PRESS RELEASE

BRILL

Impact of Covid-19 on Brill revenue mitigated by cost savings

Key Figures (in EUR x thousands)	2020 H1	2019 H1	Change
Revenues	16,215	16,769	-3.3%
EBITDA	1,332	1,244	7.0%
Operating profit	392	213	83.9%
Profit	120	58	107.3%
Profit per share (EUR)	0.06	0.03	107.3%
Key Performance Indicators			
Organic growth (excluding acquisition and currency effects)	-4.2%	3.7%	
EBITDA margin	8.2%	7.4%	

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

Highlights

- Revenue declined 3.3%, mainly due to a 16.8% downturn in print book revenues
- Q1 performance was satisfactory, Covid-19 impacted revenues as of mid-March
- Journal and eBook sales continue to show a healthy growth
- Timely and decisive cost saving actions resulted in higher EBITDA as a buffer for H2
- Strong cash position due to measures implemented by management and growth in subscription portfolio
- Waivers obtained for key banking covenants in 2020, enabling Brill to continue executing on its strategy
- Covid-19 generates continued uncertainty for the remainder of the year

Peter Coebergh, CEO commented:
"We are happy about the performance and the commitment of our staff in the first half of 2020, where we managed to conduct business with our authors, vendors and customers despite the difficulties posed by the Covid-19 pandemic. Continuation of the positive momentum of 2019 in Q1 and organizational discipline enabled us to compensate the revenue decline in Q2. With a robust balance sheet we feel confident that we can withstand the crisis and the ongoing uncertainty around the pandemic and come out as a stronger Brill. We continue to focus on executing our strategy, and invest in publications, people and technology in order to improve our competitive position and show the world that #HumanitiesMatter."

Developments in the first half year
Developments in H1 were strongly influenced by Covid-19. As of mid-March, Brill staff largely worked from home and international travel ceased completely. Although business operations mostly continued as normal and publication output was similar to last year, our trade contacts in the market experienced operational challenges with universities, bookshops and traders being in lockdown for most or all of Q2. This impacted print book sales, but also impeded the closing of large one-off eBook deals, which was particularly visible in the month of June. Normally this is our strongest sales month in the US.

During H1 we also progressed on our strategy to develop Brill into the pre-eminent Open Access publisher in the Humanities. To this end, we successfully closed transformational journal deals with the Dutch and UK consortia, and others are in the pipeline.

Open Access output increased from 302 to 364 journal articles and from 37 to 53 books. Open Access billing in the year to date increased from EUR 0.4 million to EUR 0.8 million with some timing benefit of earlier invoicing versus the prior year.

Financial review

Revenue development

Under the current circumstances, management is pleased with the development of revenues in H1. In Q1, we recorded a growth in revenues, driven by the favorable trends from 2019 and growth in subscription income, but as of March, the impact of the crisis was visible, especially in the sale of print books. As of March, the downfall in print books was fully compensated by an increase in eBooks until June; this is the key selling month in the US as the local universities' budget year ends in June. This year we were not able to close any EUR >100 thousand deals in June (impact versus 2019: EUR 0.3 million) but also smaller deals were harder to close. Consequently, June was the only month where we did not see growth in eBooks. For Journals, the deferred income portfolio indicates another year of solid growth for the full year, although H1 revenue recognition is impacted somewhat by temporary differences in the publication schedule.

Revenue by publication format was as follows:

Revenue growth by publication format (EUR thousands)	Revenue H1	% of total growth	YoY growth
Total revenue 2019	**16,769**		
Print books	-1,121	-6.7%	-16.8%
eBooks	501	3.0%	10.9%
Journals	118	0.7%	2.4%
Primary sources	-204	-1.2%	-36.2%
Organic revenue 2020	**16,063**	**-4.2%**	**-4.2%**
Acquisitions	0	0.0%	
Currency	152	0.9%	
Total revenue 2020	**16,215**	**-3.3%**	**-3.3%**

Asia and Middle East and Africa declined faster than the Americas albeit with a smaller financial impact. In Europe we noted a more robust performance in the German market where Brill Deutschland shows healthy growth.

Revenue by region was as follows:

Revenue growth by region (EUR thousands)	Revenue H1	% of total growth	YoY growth
Total revenue 2019	**16,769**		
Asia Pacific	-249	-1.5%	-13.4%
Americas	-633	-3.8%	-9.4%
Europe	238	1.4%	3.1%
Middle East and Africa	-62	-0.4%	-12.4%
Organic revenue 2020	**16,063**	**-4.2%**	**-4.2%**
Acquisitions	0	0.0%	
Currency	152	0.9%	
Total revenue 2020	**16,215**	**-3.3%**	**-3.3%**

Digital revenue as a percentage of overall revenue increased further to 57% from 55% in 2019. Subscription based revenue increased to 45% of revenue (vs 41% in 2019) as a result of robust renewals but also due to decline in transactional sales.

Cost of goods sold
Underlying cost of goods sold improved versus the prior year, mainly due to the lower cost of Printing On Demand books. Whereas reported costs of EUR 5.5 million exceed 2019 reported costs of EUR 5.2 million, the additional costs incurred relate to a Covid-19 - induced write-off in the product development portfolio (EUR 0.2 million) and an extra addition to the accrual for non-saleable stock (EUR 0.1 million). Lastly, we saw a phasing effect in eBook production expenses (EUR 0.3 million). Consequently, Gross margin at H1 declined from 69% to 66% whereas at an underlying level it was equal to 2019.

Selling, general & administrative expenses declined by EUR 1.0 million; on the one hand because of lower travel, personnel, indirect staff and sales and marketing expenses (EUR 0.8 million); on the other hand we requested and received a grant under the US federal PPP program of USD 0.3 million which was recorded as a negative expense. Credit losses were EUR 0.1 million higher due to two distributors filing for bankruptcy.

In the course of Q3 we expect to complete our 2018-2020 profit improvement plan. The plan was announced in 2018 with an objective to save EUR 0.6 million annually by 2020 against one-off expenditures of EUR 0.8 million. The target was later increased to EUR 0.7 million. For the full year 2020 the impact of realized recurring savings will be over EUR 1 million, with total expenditures from 2018-2020 expected at EUR 0.5 million. Major run-rate savings were realized in the production and typesetting areas (EUR 0.3 million) and in personnel costs (EUR 0.4 million). A range of smaller purchasing related programs make up for the rest.

Balance sheet – Invested Capital
As part of the half year close and given the ongoing scenario building around the impact of Covid-19, management performed an interim analysis of potential trigger events that might lead to an impairment of Brill's intangible assets. In addition to the resilient H1 performance and the solid long-term prospects in the industry we identified no triggering events and we assessed that the headroom in our valuation calculations exceeded the expected mid-term impact of the crisis, so no impairment is required at balance date.

Working capital shows a mixed picture. On the one hand, favorable movements in payables, deferred income, and inventories reduced working capital whereas on the other hand, increases in trade receivables led to unfavorable movements. On the whole though, working capital improved versus the prior year.

Balance sheet - Liquidity and financing
As of the start of the Covid-19 outbreak, management focused on cash preservation in the interest of business continuity and the ability to continue carrying out our strategy. Therefore, the dividend proposal was retracted from the agenda of the Annual General Meeting. Furthermore, management decided to opt for suspending payroll tax in anticipation of the expected settlement of our EUR 1.1 million Corporate Income Tax receivable in H2. Also, we agreed cost reductions in the organization, received a PPP subsidy in the US and we had a great subscription renewal season, with total deferred income at EUR 8.4 million, 12% above the 2019 level of EUR 7.5 million. Due to the delayed Annual General Meeting, payment of bonuses and profit sharing was suspended to July. The total of these events led to an unprecedented high in mid-year cash of EUR 3.6 million vs EUR -0.3 million at H1 2019.

In addition to the favorable cash position, Brill continues to have full access to EUR 7.5 million in Working Capital facility and EUR 7.5 million in acquisition facility. During Q2, despite the robust cash position, management commenced discussions with the Rabobank with an objective to secure adequate headroom in case of a sudden unfavorable turn of Covid-19 driven events. As a result, 2020 debt redemption payments were suspended as of Q2 and the Debt Service and EBITDA covenants were waived in 2020, as well as the clean down obligation for our working capital facility.

We expect that this solid financial foundation suffices to withstand the short-term impact of the crisis and enables Brill to continue to invest for the future development of the Group.

Management update

Following the Annual General Meeting of 25 June 2020, Mr. Steven Perrick stepped down as Chairman of the Supervisory Board which now consists of three members. He was succeeded as chairman by Mr. Robin Hoytema van Konijnenburg. Furthermore, the Management Board rearranged portfolios with Mr. Peter Coebergh taking on the Operations portfolio and Mr. Olivier de Vlam fully focusing on his role as CFO.

Risk management

In the Annual Report, management identified a material uncertainty relating to the Covid-19 pandemic. Following assessment of the reported H1 results and the updated arrangements regarding Brill's credit facilities, management no longer sees the situation as a material uncertainty regarding the continuity of the business. However, management stays vigilant in the wake of current developments and remains cautious in operating, investing and financing.

Management prepared contingency plans for the expected effects of the Brexit. We have set up alternative distribution locations and production sites to ensure continuity. At the same time we continue to face issues resulting from the system migration at our global distributor which leads to continuously reduced visibility on key accounting items such as accounts receivable and which limits our ability to control our distributor's management of our accounts receivable. Management is working with the distributor to mitigate the issues.

Outlook

Initial indications from the market at the start of HY2, show that the situation might be normalizing somewhat. However, these signals are different by region and sometimes conflicting. In the short-term, visibility on the restart of normal purchasing cycles at universities is limited. Also, it remains uncertain what the impact of the crisis will be on 2021 renewals of recurring business.

Therefore, Brill currently provides no quantitative outlook on FY performance. If the decline in print book revenues persists and traditional Q4 year-end sales are impacted by Covid-19 as well, we expect a marked decline in revenues and a commensurate impact on profit. Looking ahead, we expect the same long-term trends as usual in the academic markets, providing an attractive arena for Brill to operate and invest.

Responsibility statement

The Half Year Report 2020 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. Special attention is paid to investments and to the circumstances on which revenues and profitability depend. Please note that the figures per 30 June, 2020 have not been reviewed nor audited by our auditors.

Leiden, 27 August, 2020

The Management Board

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

Jasmin Lange, CPO

Olivier de Vlam, CFO

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 more than 300 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 brill.com.

BRILL

Consolidated statement of financial position as at 30 June, 2020

in thousands of euro's

ASSETS	30-6-2020 (Unaudited)	31-12-2019 (Audited)	30-6-2019 (Unaudited)
Non-current assets			
Tangible fixed assets	260	339	367
Right of use assets	1,645	1,914	2,247
Intangible assets	33,106	33,366	32,392
Financial assets	112	12	12
	35,123	35,631	35,018
Current assets			
Inventories	2,696	3,217	3,444
Trade and other receivables	8,160	10,029	5,608
Income tax to be received	855	1,110	1,119
Cash and cash equivalents	3,570	1,788	0
	15,281	16,144	10,171
TOTAL ASSETS	50,404	51,775	45,189
EQUITY AND LIABILITIES			
Equity attributable to owners of Koninklijke Brill NV			
Share capital	1,125	1,125	1,125
Share premium	343	343	343
Retained earnings	20,154	20,033	17,919
Other reserves	-551	-289	-333
	21,071	21,212	19,054
Non-current liabilities			
Interest bearing loans	3,497	3,765	4,304
Lease liabilities	1,669	1,757	2,214
Deferred tax liabilities	3,524	3,583	3,093
	8,690	9,105	9,611
Current liabilities			
Interest bearing loans	1,124	1,083	1,083
Trade and other payables	10,516	10,785	6,885
Deferred income	8,379	8,851	7,467
Lease liabilities	333	684	546
Provisions	50	50	0
Derivative financial instruments	241	5	233
Bank overdraft	0	0	310
	20,643	21,458	16,524
TOTAL EQUITY AND LIABILITIES	50,404	51,775	45,189

Consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June, 2020

	2020 (Unaudited)	2019 (Unaudited)	2019 FY (Audited)
Gross profit			
Revenue	16,215	16,769	37,128
Costs of goods sold	-5,530	-5,196	-11,206
	10,685	11,573	25,922
Expenses			
Selling and distribution costs	-3,281	-3,442	-7,365
General and administrative expenses	-7,012	-7,918	-15,266
Operating profit	392	213	3,291
Exchange result	-122	-36	25
Interest expenses	-110	-99	-209
Profit before income tax	160	78	3,107
Income tax expense	-40	-20	-945
Profit from continued operations attributable to the shareholders of Koninklijke Brill NV	120	58	2,162
Other comprehensive income – items that might be reclassified to future profit or loss statements			
Exchange differences on translation of foreign operations	-115	36	131
Cash flow hedges	-237	-105	108
Other comprehensive income, before tax	-352	-69	239
Income tax on other comprehensive income	89	21	-29
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	-143	10	2,372
Earnings per share			
Basic/diluted earnings per share for the period attributable to the shareholders of Koninklijke Brill NV	0.06	0.03	1.15

BRILL

Condensed consolidated statement of cash flows
for the six months ended 30 June, 2020

in thousands of euro's	2020 (Unaudited)	2019 (Unaudited)	2019 FY (Audited)
Cash flows from operating activities			
Profit before tax	160	78	3,107
Adjustments for:			
Amortization and Depreciation including lease assets	645	2,450	1,804
Amortization Content	1,367	0	2,819
Finance costs – net	122	36	184
Change in working capital	1,651	-377	286
Change in long term provisions			-45
Cash generated from operations	**3,945**	**2,187**	**8,192**
Interest paid/ received including lease interest	-110	-99	-209
Income tax paid	256	-384	-717
Net cash from operating activities	**4,091**	**1,704**	**7,266**
Net cash from investment activities	**-1,809**	**-1,762**	**-4,560**
Cash flow from financing activities			
Dividend paid to company shareholders	0	-1,602	-1,593
Redemption interest bearing loans	-230	-539	-1,078
Redemption lease liabilities	-307	-494	-629
New leasing arrangements	37	0	0
Net cash from financing activities	**-500**	**-2,635**	**-3,300**
Net cash flow	**1,782**	**-2,693**	**-595**
Cash and cash equivalents at January 1	1,788	2,383	2,383
Net cash Flow	1,782	-2,693	-595
Cash and cash equivalents at June 30 and December 31st	3,570	-310	1,788