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# Koninklijke Brill NV

Half Year Report 2015

25 August 2015



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## Brill reports flat sales but expects better results in second half

Key Figures (in EUR x million)	2015 HY	2014 HY	2014 YE
Revenues	13.0	13.0	29.7
EBITDA	0.5	1.2	4.0
Profit before tax	0.3	0.7	3.0
Net profit after tax	0.2	0.5	2.5
Net profit	0.2	0.5	2.5
Earnings per share (EUR)	0.12	0.27	1.31

Revenues were flat during the first six months of 2015 compared to last year to date. As the sales of books and year end library spend have shown irregular patterns over the last few years and revenues in the last quarter of the year have a major impact on the year, the company gives no concrete outlook for 2015. Barring unforeseen developments such as significant market disturbance, some growth of revenues is expected by year end. In the second half of the year a number of large publications will be launched and the effects of cost savings and staff reduction will become visible. These and other structural measures such as improved pricing, lower fulfillment costs and more favorable trading policies will help restore profitability. The full integration of Rodopi is on schedule. In April Brill opened a representative office in Singapore, stepping up its presence in Asia. Olivier de Vlam joined the company as EVP Finance & Operations in August.

### Developments in first half year 2015

#### Results

Notwithstanding acquired business from Rodopi, revenues were flat versus the first half year of 2014, reflecting a slight decline in the existing programs. The fluctuation of the exchange rate on the US dollar had hardly any impact on revenues due to the standard hedging policy.

Sales of books continue to experience varying market conditions; print books disappointed in North America, most notably as a result of industry consolidation in the US, disrupting regular order flows. Electronic collections of books showed growth in North America, but had a weak start in Asia and the Middle East. Journal revenue (print and electronic) was stable overall and orders and renewals show growth. Also sales of digital and analog primary source collections increased from last year. As a percentage of total revenue, digital revenues (electronic products and rights) increased to 52% versus 49% in the first six months, with an underlying growth of 6% reflecting continued momentum in electronic product revenues.



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While gross profit remained stable, operating cost increased 9%, of which 6% was caused by the combined effect of a stronger dollar and higher costs related to the new Rodopi program which was acquired as of HY2 2014.

#### **Balance sheet and cash flow**

As there was no need for substantial investments, tangible assets were roughly at the same level as in 2014. Compared with year end 2014, working capital increased M€ 0.8 to M€ 8.3. The increase is due to seasonal patterns and reflects also an increase in product development and the expanded program. Net cash flow from operating activities improved by M€ 0.2 versus last year to date to minus M€ 0.5. The solvency rate increased to 61.1% (end 2014: 59.4%).

#### **Risk management**

No significant changes occurred in the company's assessment of relevant risks since the publication of the annual report 2014. The standing policy of hedge accounting for currency management was maintained and led to a mutation of retained earnings of K€ 66 (in 2013 minus K€ 181). See under unrealized results.

#### **Responsibility Statement**

The half year report 2015 is an accurate account of assets and liabilities, the financial position and the profit of Koninklijke Brill NV and the corporations 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 fiscal year of Koninklijke Brill NV and that of the allied enterprises 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 2015 have not been audited.

Herman A. Pabbruwe  
Chief Executive Officer



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**Condensed consolidated balance sheet as of 30 June 2015**  
in K€

	2015 HY (Unaudited)	2014 HY (Unaudited)	2014 YE (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,475	1,403	1,336
Intangible assets	17,781	17,352	17,739
	<b>19,256</b>	<b>18,755</b>	<b>19,075</b>
<b>Current assets</b>			
Inventories	13,495	13,112	13,200
Trade and other receivables	6,076	6,373	7,770
Income tax receivable	274	200	41
Forward currency contracts	0	28	0
Cash and cash equivalents	1,956	1,903	5,254
	<b>21,801</b>	<b>21,616</b>	<b>26,265</b>
<b>TOTAL ASSETS</b>	<b>41,057</b>	<b>40,371</b>	<b>45,340</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of Koninklijke Brill NV</b>			
Issued capital	1,125	1,125	1,125
Share premium	343	343	343
Retained earnings	23,828	23,533	23,534
Other reserves	-415	-97	-508
Undistributed profit	219	504	2,450
	<b>25,100</b>	<b>25,408</b>	<b>26,944</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	4,201	3,789	4,179
	<b>4,201</b>	<b>3,789</b>	<b>4,179</b>
<b>Current liabilities</b>			
Trade and other payables	5,269	5,530	6,890
Deferred income	6,035	5,625	6,786
Forward currency contracts	452	0	541
Income tax payable	0	19	0
	<b>11,756</b>	<b>11,174</b>	<b>14,217</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41,057</b>	<b>40,371</b>	<b>45,340</b>



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## Consolidated statement of comprehensive income for the six months ended 30 June 2015

in K€

	Notes	2015 HY (Unaudited)	2014 HY (Unaudited)
<b>Gross profit</b>			
Revenue	8	12,989	12,988
Costs of goods sold		<u>-4,381</u>	<u>-4,336</u>
		8,608	8,652
<b>Operating costs</b>			
Selling and distribution costs	9	-2,942	-2,531
Administrative expenses			
General operating expenses	9	-5,151	-4,918
Amortization of intangible assets		-86	-178
Depreciation of tangible assets		<u>-309</u>	<u>-361</u>
		<u>-8,488</u>	<u>-7,988</u>
<b>Operating profit</b>		120	664
Finance income		215	33
Finance costs		<u>-29</u>	<u>-20</u>
<b>Profit before tax</b>		306	677
Income tax expense	10	<u>-87</u>	<u>-173</u>
<b>Profit for the period</b>		<u>219</u>	<u>504</u>
<b>Profit for the period attributable to the ordinary Shareholders of Koninklijke Brill NV</b>		<u>219</u>	<u>504</u>
<b>Earnings per share</b>			
Basic/diluted earnings per share for the period Attributable to the shareholders of Koninklijke Brill NV		0.12	0.27
<b>Profit for the period</b>		219	504
<b>Other comprehensive income</b>			
Foreign exchange results		27	-18
Cash flow hedges		<u>66</u>	<u>-181</u>
		93	-199
Income tax on other comprehensive income		<u>-23</u>	<u>0</u>
<b>Total comprehensive income after tax attributable to the ordinary shareholders of Koninklijke Brill NV</b>		289	305



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**Condensed consolidated interim statement of cash flows  
for the six months ended 30 June 2015**

in K€

	2015 HY (Unaudited)	2014 HY (Unaudited)
	notes	
<b>Cash flows from operating activities</b>		
Profit for the period from continuing operations	306	677
<u>Adjustments for:</u>		
Non-cash related movements	251	625
Movement in working capital	-807	-1,659
Paid corporate income tax	-275	-313
<b>Net cash from operating activities</b>	-525	-670
<b>Net cash from investment activities</b>	5 -589	-1,846
<b>Cash flow from financing activities</b>		
Interest received	2	8
Interest paid	-29	-20
Dividends paid	12 -2,156	-2,100
<b>Net cash from financing activities</b>	-2,183	-2,112
Net increase (decrease) in cash and cash equivalents	-3,297	-4,628
Exchange differences on cash and cash equivalents	0	0
Cash and cash equivalents at 1 January	5,254	6,531
<b>Cash and cash equivalents at 30 June</b>	1,957	1,903



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**Consolidated Interim Statement of Changes in Equity**  
**for the six months ended 30 June 2015**  
in K€

		Share capital	Share Premium	Retained Earnings	Exchange Difference Reserve	Cash flow Hedge reserve	Unallocated Profit	Total Equity
<b>2015</b>								
<b>At 1 January 2015 (audited)</b>		<b>1,125</b>	<b>343</b>	<b>23,534</b>	<b>-103</b>	<b>-405</b>	<b>2,450</b>	<b>26,944</b>
Other comprehensive income/expense		0	0	0	27	66	0	93
Profit for the period		0	0	0	0	0	219	219
Total comprehensive income/expense for the period		0	0	0	27	66	219	312
Dividend to shareholders	13	0	0	0	0	0	-2,156	-2,156
Profit previous year added to retained Earnings		0	0	294	0	0	-294	0
<b>At 30 June 2015 (unaudited)</b>		<b>1,125</b>	<b>343</b>	<b>23,828</b>	<b>76</b>	<b>-339</b>	<b>219</b>	<b>25,100</b>
<b>2014</b>								
<b>At 1 January 2014 (audited)</b>		<b>1,125</b>	<b>343</b>	<b>23,172</b>	<b>-107</b>	<b>209</b>	<b>2,461</b>	<b>27,203</b>
Other comprehensive income/expense		0	0	0	-18	-181	0	-199
Profit for the period		0	0	0	0	0	504	504
Total comprehensive income/expense for the period		0	0	0	-18	-181	504	305
Dividend to shareholders	12	0	0	0	0	0	-2,100	-2,100
Profit previous year added to retained Earnings		0	0	361	0	0	-361	0
<b>At 30 June 2014 (unaudited)</b>		<b>1,125</b>	<b>343</b>	<b>23,533</b>	<b>-125</b>	<b>28</b>	<b>504</b>	<b>25,408</b>



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## Notes to the Unaudited Condensed Consolidated interim financial statement

### 1. Reporting entity

The condensed consolidated interim financial statements were authorized for issue by the Supervisory Board and Executive Board on 25 August 2015. Koninklijke Brill NV is incorporated in the Netherlands and has its headquarters in the Netherlands. The shares of Koninklijke Brill NV are publicly traded at the Euronext in Amsterdam.

### 2. Accounting policies and estimates

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS34 'Interim financial reporting'. The condensed consolidated interim financial statement should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS. The new standards that became effective as of 1 January 2015 are not expected to have a material impact on the condensed consolidated interim financial statements. All amounts are mentioned in thousand EUR (K€), unless otherwise mentioned.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

### 3. Audit

The condensed consolidated interim financial statements for the six months ended 30 June 2015 have not been audited.

### 4. Seasonality

A significant part of the Brill book titles are published in the second half of the year which also means that revenues tilt toward the second half of the year. Although the journals are more equally published throughout the year the number of subscriptions shows a limited growth in the course of the year. In general most revenue is recorded in the second half of the year. The costs develop in general more equally throughout the year which is expected to result in progressive development of the profit in the rest of the year.

### 5. Acquisitions and investments

In the first six months of 2015 Brill acquired four journal titles amongst others: *Islamic Africa* and *The Dostoevski Journal*. The acquired publications have not yet contributed to the revenue for the period of six months ended 30 June 2015. It is expected that the journals will contribute to the revenue and profit in 2015. In the first half of the year, a total amount of K€ 440 (2014 K€ 550) was invested in tangible fixed assets and an amount of K€ 148 (2014 K€ 111) was invested in software (intangible assets). As per 30 June 2015 no material commitments were made concerning the acquisition of assets.

### 6. Inventories

Included in the value of the inventories is an adjustment for unsellable inventory. In the first six months of the year this accrual has increased with K€ 206 (2014: K€ 125).





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## 7. Financial instruments

Fair value	2015 HY (Unaudited)	2014 YE (Audited)
<b>Financial assets</b>		
Trade and other receivables	6,076	7,770
Cash and cash equivalents	1,956	5,254
<b>Financial liabilities</b>		
Trade and other payables	-5,269	-6,890
Forward currency contracts	-452	-541

### **Hedge accounting**

Koninklijke Brill NV only makes use of cash flow hedging by using synthetic forward currency contracts. At 30 June 2015 the forward currency contracts covered an amount of M\$ 8.35 (2014 M\$ 8.35). The forward currency contracts have a maximum duration of 12 months. The market to market value at 30 June 2015 was minus K€ 452 (2014 K€ 3). The forward currency contracts used for the cash flow hedge were reviewed at 30 June 2015 and are considered to be effective. The forward currency contracts eliminate the fluctuation in exchange rates of the future sales related cash flows in US dollars.

## 8. Operating segment information

The publishing activities of Brill are divided into specialty areas which management considers to be reportable segments. The segments are:

- **Law:** International Law
- **Middle East, Islam, Asian and African Studies (MIA):** History, Culture, Literature, Economy and Politics of the Middle East, the Islam and Africa and Language & Linguistics.
- **History (HIS):** History, including Early Modern and Natural History, the History of Science and Biology.
- **Religion (REL):** Religion and Bible Studies, Classical Studies, Greek and Latin Literature and Ancient Near East and Jewish Studies.

As of 1-1-2015 the operational segment of Classical Studies has been completely integrated in the Religion segment and the operational segment of Asian Studies has been integrated in the Middle East, Islam, Asian and African Studies segment.

In order to make strategic decisions on the allocations of resources the management of Brill reviews the performance of individual segments, focusing on the profitability and potential of the segment. Depreciation and amortization of assets, financial income and expense are not allocated on segment level.



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<b>Segment revenue and results</b>						
<b>Six months ended 30 June 2015</b>						
	LAW	MIA	HIS	REL	Adjustment	Total
<b>Net Sales per segment</b>						
Sales to external customers	2,629	3,956	2,707	3,697	0	12,989
<b>Result</b>						
Segment profit before tax	298	71	-181	327	-209*	306
<b>Segment revenue and results</b>						
<b>Six month ended 30 June 2014</b>						
	LAW	MIA	HIS	REL	Adjustment	Total
<b>Net Sales per segment</b>						
Sales to external customers	2,576	3,432	2,962	4,018	0	12,988
<b>Result</b>						
Segment profit before tax	399	26	159	619	-526	677

\* The adjustment consist of depreciation/amortization (minus K€395) and financial income and expense (K€186).

<b>Segment assets</b>	LAW	MIA	HIS	REL	Adjustment	Total
<b>As at 30 June 2015</b>	15,823	11,139	6,494	7,327	274	41,057
As at 31 December 2014	16,701	12,106	7,641	8,851	41	45,340

## 9. Personnel Expenses

	2015 HY	2014 HY
Salaries and wages	4,003	3,596
Social security charges	560	526
Costs of defined contribution pension plan	472	389
Costs of other defined contribution plans	130	125
	<b>5,165</b>	<b>4,636</b>
Personnel expenses booked on Work in Progress	-710	-696
Personnel expenses reported as operating costs	<b>4,455</b>	<b>3,940</b>



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10. Income taxes

The major components of income tax expense in the condensed consolidated interim statement of comprehensive income are:

Income tax reported in the condensed consolidated interim statement of comprehensive income	2015 HY	2014 HY
<u>Current income tax:</u>		
Current income tax charge	66	177
<u>Deferred income tax:</u>		
Relating to origination and reversal of temporary differences	21	-4
	87	173

11. Earnings per share

Earnings per share	2015 HY	2014 HY
Profit for the period ended 30 June 2015	219	504
Weighted average number of ordinary shares for basic earnings	1,874,444	1,874,444
Basic/Diluted profit per share for the period ended 30 June 2015 attributable to ordinary shareholders of Koninklijke Brill NV	0.12	0.27

12. Dividends paid

Declared and paid during the period ended 30 June 2015	2015 HY	2014 HY
Dividend on ordinary shares: declared dividend over 2014 115 cents (over 2013: 112 cent)	2,156	2,100

13. Events after Balance Sheet date

No significant changes in the business, transactions or acquisitions took place after balance sheet date.