PRESS RELEASE

BRILL

Brill reports 1% organic revenue growth in H1; announces cost saving initiative

Key Figures (in EUR x million)	2018 H1	2017 H1
Revenues	16.1	16.0
EBITDA	0.7	1.1
Operating profit	0.2	0.8
Profit	0.1	0.4
Profit per share (EUR)	0.08	0.20
Net cash from operating activities	0.6	-0.1
Key Performance Indicators		
Organic Growth (excluding acquisition and currency effects)	1.0%	2.2%
EBITDA Margin	4.4%	7.0%
EBITDA Margin organic development	6.9%	7.0%

NOTE: The information in this report is based on unaudited interim financial statements

Highlights

- Continued success in the Asian market across all product formats
- Good growth in the journal program
- Unexpected weakness in the US and EU impacted Q2 ebook revenue in particular
- Improved cash generation due to improved working capital
- Product and deal pipeline provide opportunities for growth in H2
- Profit improvement plan announced to achieve run rate savings of over EUR 0.6m as of 2020.

Developments in the first half year

Following a first quarter developing in line with expectations, we experienced a slowdown in Q2 in ebook sales in the US and print sales in the EU. In the US, especially one-off sales and third-party sales of ebooks experienced a downturn. We did complete a major ebook sale with a top North American university, rendering the balance of major deals versus last year positive. Title output increased as well as journal issue output. Schöningh & Fink met expectations in H1 and showed satisfactory growth.

In Q2 we completed development on the second stage of brill.com and we are now in the process of migrating subscription and license data to the new platform. We expect to sunset the current Brill online platform in Q4. The back office migration of Schöningh & Fink is nearing completion with the migration to our common ERP system planned in Q3.

Management and Strategy update

Following the Annual General Meeting of 17 May 2018, exactly 335 years after Jordaan Luchtmans established the publishing business that was to become Brill, Herman Pabbruwe stepped down as CEO of the company and the new Executive Committee, consisting of Peter Coebergh (CEO), Olivier de Vlam (CFO | COO) and Jasmin Lange (CPO) took office.

Under new management, Brill will continue to pursue its long-term strategy of expanding market presence, enhancing commercial capabilities and investing in operations. In addition, the Executive Committee defined two strategic imperatives which are required for long-term success; publishing excellence and profit improvement.

Publishing excellence
A reputation for and commitment to publishing excellence has always been key to the sustainability of our business. We operate from a strong belief that Humanities, Social Sciences and International Law are vital scholarly subject areas for addressing today's global issues. This belief motivates us to offer our authors the best possible service and a top class infrastructure to disseminate their research. Brill also wants to support scholars in advocating the relevance of their fields of research and in sourcing the means to finance research and publications. Consequently we support and promote the open access model and continue to invest in our open access service.

Profit improvement
As indicated earlier and following due analysis of Brill's cost structure, the Executive Committee resolved to implement a profit improvement plan during the remainder of 2018 and 2019. The plan will entail actions to improve the gross margin and the operating expense level while continuing to invest in areas strategic to Brill's long-term development. The first wave of initiatives identified aims to achieve a recurring reduction in operating cost cumulating to EUR 0.6m as of 2020, barring changes in business scope or strategy. The company expects one off pre-tax expenditures in 2018 and 2019 of EUR 0.8m in total. The expenditures and savings achieved related to this initiative will be reported separately. Given the one-time nature of the expenditures and Brill's long-term favorable outlook, our dividend policy remains unchanged.

Financial Review
Total H1 revenues showed 1% organic growth versus the prior year:

	Revenue	% growth	% yoy
Total Revenue 2017	**16.0**	**100.0%**	
Print books	-0.2	-1.3%	-3.3%
eBooks	-0.1	-0.9%	-3.2%
Journals	0.4	2.7%	10.1%
PS	0.1	0.4%	10.0%
Other	0.0	0.2%	16.1%
Organic Revenue 2018	**16.2**	**1.0%**	**1.0%**
Acquisitions	0.3	1.7%	0.0%
Currency	-0.4	-2.4%	
Total Revenue 2018	**16.1**	100.4%	100.4%

Print book revenues underlying decline was 3.3% - slightly worse than expected due to different timing of returns at our US wholesale clients and slower sales in the EU region. *eBook* revenues were impacted by a slowdown in sales intake especially in the US, and by tough comparables from 2017. *Journal* revenues increased because of underlying growth in the portfolio and were further boosted by some timing differences that will equal out in the remainder of the year.

As announced previously, the weaker US dollar during most of H1 had a negative effect on our revenue, dampened somewhat by our hedging policy.

Digital revenue increased as a percentage of overall revenue to 54% from 53% in 2017. Subscription based revenue remained flat at 41% of total revenue.

Cost of goods sold was below last year due to the one-off royalty accrual included in last year's costs. Further structural improvements in CoGS were consumed by temporary parallel running costs of our online platforms (EUR 0.1m).

As communicated in our earlier statements, personnel costs increased mostly due to the growth in staff during 2017, including the acquisition of Sense. As per 30 June, ultimo FTE had increased by 1 versus year end 2017 due to the acquisition of mentis. However versus HY 2017 average FTE increased from 156.3 to 165.6.

Operating expenses increased due to the acquisitions but also due to higher finance support costs, including audit fees.

As a result of the above, EBITDA, Net profit and Earnings Per Share declined compared to H1 2017. The impact of currency and acquisitions is significant; organically EBITDA would have been flat versus 2017.

Balance sheet and cash flow
At the May Annual General meeting, the shareholders adopted the dividend proposal of EUR 1.32 and a special jubilee dividend of EUR 3.00 per share, leading to an adjustment in our capital structure. Furthermore, in Q2 Brill arranged a new package of credit facilities to fund this dividend payout and Brill's future operating and acquisition strategy. As a result, Brills capital structure was further aligned with its long-term balance sheet policy. Shareholder capital decreased, and we took out a long-term loan of EUR 6.5m. Consequently, the solvency rate decreased to 44% (YE 2017: 56%).

Cash flow from operations improved versus last year, despite the lower profitability. This is mainly the result of improved working capital (lower inventory and higher deferred income).

Outlook
Given the mixed developments in the first half, the company is cautious about providing guidance for the full year. On the one hand, it remains difficult to reliably forecast the important Q4 sales. On the other hand we have a good H2 pipeline, both for product releases and sales opportunities. All things considered we expect to achieve limited revenue growth in the full year. This should result in a EBITDA around the 2017 level due to the earlier mentioned higher personnel costs. We also expect that the cost savings initiatives described above may impact Net profit by EUR 0.3m. Combined with the expected increase in amortization charges and the increased financing expenses this would lead to a Net profit and EPS slightly below 2017.

Risk management
No significant changes occurred in the company's assessment of relevant risks since the publication of the annual report 2017.

Responsibility Statement

The Half Year Report 2018 is an accurate account of assets and liabilities, the financial position and the profit of Koninklijke Brill NV and the entities which are included in the consolidation. Also the Half Year Report is an accurate account of the situation on the balance date, the state of affairs during the first half of the fiscal year of Koninklijke Brill NV and that of the entities whose data are included in the Half Year Report and the expected state of affairs. Special attention is paid to investments and to the circumstances on which revenues and profitability depend. Please note that the figures per 30 June, 2018 have not been reviewed nor audited.

The Management Board,
Peter Coebergh
Olivier de Vlam

coebergh@brill.com - +31 (0)6 53 57 83 25

For further Financial information please see the Half Year Report at
https://brill.com/page/InvestorRelations/investor-relations

About Brill

Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in Middle East and Islamic Studies, Asian Studies, Classical Studies, History, Biblical and Religious Studies, Language & Linguistics, Literature & Cultural Studies, Philosophy, Biology, Education, Social Sciences and International Law. With offices in Leiden (NL), Boston (US), Paderborn (GER), Singapore (SG) and Beijing (CN). Brill today publishes 284 journals and close to 1,400 new books and reference works each year, available in print and online. Brill also markets a large number of primary source research collections and databases. The company's key customers are academic and research institutions, libraries, and scholars. Brill is a publicly traded company and is listed on Euronext Amsterdam NV. For further information, please visit www.brill.com.

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Consolidated statement of financial position, before appropriation of profit

in thousands of euro's

ASSETS	30-6-2018 (Unaudited)	31-12-2017 (Audited)
Non-current assets		
Tangible fixed assets	468	488
Intangible assets	32,427	31,574
Financial assets	12	12
	32,908	32,074
Current assets		
Inventories	2,840	3,236
Trade and other receivables	6,489	9,154
Income tax to be received	957	334
Derivative financial instruments	66	346
Cash and cash equivalents	-	3,787
	10,352	16,857
TOTAL ASSETS	43,260	48,931
LIABILITIES		
Equity attributable to owners of Koninklijke Brill NV		
Share capital	1,125	1,125
Share premium	343	343
Retained earnings	18,062	23,900
Other reserves	-520	-226
Undistributed profit	148	2,260
	19,158	27,402
Non-current liabilities		
Long term loan	6,500	-
Provisions long	45	45
Deferred tax liabilities	3,719	3,775
	10,264	3,820
Current liabilities		
Trade and other payables	6,453	8,787
Deferred income	6,878	8,713
Provisions	100	100
Derivative financial instruments	325	105
Bank overdraft	82	-
Tax to be paid	-	4
	13,838	17,709
Total liabilities	24,102	21,529
TOTAL EQUITY AND LIABILITIES	43,260	48,931

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Consolidated income statement and statement of comprehensive income for the six months ended June 30, 2018

in thousands of euro's

		2018 HY		2017 HY
		(Unaudited)		(Unaudited)
Gross profit				
Revenue		16,050		15,993
Costs of goods sold		-5,174		-5,383
		10,876		10,610
Expenses				
Selling and distribution costs	-2,961		-2,921	
General and administrative expenses	-7,669		-6,918	
		-10,630		-9,839
Operating profit		246		771
Finance income		17		16
Finance expenses		-61		-278
Profit before tax		202		509
Income tax expense		-54		-126
Profit from continued operations attributable to the shareholders of Koninklijke Brill NV		148		383
Other comprehensive income – items that might be reclassified to future profit or loss statements				
Exchange differences on translation of foreign operations	56		-73	
Cash flow hedges	-463		723	
		-408		650
Income tax on other comprehensive income		114		-181
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV		-146		852
Earnings per share				
Basic/diluted earnings per share for the period Attributable to the shareholders of Koninklijke Brill NV		0.08		0.20