

Brill reports organic revenue growth of 4.4% with strong underlying profitability improvement; net profit +20%

| Key figures (in EUR million) | 2016 | 2015 |
|--|-------|-------|
| Revenue | 32.2 | 30.8 |
| EBITDA | 4.5 | 3.8 |
| Operating Profit | 3.7 | 3.0 |
| Free cash flow | 2.3 | 3.2 |
| Net Profit | 2.8 | 2.3 |
| Profit per share in EUR | 1.49 | 1.24 |
| Dividend (proposed 2016) | 1.32 | 1.24 |
| Key Performance Indicators | | |
| EBITDA Margin | 14.0% | 12.3% |
| EBITDA Margin adjusted for non-recurring items | 15.6% | 12.3% |
| ROIC | 12.9% | 10.5% |
| Average number of FTE | 132 | 132 |

These figures are taken from the unaudited financial statements 2016. The audited financial statements will be published on the website www.brill.com on April 4th, 2017.

Highlights

- Organic revenue growth accelerated to 4.4%:
 - Digital products up 15%; revenue from digital products 54% versus 49% in 2015
 - Recurring revenue up 5%; recurring revenue stable at 42% of total
- EBITDA up 18.5%; EBITDA margin up to 14.0% from 12.3%; the net of:
 - Higher revenue versus lower printing and fulfilment costs with a stable staffing level
 - Significant non-recurring, non-cash costs of EUR 0.5 million due to a title divestment¹⁾ and write-off of historic prepaid royalties recognized in cost of goods sold
- Net Profit and EPS up 20.0% as a result of higher EBITDA and lower depreciation expenses
- Strong underlying cash flow as a result of improvement of working capital and EBITDA
- Proposed all cash dividend of EUR 1.32, up 8 cent or 6% from EUR 1.24 in 2015

Developments in 2016

In 2016 Brill clearly progressed on its efforts towards improved financial performance. We achieved structural savings thanks to our new distribution arrangements which also leads to lower stock levels and lower accounts receivable. This improvement was carried by strong underlying trends in our portfolio with double digit growth in digital products and continued growth in our recurring revenue base. Our strategy to expand into adjacent areas materialized through the acquisition of Schöningh & Fink which puts us on the map even more clearly in the German speaking territories. The acquisition is effective as of January 1, 2017 and the financial statements only contain a prepayment on the total acquisition price. Title output, although slightly lower than 2015, was meeting expectations and included major

¹ Note that in the half year results, this item was reported as discontinued business.

launches such as the *Encyclopedia of Chinese Language and Linguistics Online*, the *Textual History of the Bible*, *Flavius Josephus Online*, *Codices Hugeniani Online* and the *Encyclopedia of Law and Religion*. The number of journals grew to 272 titles versus 265 last year. Journal revenue grew by 5% versus 2015.

In Asia, we converted our representative office in Singapore into a legal entity, 100% owned by Brill. From the Singapore office we support sales and publishing operations in the region which has aided 2016's sales successes in mainland China and Singapore. In China in particular we were successful in closing our first consortium deal.

Financial development

Revenue

In 2016, Brill's revenue increased by 4.4% to EUR 32.1 million (2015: 30.8 million). This growth, which was fully organic, compares to 2.5% organic growth in 2015. Key drivers for our organic growth in 2016 were digital publications including eBooks, major reference works, journal subscriptions and primary sources, whereas print books declined due to a somewhat reduced publication output and changing market preferences.

| (in EUR thousand) | Revenue | % of total Growth | Year on Year Growth |
|---------------------|---------------|-------------------|---------------------|
| Revenue 2015 | 30,809 | | |
| Print books | -650 | -2.1% | -4.9% |
| eBooks | +1,462 | +4.6% | +21.0% |
| Journals | +450 | +1.5% | +5.2% |
| Primary Sources | -278 | -0.9% | -20.2% |
| Change in hedging | +392 | 1.3% | n.a. |
| Other | -8 | 0.0% | n.a. |
| Revenue 2016 | 32,177 | +4.4% | +4.4% |

Revenue generated through digital products was EUR 17.3 million or 54% of total, up from 49% in 2015; an increase of 2.2 million or 15%. Revenue generated through subscriptions was EUR 13.4 million or 42% of total, up from 12.8 in 2015; an increase of EUR 0.6 million or 5%.

Across combined print and digital formats, books grew by 6% and journals by 5% reflecting successful sales efforts but also continued new book title output, growth in subscription value and new journal title development. A persistent trend in the print monograph format remains hyper-specialization where it becomes harder to achieve the same print runs per title as before. In other words, we need more title output to realize the same level of revenue.

The balance of major sales deals (i.e. over EUR 100 thousand per order) versus last year was positive by EUR 0.3 million. In 2015 we benefited from a major one-time microfiche deal whereas in 2016 we had various successful sales of online primary sources and eBooks in Asia and the Middle East.

The strength of the US dollar in 2016 had a clear effect on revenue, partly because of consistent foreign currency hedging. Particularly in H1 2016, as expected, Brill was able to reap the benefits of higher income resulting from the translation of US dollar income in Euro at a higher effective rate.

Cost of goods sold, personnel costs, and other operating costs

Underlying Cost of goods sold increased by EUR 0.2m or 2%, supporting an underlying gross margin improvement from 66.3% to 67.0%. This is the result of revenue growth, a more favorable sales mix and cost reductions in print. Reported Cost of goods sold however increased by EUR 0.8m or 8% in 2016 due to material non – recurring, non-cash items:

| (in EUR thousand) | 2016 | Of which | | 2015 | Growth | |
|--|---------------|---------------|------------|---------------|-----------------|-----------------|
| | | Underlying | One-off | | Total | Underlying |
| Technical production, content & shipping costs | 9,703 | 9,538 | 165 | 9,558 | 145 (1,5%) | -20 (-0%) |
| Amortization intangibles | 138 | 138 | 0 | 155 | -17 (-11%) | -17 (-11%) |
| Royalties | 1,317 | 937 | 380 | 684 | 633 (93%) | 253 (36%) |
| Total Cost of goods sold | 11,158 | 10,613 | 545 | 10,397 | 761 (8%) | 216 (2%) |

In the underlying technical production, content and shipping costs, expected increases in content costs were compensated by lower print costs as a result of lower print sales as well as lower prices. Also, our Printing On Demand policy, which leads to lower stock levels, resulted in a lower provision for obsolescent stock.

The underlying cost of royalties increased as a result of the success of several third party publications which were translated and adapted by Brill for the online and global markets.

Cost of goods sold was further impacted by significant non-recurring, non-cash items of EUR 545 thousand (2015: EUR 0). The divestment of the *International Year Book* led to a one-time write down of EUR 165 thousand. Furthermore, when analyzing our position of historic pre-paid royalties, we concluded we need to write down EUR 384 thousand which was prepaid on two publications for which we had to revise our prospects. The positions mentioned were by far the largest prepaid royalty positions in our balance sheet and no further future write-down could have a similar impact.

Personnel costs increased by EUR 0.3 million or 3% in 2016 (2015: 8%). The increase was driven by 2% organic increases in salary costs (Collective Labor Agreement, merit increase and mix effects) and 1% from a lower proportion of salary costs allocated to Work in Progress.

Other operating costs declined by EUR 0.4 million or 5.3% versus 2015. The key driver of this decline was the benefit of the new distribution arrangement leading to lower fulfillment cost.

Depreciation and amortization, and financing

At EUR 0.8 million, depreciation and amortization were in line with 2015. We regard this number as being temporarily low given our current investment activities to realize editorial efficiencies and to renew our digital platforms. Financing income declined slightly because of foreign currency results amounting to EUR 0.1 million (2015: EUR 0.2 million). Financing costs were in line with last year.

Profit

The increase in profit was driven mainly by a combination of accelerated organic revenue growth whereas lower operating costs compensated for the underlying increase in personnel costs. As a result, EBITDA increased significantly by EUR 0.7 million or 18.5% and operating margin (EBITDA/Revenue) improved to 14.0% (2015: 12.3%). EBITDA was impacted by EUR -0.5m or 169 Bps EBITDA margin due to the non-recurring items reported in the analysis of cost of goods sold. Net profit amounted to 8.7% of revenue (2015: 7.6%) mainly as a result of the higher EBITDA performance.

The number of outstanding shares remained the same relative to 2015. As a result, earnings per share amounted to EUR 1.49, up by 20.3% from 2015 (EPS 2015 EUR 1.24).

Operating Working capital and Cash flow

Operating Working Capital (excluding cash), increased by EUR 0.2 million in 2016. Inventories (physical and content) declined by EUR 0.2 million as a result of lower physical stock. Despite the higher revenue level, Trade accounts receivable showed a decline of EUR 0.3 million. Other receivables declined by EUR 0.6m. However, total receivables remained stable due to the prepaid portion of acquisitions. Deferred income increased by EUR 0.2 million. Free cash flow was EUR 2.3 million, down from EUR 3.2 million in 2015. The change can be analyzed as follows:

| (in EUR 000) | |
|---------------------------------------|--------|
| Free cash flow 2015 | 3,201 |
| Operating cash flow | +1,075 |
| Acquisition pre-payments | -890 |
| Increase in other capital investments | -179 |
| Increase in tax payments and receipts | -878 |
| Free cash flow 2016 | 2,329 |

Return on Invested Capital

Return on Invested Capital (ROIC) improved to 12.9% versus 10.5% in 2015. Improvements in both Operating margin and asset turnover contributed to this improvement. Operating margin improved as a result of accelerated revenue growth and measured cost development. Asset turnover improved largely due to revenue growth combined with a slight reduction in average invested capital.

Solvency

The balance sheet total (EUR 47.0 million) increased relative to 2015 (EUR 46.7 million). Non-current assets increased by EUR 0.2 million and current assets were almost flat versus 2015. Equity amounted to eur 27.5 million at the end of 2016 (eur 27.2 million at the end of 2015). Solvency improved to 58.6% in 2016 (2015: 58.1%), which brings solvency to the high end of our target range of 40-60%.

Corporate Governance

Following prolonged discussion with several large investors around the subject of corporate governance, the Stichting Administratiekantoor Brill has announced its intention to adapt its voting policy and refrain from voting unless explicitly mandated to do so by holders of certificates of shares. This policy applies to ordinary voting situations and may be adapted in the case of special situations. Moreover, at the upcoming Annual General Meeting of Shareholders, shareholders will be requested to vote on a renewed agreement for the issuance of preference shares.

Outlook

Prospects for the 334 year old company are positive although this early in the year we refrain from giving specific guidance on expected performance. We continue to focus on growth through acquisitions, internal product development and through enhanced focus on marketing and sales. Also we focus on improving the margin further to achieve our target bandwidth of 15-20%. We expect the acquisition of Schönigh & Fink to add over EUR 3 million to annual revenue and to be accretive to profits in 2017.

In 2017 we expect to further expand the product portfolio, especially in the number of journal titles and through additions to reference work product lines and book series.

We continue to invest in innovative, efficient and scalable business processes. In 2017 we expect to complete two major investment programs; the XML based Content Management system, due to go live in the first half year and the new Online platform, due to go live in the second half year. Both investments focus on making the Brill business platform stronger, more efficient and more scalable while opening up new avenues for product and business development.

Brill is a financially healthy company, enabling us to keep investing in future growth. Our bolt-on acquisition policy shows continued opportunities for expansion. Should the opportunity for a strategic acquisition emerge, we have adequate financing resources available. Open Access activities currently play a minor role in Brill's market but the company saw some growth in this new line of business and is ready to gear up as this publishing model gains traction.

Dividend

Based on the positive prospects for 2017 and the available cash resources we will propose an all-cash dividend of EUR 1.32. This proposal is in line with our policy of steady and if possible increasing dividends and marks the sixth consecutive year with a dividend increase. Record date will be 19 May and dividend payment date will be May 22, 2017.

Agenda 2017

As of April 4, the annual report will be posted on Brill's website www.brill.com. Brill will release a trading update on the first quarter on April 20. A Press and Analyst meeting will be organized on April 12 in Leiden. On May 16, the Annual General Meeting will be held at the offices of the company in Leiden.

Leiden, March 16, 2017

Herman Pabbruwe, Chief Executive Officer

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About Brill

Founded in 1683 in Leiden, the Netherlands, Brill is a leading international academic publisher in 20 main subject areas, including Middle East and Islamic Studies, Asian Studies, Classical Studies, History, Biblical and Religious Studies, Language & Linguistics, Biology, and International Law. With offices in Leiden (NL), Boston (US), Paderborn (GER) and Singapore (SG), Brill today publishes 272 journals and close to 1,200 new books and reference works each year, available in both print and electronic form. 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.

Consolidated income statement and statement of comprehensive income for the year ended 31 December 2016

In thousands of euro's

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Gross profit | | |
| Revenue | 32,177 | 30,809 |
| Cost of goods sold | <u>-11,158</u> | <u>-10,397</u> |
| | 21,019 | 20,412 |
| Expenses | | |
| Selling and distribution expenses | -5,735 | -6,349 |
| General and administrative expenses | <u>-11,572</u> | <u>-11,048</u> |
| Operating profit | 3,712 | 3,015 |
| Finance income | 147 | 221 |
| Finance expenses | <u>-46</u> | <u>-68</u> |
| Profit before income tax | 3,813 | 3,168 |
| Income tax expense | <u>-1,016</u> | <u>-836</u> |
| Profit attributable to Shareholders of Koninklijke Brill NV | 2,797 | 2,332 |
| Other comprehensive income – items that might be reclassified to future profit or loss statements | | |
| Exchange differences on translation of foreign operations | -24 | -20 |
| Cash flow hedges | <u>-108</u> | <u>235</u> |
| | -132 | 215 |
| Income tax relating to these items | <u>27</u> | <u>-59</u> |
| | -105 | -156 |
| Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV | <u>2,692</u> | <u>2,488</u> |
| Earnings per share (EPS) | | |
| Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill NV | 1.49 | 1.24 |

Condensed balance sheet as per 31 December 2016

Before profit distribution; in thousands of euro's

| | <u>31-12-2016</u> | <u>31-12-2015</u> |
|--------------------------|----------------------|----------------------|
| ASSETS | | |
| Non – current assets | 19,355 | 19,160 |
| Current assets | <u>27,636</u> | <u>27,572</u> |
| TOTAL ASSETS | <u><u>46,991</u></u> | <u><u>46,732</u></u> |
| LIABILITIES | | |
| Total equity | 27,534 | 26,166 |
| Non- current liabilities | 3,693 | 3,626 |
| Current liabilities | <u>15,764</u> | <u>15,940</u> |
| TOTAL LIABILITIES | <u><u>46,991</u></u> | <u><u>46,732</u></u> |

**Consolidated statement of cash flows for the year ended
December 31, 2016**

In thousands of euro's

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Cash flow from operating activities | | |
| Profit from continuing operations | 3,813 | 3,168 |
| Adjustments for | | |
| Amortization and Depreciation | 861 | 933 |
| Finance income – net | -102 | -153 |
| Net exchange differences | -26 | -29 |
| Adjustment to derivatives | 13 | -122 |
| Loss on divestments | 217 | 0 |
| Change in operating assets and liabilities | | |
| Change in working capital | 1,216 | 1,185 |
| Change in provisions | -104 | -89 |
| Cash generated from operations | <u>5,873</u> | <u>4,893</u> |
| Interest paid | -34 | -60 |
| Income tax paid | -1,494 | -670 |
| Net cash flow from operating activities | <u>4,360</u> | <u>4,163</u> |
| Cash flows from investing activities | | |
| Investment in tangible fixed assets | -70 | -190 |
| Investment in intangible fixed assets | -976 | -730 |
| Payments for publishing rights, net of cash acquired | -95 | -42 |
| Prepayment for acquisitions | -890 | 0 |
| Net cash flow from investing activities | <u>-2,031</u> | <u>-962</u> |
| Cash flow from financing activities | | |
| Dividend paid to company shareholders | -2,324 | -2,156 |
| Net cash flow from financing activities | <u>-2,324</u> | <u>-2,156</u> |
| Net cash flow | <u>5</u> | <u>1,045</u> |
| Cash and cash equivalents as per January 1st | <u>6,299</u> | <u>5,254</u> |
| Net cash flow | <u>5</u> | <u>1,045</u> |
| Cash and cash equivalents as per December 31st | <u><u>6,304</u></u> | <u><u>6,299</u></u> |