance income		
Interest income from other loans	1	2
Income from derivatives	–	12
Others	236	207
	237	**221**
Finance expense		
Interest expense on bank loans	-136	-163
Interest expense on factoring	-235	-137
Interest expense on lease liabilities	-258	-130
Others	-4	-28
	-633	**-457**
Net finance income/expenses	**-396**	**-236**

Other finance income includes income from the reduction of EUR 181k in the contingent purchase price payable to the sellers of Business Hub Berlin UG as well as interest income of EUR 54k from fixed-term deposits.

30. Income tax expenses and income

(EUR k)	2022/2023	2021/2022
Income taxes refunded, paid or owed		
for the current year	-3,386	-3,818
for previous years	-2	-12
	-3,388	**-3,830**
Deferred taxes		
on temporary differences	368	35
on change in loss carryforwards	199	16
	567	**51**
	-2,821	**-3,779**

Please also refer to Note 9 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:

(EUR k)	2022/2023	2021/2022
Net profit before income taxes	**6,793**	**14,800**
Expected income tax expense (32.45%)	2,204	4,802
Differences in tax rates	-47	-88
Depreciation of excess tax base amounts	663	-2,334
Non-deductible operating expenses / tax-exempt income / special area	-104	1,467
Trade tax corrections	31	29
Deconsolidation	–	-60
Non-recognition of deferred tax assets	–	69
Taxes for prior years	34	11
Net gains/losses from the measurement of associates using the equity method	–	-122
Other	39	5
Actual income tax expense	**2,821**	**3,779**

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%.

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

The share of profit of EUR 56k (previous year: EUR 65k) attributable to non-controlling interests is the sum total of the respective shares in profit, see also Note 14. Further information regarding non-controlling interests can be found in Note 4.

32. Other comprehensive income

Other comprehensive income mainly includes currency translation differences and, in the previous year, unrealised gains on changes in the fair value of equity instruments (year under review: EUR 0k; previous year: EUR 6,345k). Further information on the fair values of equity instruments can be found in Notes 8 and 37.

Other disclosures

33. Notes to 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 cash on hand as well as bank balances with a remaining term of less than three months. They correspond to the item “Cash and cash equivalents” in the statement of financial position. In the year under review, income from the change in the fair value of the contingent purchase price liability was reported within other non-cash income. In the previous year, it had been reported within interest income.

Consolidated net profit for the period (EUR 3,972k, previous year: EUR 11,021k) fell by EUR 64% over the previous year. At EUR 10,423k, cash flow from operating activities fell short of the previous year (EUR 12,848k). This is primarily attributable to the lower consolidated net profit.

The cash flow from investing activities of EUR -761k in the year under review (previous year: EUR -2,777k) was mainly attributable to investments in software and in operating and business equipment. In the previous year, it had primarily comprised the outflow of funds for the acquisition of 60% of the shares in CE Community Editions GmbH (EUR -5,159k) and dividend income from investments of EUR 1,235k.

The cash flow from financing activities shows a total outflow of EUR -8,183k in the year under review (previous year: EUR -6,633k). A dividend of EUR 5,280k was distributed to the shareholders of Bastei Lübbe AG in the year under review. In addition, loan liabilities of EUR 1,000k were repaid. Payments made to settle lease liabilities stood at EUR 1,216k (previous year: EUR 1,333k). The interest on lease liabilities is included in the interest paid in the year under review. In the previous year, it had been reported within payments made towards lease liabilities.

In the year under review, the cash and cash equivalents recognised in the cash flow statement thus increased by EUR 1,478k (previous year: EUR 3,437k).

34. Reconciliation of liabilities from financing activities

(EUR k)	Carrying amount on 31 March 2022	Recognised in the cash flow statement	Not recognised in the cash flow statement	Carrying amount on 31 March 2023
Liabilities to banks	3,750	-1,000	–	2,750
Lease liabilities	7,749	-1,216	381	6,914
	11,499	-2,216	381	9,664

35. 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-books and audio products of Bastei Lübbe AG. The products are sold under various labels and in hardcover and paperback formats among other things. The segment also includes the subsidiaries Business Hub Berlin UG, Moravská Bastei MoBa s.r.o. and CE Community Editions GmbH.

Novel booklets

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

The segments were as follows in the year under review:

	Book		Novel booklets		Group	
(EUR k)	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022
Segment revenues	93,310	87,791	7,195	7,096	100,505	94,888
Internal revenues	-488	-381	–	–	-488	-381
External revenues	**92,821**	**87,410**	**7,195**	**7,096**	**100,016**	94,507
EBITDA	**12,237**	**14,914**	**390**	**930**	**12,627**	**15,844**
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	-5,265	-2,477	-174	-175	-5,439	-2,652
Impairment/writeups of financial assets	–	1,467	–	–	–	1,467
EBIT	**6,972**	**13,904**	**216**	**756**	**7,189**	**14,659**
This includes the following significant non-cash items:						
Goodwill impairments	-1,727	–	–	–	-1,727	–
Impairments of other intangible assets and property, plant and equipment	-943	–	–	–	-943	–
Impairments of authors' royalties	-1,481	-713	–	–	-1,481	-713
Reversion of impairments of author royalties	458	411	–	–	458	411
Impairments of financial instruments	–	-8	–	–	–	-8
Remeasurement gains on financial instruments	–	1,475	–	–	–	1,475
Impairments of inventories	-244	–	–	–	-244	–

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

The following table breaks down the segment revenues geographically:

	Germany		International		Total	
(EUR k)	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**
External revenues	74,189	66,763	25,827	27,743	100,016	94,507

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

The Bastei Lübbe Group generates more than 10% of its revenues with its largest customer. The total revenues generated with this customer stand at EUR 21,986k 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.

36. 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. One of Bastei Lübbe AG’s aims is also to pursue a dividend policy aligned to continuity in which the shareholders are able to participate in the Company’s success through a dividend ratio of 40 to 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. 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 and EBIT
- Bastei Lübbe AG’s equity and EBIT
- Ratio of net debt to consolidated EBITDA

Bastei Lübbe generally strives for an equity ratio of greater than 40% and a ratio of net debt (liabilities to banks less cash and cash equivalents) to consolidated EBITDA (= gearing) of 2.5 or less. The Group equity ratio stood at 51.0% as of 31 March 2023; the gearing was zero as of the same date due to the absence of any net debt as of the reporting date. As of 31 March 2023, net financial assets (cash and cash equivalents less liabilities to banks) were valued at EUR 16,732k and EBITDA at EUR 12,627k.

Under the existing loan agreements, covenants were defined and must be adhered to so as to ensure that the required financial resources can be obtained on the agreed terms. This entails a contractually agreed definition of gearing (adjusted financial liabilities / adjusted EBITDA) at the Group level. Bastei Lübbe achieved the target financial indicators in the year under review.

37. 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 2023 and 31 March 2022.

		Measured in accordance with IFRS 9				
(EUR k)	Measurement category in accordance with IFRS 9	Carrying amount on 31 March 2023	At amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	Fair value on 31 March 2023
Assets						
Cash and cash equivalents	AC	19,482	19,482	–	–	–
Trade receivables	AC	16,114	16,114	–	–	–
Other originated financial assets	AC	180	180	–	–	–
Investments in associates	FVOCI (Level 3)	15,100	–	15,100	–	15,100
Investments in associates	AC	193	193	–	–	–
Equity and liabilities						
Trade payables	AC	21,987	21,987	–	–	–
Liabilities to banks	AC	2,750	2,750	–	–	–
Lease liabilities*	n/a	6,914	6,914	–	–	–
Other originated financial liabilities	AC	2,178	2,178	–	–	–
Contingent purchase price liability	FVPL (Level 3)	24	–	–	24	24

* Measured in accordance with IFRS 16

(EUR k)	Measurement category in accordance with IFRS 9	Carrying amount on 31 March 2022	Measured in accordance with IFRS 9			Fair value on 31 March 2022
			At amortised cost	At fair value through other comprehensive income	At fair value through profit and loss	
Assets						
Cash and cash equivalents	AC	17,974	17,974	–	–	–
Trade receivables	AC	14,143	14,143	–	–	–
Other originated financial assets	AC	413	413	–	–	–
Investments in associates	FVOCI (Level 3)	15,100	–	15,100	–	15,100
Investments in associates	AC	193	193	–	–	–
Equity and liabilities						
Trade payables	AC	16,643	16,643	–	–	–
Liabilities to banks	AC	3,750	3,750	–	–	–
Lease liabilities*	n/a	7,749	7,749	–	–	–
Other originated financial liabilities	AC	2,166	2,166	–	–	–
Contingent purchase price liability	FVPL (Level 3)	469	–	–	469	469

* Measured in accordance with IFRS 16

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

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

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

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

The fair value of all financial instruments recognised in the statement of financial position and disclosed in these notes is determined on the basis of valuation techniques, which also include non-observable inputs as material parameters. For this reason, they are assigned to Level 3.

The fair value of the investment in Räder GmbH is calculated on the basis of a multiple procedure. To this end, an EBIT multiple was derived from the capital market data for listed peer-group companies (trading multiples) as well as comparable transactions by comparable peer groups (transaction multiples). The calculation of the fair value was based on the earnings forecast for Räder GmbH for the 2023 financial year and duly risk-adjusted to allow for any forecasting uncertainties. The fair value of the 20% share held by Bastei Lübbe in the company was calculated on the basis of its enterprise value calculated as the product of the EBIT multiple and Räder GmbH's risk-adjusted EBIT forecast, less a tradability discount. This reflects the lower marketability of the non-controlling interest compared to shares in the listed peer-group companies.

Revenue and earnings expectations for the 2023 financial year are below those of the successful figures achieved in the 2022 financial year due to the expected continuation of inflation-induced consumer restraint. Nevertheless, the value of the 20% interest in an amount of EUR 15.1 million remains within the defined value ranges.

Measurement methods	**Key inputs**	**Impact of changes in inputs on the fair value**
Multiple method	Risk-adjusted EBIT forecast for 2023	A 15% increase (decrease) would result in an increase (decrease) of EUR 2,265k in fair value
	EBIT multiple (transactions)	A 10% increase (decrease) would result in an increase (decrease) of EUR 1,510k in fair value
	Discount for non-marketability	An increase (decrease) of 5 percentage points would result in a decrease (increase) of EUR 1,006k in fair value

The contingent purchase price liability arose from the obligation to make subsequent contingent purchase price payments to the sellers of Business Hub Berlin UG. In accordance with IFRS 13, the fair value must be remeasured on each reporting date. As a key input, the company forecasts the extent to which the earnings targets (EBIT) relevant for the purchase price will be achieved and uses this as a basis for determining the future payment obligations. They are discounted using a risk-equivalent cost of capital rate.

Measurement methods	**Key inputs**	**Impact of changes in inputs on the fair value**
DCF method	Future EBIT of the associate	A 20% increase (decrease) would result in an increase (decrease) of EUR 5k in fair value

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:

(EUR k)	From interest	From subsequent measurement			Miscellaneous
		Change in fair value	Currency translation	Loss allowance	Net result
Financial assets measured at amortised cost (AC)	1	–	–	-176	-175
Financial investments in equity instruments measured at fair value through other comprehensive income (OCI)	–	–	–	–	–
Financial assets at fair value through profit and loss (FVPL)	–	–	–	–	–
Financial liabilities measured at amortised cost (AC)	-21	–	–	–	-21
Financial liabilities at fair value through profit and loss (FVPL)	–	181	–	–	181

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

(EUR k)	From interest	From subsequent measurement			Miscellaneous
		Change in fair value	Currency translation	Loss allowance	Net result
Financial assets measured at amortised cost (AC)	4	–	–	1,464	1,468
Financial investments in equity instruments measured at fair value through other comprehensive income (OCI)	–	6,345	–	–	6,345
Financial assets at fair value through profit and loss (FVPL)	–	-18	–	–	-18
Financial liabilities measured at amortised cost (AC)	-17	–	–	–	-17
Financial liabilities at fair value through profit and loss (FVPL)	–	-206	–	–	206

38. 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 Booklets" 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 (Arvato Media GmbH, 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 11.

Liquidity risk

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

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

		Amount on 31 March 2023 Undiscounted cash outflows			
(EUR k)	Carrying amount	Total	Less than 1 year	1 - 5 years	More than 5 years
Trade payables	21,987	21,996	21,825	171	–
Liabilities to banks	2,750	2,983	1,135	1,849	–
Lease liabilities	6,914	8,004	1,383	4,832	1,789
Other originated financial liabilities	2,202	2,203	2,188	15	–
	33,853	**35,187**	**26,531**	**6,867**	**1,789**

		Amount on 31 March 2022 Undiscounted cash outflows*			
(EUR k)	Carrying amount	Total	Less than 1 year	1 - 5 years	More than 5 years
Trade payables	16,643	16,662	16,263	399	–
Liabilities to banks	3,750	3,944	1,087	2,857	–
Lease liabilities	7,749	8,120	1,480	4,706	1,934
Other originated financial liabilities	2,635	2,648	2,448	200	–
	30,777	**31,374**	**21,278**	**8,162**	**1,934**

* Previous year adjusted

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

Foreign currency risk

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

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

Interest rate risk

Bastei Lübbe only has fixed or low-interest financial assets and financial liabilities. A change in interest rates within the expected fluctuation range would therefore not have any significant impact on the consolidated result.

In addition, Bastei Lübbe has both fixed and variable-interest financial liabilities. Accordingly, there is also a risk that the variable interest rate may change due to changed market conditions. An increase of 1 percentage point in interest rates would cause interest expense to rise by around EUR 120k.

39. Leases

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

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

(EUR k)	Land and buildings	Operating and office equipment	Total
Historical cost			
Amount on 1 April 2021	9,446	1,008	10,454
Changes to consolidated companies	–	-18	-18
Additions	487	126	613
Disposals	–	-33	-33
Amount on 31 March 2022	**9,933**	**1,084**	**11,017**
Cumulative amortisation and impairment losses			
Amount on 1 April 2021	1,880	338	2,218
Changes to consolidated companies	–	-9	-9
Depreciation and amortisation	1,045	326	1,372
Disposals	–	-33	-33
Reclassifications	-15	–	-15
Amount on 31 March 2022	**2,910**	**623**	**3,533**
Carrying amounts			
Amount on 1 April 2021	7,567	670	8,237
Amount on 31 March 2022	**7,023**	**461**	**7,484**
Historical cost			
Amount on 1 April 2022	9,933	1,084	11,017
Changes to consolidated companies	–	–	–
Additions	449	20	469
Disposals	–	-105	-105
Amount on 31 March 2023	**10,382**	**999**	**11,381**
Cumulative amortisation and impairment losses			
Amount on 1 April 2022	2,910	623	3,533
Changes to consolidated companies	–	–	–
Depreciation and amortisation	1,012	319	1,331
Impairment losses	31	–	31
Disposals	–	-105	-105
Reclassifications	-8	–	-8
Amount on 31 March 2023	**3,945**	**836**	**4,782**
Carrying amounts			
Amount on 1 April 2022	7,023	461	7,484
Amount on 31 March 2023	**6,437**	**163**	**6,600**

Amounts recognised in the income statement:

(EUR k)	2022/2023	2021/2022
Depreciation of right-of-use assets	-1,331	-1,372
Interest expense for lease liabilities	-258	-130
Expense for short-term leases	-130	-116
Expense for low-value assets	-1	-1
Income from subleases	16	21

40. Contingent liabilities and other financial obligations

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

The Company has issued a letter of comfort in favour of its subsidiary Siebter Himmel Bastei Lübbe GmbH. As far as we are aware, the company concerned is able to meet all of its underlying obligations. Accordingly, no recourse is expected to be taken under the letter of comfort. Author royalty commitments as of the reporting date stands at EUR 7,265k as of the reporting date (previous year: EUR 13,551k). The payment dates depend on the occurrence of certain contractual events, e.g. the acceptance of the manuscript for a purchased work.

Other financial obligations

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

(EUR k)	31 March 2023	31 March 2022*
Less than one year	1,249	1,134
Between 1 and 5 years	971	971
More than five years	364	364
	2,584	**2,470**

*) Previous year adjusted

Other financial obligations mainly comprise operating costs for Bastei Lübbe AG's office building. In addition, the other financial obligations due for settlement within one year include maintenance contracts (year under review: EUR 984k; previous year: EUR 794k). They are assumed to be ongoing and unchanged year for year. The previous year's figures also included the operating costs for Bastei Lübbe AG's office building.

41. Related party disclosures

With a share of 33.08%, Ms. Birgit Lübbe is the majority shareholder of Bastei Lübbe AG and regularly holds the majority of the voting rights at the annual general meeting. She is therefore the ultimate controlling party within the meaning of IAS 24. On 26 November 2014, a contract was signed with her governing the performance of representation duties. In the 2022/2023 financial year, this resulted in fees and expenses of EUR 61k (previous year: EUR 60k). Related parties as defined in IAS 24 also comprise members of the Executive Board and the Supervisory Board. In the year under review, there were no transactions other than the remuneration for the members of the Executive Board and the Supervisory Board (see Notes 25 and 43).

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:

(EUR k)	2022/2023	2021/2022
Affiliated companies		
Sales of goods	35	22
Provision of services	–	12
	35	**34**
Associated companies and other investments		
Provision of services	–	74
	–	**74**
Related parties		
Services purchased	-61	-60
	-61	**-60**
Total	**-25**	**48**

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

(EUR k)	31 March 2023	31 March 2022
Affiliated companies		
Trade payables	-1	-4
	-1	**-4**
Total	**-1**	**-4**

42. 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.bastei-luebbe.de/de/unternehmen/unternehmensfuehrung.

43. Executive Board and Supervisory Board

The members of the Supervisory Board are:

- Carsten Dentler, Bad Homburg (Chairman, since 14 September 2022), Diplom-Kaufmann
  Mr. Dentler is managing shareholder of Palladio Infrastruktur GmbH, Frankfurt am Main,
  Member of the Supervisory Board of König & Bauer AG, Würzburg,
  Member of the Supervisory Board of Scope Rating SE, Berlin,
  Member of the Supervisory Board of Scope Rating KGaA, Berlin.
- Robert Stein, Cologne (Chairman until 14 September 2022), Dipl. Betriebswirt (BA)
  Mr. Stein is managing director of Arcana Capital GmbH, Cologne,
  Managing director of GHP Germany GmbH, Frankfurt.
- Dr. Mirko Caspar, Berlin (Deputy Chairman), Diplom-Kaufmann
  Dr. Caspar is co-chairman of the Management Board of Mister Spex SE, Berlin,
  Shareholder of Userlutions GmbH, Berlin,
  Shareholder of Caspar Feld Marketing-Performance GmbH, Berlin.
  Member of the Advisory Board of Gitti 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 following table shows the total remuneration of the Supervisory Board (fixed payments only) and its breakdown in the 2022/2023 financial year:

(EUR k)	2022/2023	2021/2022
Robert Stein, Chairman (until 14 September 2022)	46	100
Carsten Dentler, Chairman (since 14 September 2022)	54	–
Dr. Mirko Caspar	75	75
Prof. Dr. Friedrich L. Ekey	50	50
Total	**225**	**225**

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

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

The total remuneration of the Executive Board for the 2022/2023 financial year is shown in the following table:

	Fixed remuneration		Ancillary remuneration		Bonus short-term		Bonus long-term		Total	
(EUR k)	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022
Soheil Dastyari	425	35	19	4	57	10	–	–	501	49
Joachim Herbst	270	270	25	25	36	108	-7	62	324	465
Sandra Dittert	210	210	22	22	28	87	81	171	341	490
Simon Decot	200	200	17	17	27	86	75	174	319	477
Total	**1,105**	**715**	**83**	**68**	**148**	**291**	**149**	**407**	**1,485**	**1,481**

	Fixed remuneration		Ancillary remuneration		Bonus short-term		Bonus long-term		Total	
(EUR k)	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022	2022/ 2023	2021/ 2022
Carel Halff (until 30 September 2020)	–	–	–	–	–	–	-6	189	-6	189
Klaus Kluge (until 30 September 2020)	–	–	–	–	–	–	-4	131	-4	131
Ulrich Zimmermann (until 31 December 2020)	–	–	–	–	–	–	-5	133	-5	133
Total	**–**	**–**	**–**	**–**	**–**	**–**	**-15**	**453**	**-15**	**453**

44. Employees

In the year under review, the average number of employees in the Group stood at 319 (previous year: 271) (including 319 salaried employees; previous year: 271). As of 31 March 2023, the Group had 321 employees (previous year: 280) (including 321 salaried employees; previous year: 280).

45. 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:

(EUR k)	2022/2023	2021/2022
Assurance services	303	466
Tax advisory services	33	30
	336	496

The assurance services include the audit of the annual financial statements and the consolidated financial statements of Bastei Lübbe AG and audits or plausibility reviews of the consolidated subsidiaries.

The tax advisory services in the reporting year relate exclusively to financial years beginning before 1 January 2022. This particularly entailed the preparation of Bastei Lübbe AG's tax returns for the 2019/20 financial year and individual tax enquiries in connection with an external tax audit for the years 2014 to 2019. In the previous year, the tax advisory services particularly included the preparation of Bastei Lübbe AG's tax returns, the review of the tax assessment notices, individual tax enquiries and advice on tax matters in connection with the acquisition of an investment.

46. 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).

47. 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, 3 July 2023

Bastei Lübbe AG
The Executive Board

Soheil Dastyari
Chief Executive Officer

Joachim Herbst
Chief Financial Officer

Sandra Dittert
Executive Board
Chief Marketing and
Sales Officer

Simon Decot
Chief Programme Officer

SUPPLEMENTARY INFORMATION

AUDIO PROGRAM –
LÜBBE AUDIO

Responsibility statement

Statement of the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements of Bastei Lübbe AG, Cologne as of 31 March 2023 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, 3 July 2023

Bastei Lübbe AG
The Executive Board

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

Independent Auditor's Report

To Bastei Lübbe AG, Cologne

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

Audit opinions

We have audited the consolidated financial statements of Bastei Lübbe AG, Cologne, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at March 31 2023, 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 2022 to 31 March 2023, and consolidated notes to the financial statements, including a summary of material accounting methods. In addition, we have audited the combined management report of Bastei Lübbe AG, Cologne, for the financial year from 1 April 2022 to 31 March 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration represented in the financial statement and posted on the Company's website pursuant to §§ 289f and 315d of the German Commercial Code (HGB [Handelsgesetzbuch]) and the declaration of conformity in accordance with § 161 of the 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 § 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 2023 and of its financial performance for the financial year from 1 April 2022 to 31 March 2023 and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the above-mentioned components of the combined management report not audited in respect of their content.

Pursuant to § 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 § 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 matters in the audit of the consolidated financial statements

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 April 2022 to 31 March 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

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

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

Re 1) Valuation of pre-paid royalties

a) Risk for the financial statements

As of the balance sheet date, the balance sheet shows pre-paid royalties with a total carrying amount of EUR 23.9 million (previous year: EUR 20.1 million), which corresponds to 22 % (previous year: 19 %) of the balance sheet total. In the financial year, scheduled depreciation amounted to EUR 9.2 million (previous year: EUR 11.2 million) and unscheduled depreciation to EUR 1.5 million (previous year: EUR 0.7 million). This was offset by value recoveries amounting to EUR 0.5 million (previous year: EUR 0.4 million). In addition, provisions for anticipated losses from existing contracts with authors were reduced by EUR 0.2 million to EUR 1.1 million (previous year EUR 1.3 million). The inventory of pre-paid royalties relates to guarantee and advance payments for manuscripts for which Bastei Lübbe AG has acquired exploitation rights. They are measured at amortized cost. Scheduled depreciation is generally determined on the basis of the revenues generated, depending on performance. If the revenues generated are below a typical sales trend, this is used as the basis for determining depreciation. In addition, all material contracts with guaranteed payments in excess of TEUR 250 and high-risk contracts are reviewed for impairment. Impairment losses are recognized if the expected net income before royalty expenses determined for an author contract on the basis of an estimate of future revenues is less than the carrying amount. The Company's disclosures on the balance of pre-paid royalties are contained in the sections "Balance of pre-paid royalties" of the notes and "Net assets" and "Net assets of Bastei Lübbe AG" of the combined management report.

The standardized 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 performance or based on standardized historical sales trends for the categorized forms of exploitation. In the course of our audit, we analyzed the accuracy of the performance-related depreciation. For this purpose, we tested the effectiveness of the material controls of Bastei Lübbe AG, which ensure the correctness of the royalty statements to the authors, on a sample basis. Furthermore, we tested the royalty statements of the financial year, which serve as the basis for the performance-based depreciation, on a sample basis. In addition, we examined the adequacy of the standardized sales trends by tracing the retrograde review of the standardized depreciation rates carried out annually by Bastei Lübbe AG on the basis of current revenue trends. We additionally examined the calculation of scheduled depreciation using data analyses.

We evaluated the methods and data used by Bastei Lübbe AG to identify indications of unscheduled depreciation for their accuracy and correctness. Subsequently, we evaluated the plausibility and mathematical correctness of the forecasts and key assumption underlying the impairment tests and possible provisions for impending losses. We also evaluated whether management has made biased judgements and estimations.

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

Re 2) Valuation of the investment in Räder GmbH at fair value

a) Risk for the financial statements

Bastei Lübbe AG holds a 20 % (previous year: 20 %) interest in Räder GmbH, which is domiciled in Essen. The information provided by Bastei Lübbe AG on the investment in Räder GmbH can be found in the sections "Basis of consolidation and shareholdings", "Financial assets", "Other comprehensive income" and "Financial instruments" in the notes to the consolidated financial statements. In accordance with IFRS 9.4.1.4 in conjunction with IFRS 9.5.7.5, the shares in Räder GmbH are measured at fair value through other comprehensive income of EUR 15.1 million (previous year: EUR 15.1 million). The fair value is determined on the basis of a valuation model that is based on expectations of the business performance for the coming year and transaction multiples (multiples method). In this context, discounts specific to the company were applied both to the earnings before taxes and financial result (EBIT) as well as to the market multiples. Bastei Lübbe AG used the work of an external expert commissioned by Bastei Lübbe AG. The result of the fair value valuation is significantly subject to the influence of discretionary assumptions. Against this background and due to the material impact on the financial position, particularly on the equity, this matter was of particular significance in the context of our audit.

b) Audit procedures and conclusions

In the course of our audit of the fair value valuation of Räder GmbH, we first assessed the applicability of the valuation model used. In addition, we checked the plausibility of the assumptions underlying the earnings planning and the appropriateness of the multiples used, including a fungibility markdown. In doing so, we assessed the valuation report commissioned by Bastei Lübbe AG from external experts and their professional qualifications. We were able to convince ourselves that the valuation of the investment in Räder GmbH was carried out appropriately with regard to the method, assumptions and data used, that the assumptions on which the valuation was based were sufficiently documented and justified overall, and that the fair value recognized lies within a valuation range that is understood to be appropriate.

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 website of Bastei Lübbe AG pursuant to §§ 289f and 315d HGB and the declaration of conformity in accordance with § 161 AktG, also posted on the website of Bastei Lübbe AG, to which reference is made in the “Corporate Governance” section of the combined management report,
- the supervisory board report,
- the other parts of the published Annual Report, but not the consolidated financial statements, not the audited content of the combined management report and not our auditor’s opinion,
- the confirmation pursuant to § 297 para. 2 sentence 4 HGB concerning the consolidated financial statements and the confirmation pursuant to § 289 para. 1 sentence 5 HGB in conjunction with § 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 § 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 § 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 fraudulent acts (i.e. manipulation of accounting and asset misstatements) or errors.

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 fraudulent acts or errors, 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 § 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 fraudulent acts or errors 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 fraudulent acts or errors, 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 fraudulent acts is higher than the risk of not detecting a material misstatement resulting from error, as fraudulent acts 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 § 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 actions taken or safeguards implemented to address independence threats.

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

Other legal and regulatory requirements

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

Reasonable assurance opinion

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

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 para. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 April 2022 to 31 March 2023 contained in the “Report on the audit of the consolidated financial statements and of the combined management report” above.

Basis for the reasonable assurance opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with § 317 para. 3a HGB and the Exposure of IDW Assurance Standard: Assurance in Accordance with § 317 para. 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (06.2022)). Accordingly, our responsibilities are further described below in the “Group auditor’s responsibilities for the assurance work on the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

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

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 para. 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 in the version applicable on the reporting date enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the shareholders on 14 September 2022. We were engaged by the Supervisory Board on 12 December 2022. We have been acting as the auditor of the financial statements for Bastei Lübbe AG, Cologne, without interruption since the 2016/17 Financial Year.

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

Other matters - Use of the auditor's report

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

German public auditor responsible for the engagement

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

Cologne, 4 July 2023

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

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

Financial calender 2023/2024

Date	Event
10 August 2023	Quarterly statement (Q1)
13 September 2023	Annual General Meeting
9 November 2023	Half-year financial report as of 30 September 2023 (HY1)
8 February 2024	Quarterly statement (Q3)

Legal notice

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

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

Published by:

Bastei Lübbe AG
Schanzenstraße 6-20
51063 Köln

Tel: +49 (0)221 82 00 22 88
Fax: +49 (0)221 82 00 12 12
E-Mail: investorrelations@luebbe.de

In addition tot he employees of Bastei Lübbe AG, the following persons were involved in the preparation of this annual report:

Copy and Concept:

CROSS ALLIANCE communication GmbH, Bahnhofstrasse 98, 82166 Gräfelfing
newskontor - Agentur für Kommunikation, Graf-Adolf-Straße 20, 40212 Düsseldorf

Copy and Concept:

Guter Punkt GmbH & Co. KG, Germaniastraße 38, 80805 München

Printed by:

Druckerei Wilhelm Brocker GmbH, Oberblissenbach 48, 51515 Kürten

BASTEI LÜBBE