



Publisher Brill reports small profit due to non-recurring items

Key ratio's (x mln €)	2008	2007

Sales	25.7	25.9
EBITDA	2.1	4.6
Profit before tax	0.4	4.1
Profit	0.2	3.0
EPS (€)	0.1	1.63

***) Figures are based on the draft annual report 2008 which will be published in due course. The auditor's review is still in process pending the final wording of the new arrangement of the pension plan which is expected in April.

Leiden, 24 March 2009.

In line with its press release of 18 December 2008, international academic publisher Brill (Koninklijke Brill NV) reports profit of € 0.2 million over 2008.

Turnover decreased 0.7% reflecting a drop in the value of the US-dollar and a few other major currencies. Also higher levels of book returns had a negative impact on the sales of books, particularly during the first six months.

Personnel costs increased 28% in 2008. This jump was primarily caused by non-recurring costs for the pension plan in The Netherlands amounting to € 1.648 million. The defined benefit plan was changed into the equivalent of a defined contribution plan and outsourced to an insurance company. As a result of this transaction Brill's future results will be much less exposed to changes in pension assets and liabilities. Other operational costs increased 8% in 2008. A large part of this increase was caused by non recurring costs in the area of consultancy with regard to IT, logistics and the pension plan. On top of that the company incurred some one time expenditure related to its 325th anniversary in May 2008.

As a result EBITDA decreased 54% to € 2.1 million. Financing results and costs combined resulted in a drop of approx. € 1 million as compared with 2007, reflecting a primarily non cash loss on exchange rate differences in 2008 whereas 2007 showed a substantial profit on dollar positions and futures.

EPS was € 0.10.

In the light of the global economic crisis and the volatility of currencies in some major markets, the company does not give any outlook at this point. Measures are in place to reduce cost levels and to support areas of growth. In line with this agenda the company will propose to its shareholders to forego a dividend over 2008.



Explanation of the annual results 2008

Turnover

Turnover decreased 0.7%. This decrease was primarily caused by an 8% drop in the sales of books (2007 -3%). This drop was caused by the weakening of the US dollar, Pound Sterling and the South-Korean Won against the Euro and an unusually high percentage of trade returns in North-America.

Total sales of digital products compensated some of this drop, and showed a healthy growth of 32% (2007: 55%). This part of Brill's turnover now represents 16% of total sales (2007: 12%).

Total sales of journals developed satisfactorily and increased 10%. Sales of digital editions of journals accelerated by 44% (2007: 27%), as a result of higher income from licensing and an increase of sales of E-only journal subscriptions. The latter category is priced 10% lower than the standard package - which includes print and electronic. In 2008, all journal prices were increased slightly - 3% on average - in order to give all subscribers free on line access to the complete back-files of the journals to which they subscribe. Also a few complete sets have been sold as outright purchases.

The acquisitions realized in the course of 2007 and 2008 were all small and therefore only had a minor impact.

Costs of goods sold

COGS as a percentage of turnover showed a slight improvement as compared with 2007 and dropped to 33% from 34%. This is partly due to the increase of sales of electronic products, which have a slightly better margin than most traditional print product. Hosting and database management costs take the place of printing and binding costs, and economies of scale start to pay off in this segment.

Personnel Costs

Personnel costs increased 28% in 2008. This jump is heavily influenced by non-recurring costs for restructuring the pension plan (€ 1.648 million). This major change is caused by a move from a defined benefit plan to the equivalent of a defined contribution plan. The costs reflect the absorption of subordinated loans to the company's pension fund dating back from 2007 and a one-off down payment earmarked for future inflationary adjustments. In addition, the management of the plan is outsourced to an insurance company and the company's pension fund will be liquidated in 2009. These transactions will help make Brill's future results much more predictable. The management of a company pension fund is expensive in terms of consultants and staff time. These out of pocket and hidden costs will virtually disappear during 2009.

Salaries and benefits increased 4,6%. The average increase for merit and inflationary adjustment arrived at 2.75% and there was a small increase of the number of FTE. Late in 2007, and in the first six months of 2008 a number of vacancies were filled to strengthen the company in order to meet the strategic agenda for the next few years. Finally, the company incurred some restructuring costs that were related to the formation of a combined finance and operations department.



Other operational costs

Other operational costs increased 8% in 2008. For a large part this increase was driven by non-recurring items. Expert consultants were needed in the area of IT, logistics and the pension plan. Going forward, the decisions made will clearly have a positive influence on the cost structure of Brill. This is particularly relevant for cost control and more predictability in the area of pensions and logistics. Finally the company incurred a few non-recurring costs in the celebration of its 325 anniversary.

Depreciation, Financing costs and Financing results and Taxes

Depreciation increased in 2008 as a result of a higher level of investment during the last two years. Also in 2009 investments are expected to remain on a higher level reflecting investments in IT to increase productivity of staff.

Financing results were significantly lower. This is caused by a loss on exchange rate differences in 2008 whereas in 2007 a positive result remained. The company consistently sells a large part of the expected net cash flow in dollars. Under IFRS rules all extending future sales contracts are assessed at year end exchange rates. Interest paid was lower in 2008 notwithstanding higher liabilities at year end. Lower short term interest levels on the company's overdraft had a positive impact on interest paid.

The compound tax levies increased in 2008. This increase was caused by the low profit and a correction on taxes due from previous years. Also, tax rates in the USA are higher than in The Netherlands and profit in The Netherlands was diminished by the above mentioned costs.

Profit

Thanks to lower costs of goods sold the margin improved slightly in 2008 to 66.7% (2007: 66.3%). Gross profit increased in 2008 as a result 0.1% (2007: 1.7%). Total operational costs increased as a result of non recurring items and this made operational margin (EDITDA / sales) drop to 8% (2007: 17%). Higher depreciation and a negative turn in financing results made net profit margin drop to 1% of turnover.

Reflecting the dilution as a result of stock dividend the number of outstanding shares increased 1% (in 2007 this was 2.5%). EPS was € 0,10.

Working Capital and Cash Flow

Inventories, receivables, creditors and other liabilities increased in 2008 € 607 thousand. Finished goods increased as a result of trade returns and the evidently lengthening economic lifetime of books, which was implemented in 2007 (from five to seven years). Accounts receivable decreased per year-end reflecting lower sales levels and successful credit control; in most countries the average number of days outstanding decreased.

Net Cash Flow from operations decreased as a result of lower profit before tax and an increase of Working capital. Capital investments increased slightly, and added to intangible assets. Other investments related to replacements of IT equipment and databases. Investments in acquisitions increased € 205 thousand to a level of € 280 thousand (2007: € 75 thousand). Worth mention is the investment in Linguistic Bibliography, a book series and a database and acquisition of the biological journal *Insect Systematics & Evolution*.



Free cash flow resulted in € 416 thousand (2007: € 2.1 mln). Moreover in 2008 € 2.322 million (2007: € 3.150 million) was paid down on loans. Cash dividend increased € 862 thousand as compared with 2007. In contrast with earlier years half of the dividend was paid in cash and only half was offered in cash or stock.

Solvency

Total assets hardly changed from 2007; current assets as well as fixed assets remained at the same levels.

Retained earnings decreased as a result of the small profit in 2008 (€ 179 thousand) and the pay out of cash dividend over 2007 (€ 1.103 million). The increase of liabilities is primarily due to the increase of the short term loans or overdraft. All in all the balance sheet decreased € 63 thousand (in 2007 the balance sheet increased € 1.2 million).

Solvency rate dropped from 50.8% to 48.5%.

Capital base

On 24 April 2008 the general shareholders meeting decided to change the bylaws of the company and increase the capital base of the company to € 3.0 million (2007: € 2.304 million), split into 2.500.000 ordinary shares and 2.500.000 cumulative priority shares, both with a nominal value of € 0.60.

Product development

The number of newly launched book titles remained roughly the same as in 2007. Important new long term projects were contracted or acquired such as the Encyclopaedia Islamica, edited by the Institute of Ismaili Studies of London. This project is a major addition to the already impressive series of reference works on Islamic Studies. The second edition of the Encyclopaedia of Islam, Brill's flag ship publication, was completed with a final index. The online edition that also includes the newly launched parts of the third edition showed very positive growth. A sincere ambition for many years, the publication of the Opera Omnia edition of Erasmus, managed by the Huygens Institute of the Royal Dutch Academy of Arts&Sciences, was added to the list of Erasmus project by a tender. Brill's Encyclopedia of China was a major asset in the growing program of Ancient and Modern China. This list also flourishes through the cooperation with Peking University Press and the Chinese Academy of Social Sciences.

All major reference works were launched on schedule and the list of online editions showed strong growth. Most, if not all of the on line editions saw growing levels of subscription. This is also of importance to the *Receuil des Cours*, the prestigious series of collected courses given at The Hague Academy of International Law. For virtually all major reference works published by Brill during the last ten years, contractual arrangements have been amended to enable the company to launch online editions and have these updated at regular intervals. A good number of new reference works are in development or will be published shortly such as Brill's Encyclopedia of Hinduism.

The results of the newly founded publishing unit Language & Linguistics were encouraging and saw promising sales levels for the acquired Linguistic Bibliography and the Indo-European Etymological Dictionary Series. In particular the volume on Latin and other italic languages showed rapid success.



Outlook

In the current economic downturn it is almost impossible to issue short term expectations, even for steady companies such as Brill. Clearly Brill is capable of expanding its positions in the respective niche markets and there is no lack of good and attractive projects. However, the development of the buying power and the stability of purchases on the part of libraries and institutions are rather uncertain issues at this point. In addition, currency fluctuations may have a major impact on the buying pattern of Brill's international audience of customers. This is likely to have the biggest impact on book acquisitions and outright purchases. Brill maintains the long term ambitions for growth and is taking measures to reduce costs in the event that turnover will face a slow down. Also Brill will redirect assets to areas where accelerated growth can be found.

In the year 2008 - in which Brill celebrated its 325 anniversary - a number of structural measures were taken that have reduced profit. These measures were needed in the light of the successful continuation of business in the coming years, however. Brill's policies focus on stable and prudent financial management in the interest of all stakeholders. In the light of that orientation, shareholders will be advised to skip dividend for 2008.

Agenda

The annual report will be launched from Brill's website www.brill.nl on 6 May.

A press- and analysts meeting will be organized on 14 May in Amsterdam.

The AGM will be held on May 20 at the company offices.

24 March, H.A. Pabbruwe, Chief Executive
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Brill is an internationally oriented, academic publisher located in Leiden since 1683 and listed at the Amsterdam stock exchange... The majority of the programs are in Ancient Near East and Egypt; Middle East and Islamic Studies; Asian Studies (incl. Hotei imprint); Classical Studies; Medieval and Early Modern Studies; Biblical and Religious Studies; Slavic Studies; Biology; Science (VSP imprint); Human Rights and Public International Law (Martinus Nijhoff imprint). The mainly English language publications consist to a large extent of (book) series, encyclopaedias and journals. In principle publications are made available in both print and electronic form. Under the imprint of IDC Publishers a large number of collections with primary sources are marketed in the above-named academic fields. The main sales markets are Europe, the United States and Japan. The majority of customers are academic institutes and libraries. www.brill.nl



Consolidated income statement

for the year ended 31 December 2008; all amounts: EUR x 1,000

	2008	2007*
Revenue	25.713	25.883
Costs of goods sold	<u>-8.551</u>	<u>-8.733</u>
Gross profit	17.162	17.150
Other income	80	131
Selling and distribution costs	-5.275	-5.116
Administrative expenses		
General operating expenses	-9.833	-7.531
Amortization of intangible assets	-13	-13
Depreciation of tangible assets	<u>-713</u>	<u>-631</u>
Total operating costs	<u>-15.754</u>	<u>-13.160</u>
Operating profit	1.408	3.990
Finance revenue	16	759
Finance costs	-1.054	-671
Profit before tax	370	4.078
Income tax expense	<u>-191</u>	<u>-1.080</u>
Profit for the year	<u>179</u>	<u>2.998</u>
Earnings per share		
Basic / diluted profit for the year attributable to ordinary equityholders of Koninklijke Brill NV	0,10	1,63

*presentation of figures adjusted in comparison with annual figures 2007

	2008	2007
ASSETS		
Non-current assets	15.524	15.561
Current assets	21.373	21.399
TOTAL ASSETS	<u>36.897</u>	<u>36.960</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	17.881	18.787
Non-current liabilities	2.456	3.075
Current liabilities	16.560	15.098
TOTAL EQUITY AND LIABILITIES	<u>36.897</u>	<u>36.960</u>



CONSOLIDATED CASH FLOW STATEMENT

all amounts: EUR x 1,000

	2008	2007 *
Cash flows from operating activities		
Profit before tax	371	4.078
Adjustment to reconcile profit before tax to net cash flows		
Non-cash:		
Finance revenue	-16	-164
Finance costs	1.026	297
Results from divestments	9	-131
Amortization and depreciation	1.220	1.085
Movements pension liabilities	849	-314
Other	18	-105
Working capital adjustments:		
Increase in trade and other receivables	136	731
Increase in inventories	-132	-1.090
Increase in trade and other payables	-682	463
Income tax paid	-403	-820
Net cash flows from operating activities	2.396	4.030
Cash flows from investing activities		
Investments in property, plant and equipment	-758	-764
Divestments in property, plant and equipment		39
Investments in intangible assets	-1.026	-553
Divestments in intangible assets	37	0
Acquisitions	-280	-75
Subordinated loan borrowed to pensionfund as recognized under financial assets	0	-750
Net cash flows used in investing activities	-2.027	-2.103
Cash flows from financing activities		
Interest received	16	71
Interest paid	-279	-363
New loans	0	800
Redemption of loans	-2.322	-1.250
Money market loans	0	-1.900
Dividends paid	-1.103	-241
Net cash flows used in financing activities	-3.688	-2.884
Net increase in cash and cash equivalents		
Net foreign exchange differences	-3.319	-956
Cash and cash equivalents at 1 January	-2	1
Cash and cash equivalents at 31 December	1.045	2.000
	-2.276	1.045

*presentation of figures adjusted in comparison with annual figures 2007