ANNUAL REPORT 2020

BRILL

SUPERVISORY BOARD

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Catherine Lucet
Theo van der Raadt (Vice-Chairman as of 25 June 2020)

MANAGEMENT BOARD

Members

Peter Coebergh
Jasmin Lange
Olivier de Vlam
Wim Dikstaal ad interim

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This annual report is available as PDF: brill.com/page/InvestorRelations/investor-relations

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MANAGEMENT BOARD'S REPORT FOR THE YEAR 2020

INTRODUCTION BY THE CEO

The year 2020 was unprecedented in Brill's 338-year history. Following a positive first quarter, the COVID-19 pandemic changed our world during the second quarter. Many parts of the world went into lockdown, universities closed, distribution channels were blocked and our print book sales declined sharply in the period March–June. Suddenly we were in the midst of an unexpected global crisis. However, taking rapid action in March, Brill management launched a cost-saving program and we transitioned to working from home, maintaining contact with our authors, customers and vendors in online environments. Over the summer the academic publishing market again demonstrated resilience in economic crises. The academic world came back to life and in combination with a significant growth of our e-business, an exceptionally good financial outcome resulted.

Total revenue grew by 2%. EBITDA grew by 27% and our net profit by 34% against 2019. Although these profit numbers were partly realized thanks to one-off COVID-19 savings, these are very satisfying numbers, which were not expected when we witnessed the first impact of the pandemic on our business in March 2020.

Based on the 2020 financial results, but also taking into account the uncertainties around the COVID-19 pandemic, we propose an all-cash ordinary dividend of EUR 1.25 per (certificate of) ordinary share at the General Meeting of Shareholders that will be held on 19 May, 2021.

STRATEGIC PROGRESS IN 2020

In the course of 2020, we continued to make progress towards achieving our strategic objectives as laid out in our mission statement and corporate strategy (refer to section Mission, Core Values, and Corporate Strategy).

At the end of 2019, we launched the Digital Health Check to review our digital infrastructure with the strategic objective to become a truly digitally driven publishing house by May of 2023. A number of projects to improve our digital capabilities and skills will be realized during the next few years.
Strategic progress is reflected in the further increase of our digital revenue, which was accelerated by the pandemic. Also, our Open Access publishing program continued to grow rapidly, crossing the 1 million revenue mark in 2020. Brill expanded its portfolio by acquiring several journals from competitors and by launching a variety of new reference works and primary sources. Last but not least, we made serious progress in achieving our strategic objective to increase our scale and to create a second-home market in Germany, the most important global humanities market. The reputable publishers Vandenhoeck & Ruprecht and Böhlau were acquired on March 1 2021, and they will be combined with our imprints Ferdinand Schöningh, Wilhelm Fink and mentis in our German subsidiary Brill GmbH (refer to notes 24 and 25 of the financial statements).

OPERATIONAL PROGRESS IN 2020

We continued to invest in our online platforms. The user experience of our webshop on brill.com was improved, which led to a doubling of revenue vs. 2019. We also developed our special text editions platform, which was launched in 2019, and migrated the first products from their previous platforms. Our financial processes were further improved in 2020. However, continuous IT problems with our UK-based global distributor led to significant extra costs and delays in improving our management information. Compensation for the incurred damages was agreed to with our distributor at the end of 2020. The profit improvement plan, launched in 2018, delivered savings as anticipated, especially by the reduction of typesetters and further optimizing our print on demand operations. The program was concluded at the end of 2020.

PEOPLE AND SOCIETY

Again in 2020, additional valuable content and primary sources were made available digitally by Brill for the scholarly community and for society at large, due especially to Open Access models and new technologies. We continued our global activities under the Research4Life and UN Global Compact banners and locally supported various cultural institutions and events.

Of equal significance, was the substantial update of our Corporate Social Responsibility policies, introducing new targets and commitments to contribute to a more sustainable and responsible world (refer to section Corporate Sustainability).

In this extraordinary year, more than ever, our employees had the greatest impact on the health of our business. Brill staff in all locations adapted rapidly and capably, and within a few days transitioned from working in the office to working from home, keeping our business running without interruption, and all our stakeholders involved, often while taking care of family members and homeschooling children. With this is mind, it was decided to award and thank all our employees this year with a special Christmas bonus.

Of course, our community of authors, editors, freelancers and suppliers also contributed greatly to Brill's success this year and for this we owe a debt of gratitude.

It is especially fitting that this year's article refers to the special circumstances which all people dealt with this year. In the article "On Being Human," Christopher Bolye and Kelly-Ann Allen shed light on what the pandemic teaches us about human connection and belonging—a topic that could not be more current and is the scope of our new *Journal of Belonging and Human Connection*.

OUTLOOK

Given the ongoing uncertainties around COVID-19, we are not providing an outlook for 2021, beyond noting that the acquisition of Vandenhoeck & Ruprecht will change our profile significantly, with an estimated one third of our revenue derived from Germany from 2021 onwards. The integration will require additional financial resources, but will strengthen our publishing house and leading position in the international humanities market, where Pallas Athena and Hermes continue to lead the way.

Leiden, 7 April, 2021

Peter Coebergh
Chief Executive Officer

COMPANY PROFILE

OVERVIEW
Brill, founded in 1683 and publicly listed since 1896, is a leading international scholarly publisher with a rich portfolio. We mainly publish in the fields of the humanities (history, the arts, languages and literature, philosophy), social sciences, and international law. Currently, Brill uses the following imprints: Brill, Brill | Nijhoff, Hotei, Brill | Hes & De Graaf, Brill | Rodopi, and Brill | Sense. In Germany we also use the imprints Ferdinand Schöningh, Wilhelm Fink, and mentis.

Books are the leading publication format in the portfolio with journals as a strong second pillar. Brill also supplies primary source material, such as scans of historic archives and collections of documents, which are primarily sold online. Digital is the prevailing format across books, journals, and primary sources. Brill has also ventured into the digital humanities arena where innovative uses of technology in both research and publication methods enable new and dynamic publication offerings.

Due to the long-term value of scholarly information in the humanities, the lifespan of and demand for our products is generally long. Since 2007, all new book titles have been made available in eBook format and some of our much older and long-running book series have been digitized and offered to the market as collections. This initiative, together with the emergence of print on demand (POD) technology, has extended our product lifecycles even further. In this way, too, we assure our authors that books from Brill will remain permanently available.

PUBLISHING RIGHTS AND DISTRIBUTION
Brill uses standardized author contracts to establish a reasonable and legally sound basis for controlled distribution of the research by authors themselves or by their institutions. This legal basis is achieved by a transfer of copyright or by a licensing agreement that includes Open Access options.

INTERNATIONAL AUTHORS AND CLIENTS
Brill has been an international player from the start. More than 95% of Brill's revenue is generated outside of the Netherlands, which is comparable to the proportion of Brill's authors who reside abroad. Most clients are in Europe and North America, with Asia becoming increasingly important every year. Brill maintains relationships with all leading global academic research centres while cherishing its traditionally strong link with the University of Leiden, due in part to Brill's leading position in several areas in which the University specializes, such as Islamic studies, languages, archaeology, and Sinology.

MARKETING AND SALES
Brill's marketing and sales strategy is focused on achieving the widest possible distribution of its products within the academic market and beyond. Cooperation with companies such as Google, Scopus, and other platforms increases the online discoverability of Brill's publications. Digital marketing through email campaigns and on social media makes it possible to target our key audiences.

Brill distributes the e-version of its products directly on brill.com and through third-party platforms. Brill's direct sales force visits university libraries, (print) book wholesalers, and library suppliers. Sales agents represent Brill where we do not have our own salespeople on the ground.

Purchases by libraries are also often made through third parties: journal agents act as intermediaries for subscriptions and traditional library suppliers provide book distribution.

ORGANIZATION
Brill is a centrally managed company with several corporate and delegated functions and with its headquarters in Leiden, the Netherlands. Furthermore, Brill has offices in Boston (US), Paderborn (GE), Singapore, and Beijing.

KEY FIGURES

All amounts in EUR 1,000

	2020	2019	2018	2017	2016
Results					
Revenue	37,859	37,128	35,951	36,394	32,177
Gross profit	26,372	25,922	24,383	23,843	21,019
EBITDA [1]	6,600	5,183	3,623	4,156	4,496
Operating profit	4,502	3,291	2,360	3,315	3,712
Profit for the year	2,896	2,162	2,304	2,260	2,797
Free cash flow [2]	4,515	2,164	817	-43	2,329
Average invested capital [3]	24,539	24,390	23,394	22,352	21,659
Growth compared to previous year					
Revenue	2.0%	3.3%	-1.2%	13.1%	4.4%
Gross profit	1.7%	6.3%	2.3%	13.4%	3.0%
EBITDA [1]	27.3%	43.0%	-12.8%	-7.6%	18.5%
Operating profit	36.8%	39.5%	-28.8%	-10.7%	23.1%
Profit from continued operations	34.0%	-6.2%	1.9%	-19.2%	20.0%
Profitability					
Gross profit as % of revenue	69.7%	69.8%	67.8%	65.5%	65.3%
EBITDA [1] as % of revenue	17.4%	14.0%	10.1%	11.4%	14.0%
Operating profit as % of revenue	11.9%	8.9%	6.6%	9.1%	11.5%
Revenue/average invested capital	1.5	1.5	1.5	1.7	1.5
NOPLAT as % of revenue	8.9%	6.6%	5.0%	6.7%	8.5%
ROIC [4]	13.8%	10.1%	7.6%	11.1%	13.0%
Balance sheet ratios					
Shareholders' equity/total assets	44.6%	40.9%	42.5%	56.0%	58.6%
Current assets/current liabilities [5]	0.92	0.75	0.75	0.95	1.11
Personnel					
Average number of employees (FTE)	161	165	167	161	132

[1] EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization, the operating income before the amortization of intangible fixed assets and the depreciation of tangible fixed assets, and excluding exceptional costs. See note 26.

[2] Free cash flow = net cash flow adjusted for cash flow from financing activities. See note 26.

[3] (Average) invested capital = (average of) fixed assets minus deferred tax liabilities related to acquired intangibles + working capital less cash and net tax receivables and financial instruments. See note 26.

[4] Return on Invested Capital = net operating profit less adjusted taxes divided by invested capital. See note 26.

[5] 2017 and 2016 impacted by reclassification of content to fixed assets.

DATA PER SHARE

In euros, based on weighted average number of outstanding shares

	2020	2019	2018	2017	2016
Weighted average number of outstanding shares	1,874,444	1,874,444	1,874,444	1,874,444	1,874,444
Shareholders' equity per share	12.76	11.32	11.09	14.62	14.69
Increase/decrease in %	13%	2%	-24.2%	-0.5%	1.4%
EBITDA per share	3.52	2.76	1.93	2.22	2.40
Increase/decrease in %	28%	43.0%	-12.9%	-7.6%	18.8%
Earnings per share	1.54	1.15	1.23	1.21	1.49
Increase/decrease in %	34%	-6.2%	1.6%	-19.1%	20.2%
Free cash flow per share	2.41	1.16	0.44	-0.02	1.24
Increase/decrease in %	108%	163.6%	2001.0%	-101.9%	-27.5%
Dividend per share for 2020 proposed	1.25	—	0.85	1.32	1.32
Increase/decrease in %		-100.0%	-35.6%	0%	6.5%
Payout ratio	81.2%	0.0%	70.0%	109.1%	88.4%
Extraordinary dividend per share	0	0	0	3.00	0

SHAREHOLDER INFORMATION

THE SHARE LISTING

Koninklijke Brill NV has been listed on Euronext Amsterdam since July 1997. The number of shares outstanding with a nominal value of EUR 0.60 was 1,874,444 on 31 December 2020 (on 31 December, 2019, it was 1,874,444). Of the total number of shares outstanding as of 31 December 2020, 1,834,463 registered depository receipts were issued and 39,981 registered shares were recorded in the share register. The registered depository receipts were issued in denominations of 1X EUR 0.60, 10X EUR 0.60, 100X EUR 0.60 and 1,000X EUR 0.60 nominal. Only registered depository receipts are listed on Euronext Amsterdam.

The register of shareholders of Koninklijke Brill NV is managed by: IQ EQ Netherlands N.V.

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IQ EQ also acts as administrator of the Stichting Administratiekantoor Koninklijke Brill NV

THE BRILL SHARE

	2020	2019	2018	2017	2016
Number of outstanding shares at year end	1,874,444	1,874,444	1,874,444	1,874,444	1,874,444
Highest share price during the year	23.00	24.60	41.20	37.36	28.00
Lowest share price during the year	13.20	18.20	17.20	27.29	20.95
Share price at year end	18.30	20.40	17.80	35.50	27.73

Of the receipts, 65% are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depository receipts, on 31 December 2020, have reported an interest of 3% or more to the Dutch Authority Financial Markets:

Filings	**Size**	**Declaration date**
Mont Cervin Sàrl	22%	22 June 2012
Teslin Participaties Coöperatief U.A.	19%	18 September 2020
Axxion S.A.	6%	20 July 2016
J.P. van Slooten	5%	11 April 2017
Stichting Administratiekantoor Arkelhave Capital	5%	16 December 2016
Stichting John en Marine Van Vlissingen Foundation	5%	11 August 2015
Brokat Media Support BV	3%	16 September 2020

DIVIDEND POLICY

Brill aims to achieve an attractive return to investors, while seeking opportunities for investment in the long-term success of the business. Furthermore, we aim for a solvency level of between 40% and 60% and to observe the covenants agreed upon with our main bank.

FINANCIAL AGENDA 2021

Annual General Meeting of Shareholders
19 May 2021

Publication of Results First Half Year 2021
26 August 2021 after stock market close

Trading Update Third Quarter 2021
28 October 2021 after stock market close

FINANCIAL AGENDA 2022

Announcements of Results 2021
March 2022 after stock market close

Publication Annual Report 2021 on Corporate Website (brill.com)
April 2022

Trading Update First Quarter 2022
April 2022 after stock market close

Annual General Meeting of Shareholders
May 2022 (at Brill premises)

INVESTOR RELATIONS

Brill will be happy to provide (potential) shareholders and other stakeholders with relevant information to the best of its ability. Copies of (semi-) annual reports can be found at brill.com, under: https://brill.com/page/InvestorRelations/investor-relations.

In addition, information may be requested via the following address:

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MISSION, VISION, CORE VALUES AND CORPORATE STRATEGY

MISSION

"We operate from a strong belief that the humanities, social sciences, and international law are areas of scholarship vital for addressing today's global challenges. This belief motivates us to offer our authors the best possible service and infrastructure to disseminate their research. In order to advance discovery and learning we are keen to support scholars by providing them with access to the finest research tools and reference works in their fields. The relevance and high quality of the works we publish are key to the sustainability of our business."

VISION

By 2025, Brill aims to be a digitally-driven academic publishing house that offers researchers a top service and user experience. The ambition is to generate an annual revenue of more than EUR 60 million and an EBITDA margin of at least 17% in a socially responsible and economically sustainable way.

CORE VALUES

In addition to our mission, Brill employees share a set of core values: quality service to the scholarly community, integrity, and respect for people. We also firmly believe in the fundamental importance of trust, diversity and inclusion, teamwork, professionalism, and taking pride in what we do. We commit to the sustainable development of our company.

VALUE CREATION

We are proud of Brill's legacy and are committed to an equally illustrious future. This requires balancing short- and long-term interests and integrating business, environmental, and social considerations into our decision-making. At Brill, we believe that creating sustainable value for all stakeholders is essential to ensuring the long-term viability of the company. The company's ability to create value hinges on achieving a balance between serving the scholarly community and business considerations. To achieve this balance, we define value in terms of value created for our stakeholders. This value creation and Brill's standing with each of these stakeholder groups is the condition for our company to remain relevant within a changing media landscape.

STRATEGY

Based on our mission and core values, Brill's corporate strategy centres on five long-term goals:

- *Publishing excellence*
  A reputation for publishing excellence is key to the sustainability of our business. Brill's publishing strategy is to continually seek differentiation and competitive advantage by building on key strengths:

  - **Highly relevant content:** We aim to publish relevant research in the humanities, social sciences, and international law. The focus is on high-quality studies at a faculty level from upcoming as well as established authors. We communicate the relevance of our books and journals by highlighting not only the quality but also the societal impact of the research we publish.

  - **Strict quality control:** To remain relevant we must maintain and improve the quality of our peer review. This includes guidelines for the selection of editorial board members, training and recognition of peer reviewers, and investment in peer review systems (e.g. submission systems and anti-plagiarism software).

  - **Community building:** We work closely and collaboratively with the entire research community: authors, readers, editors, peer reviewers, librarians, institutional partners, funding bodies, societies, and new players such as research collaboration platforms.

– **Best-in-class author service:** Brill's editorial department offers the best possible service to book authors, series editors, and journal editors. Having a stable editorial team with a combination of experienced and new in-house editors is key to offering such service. Editors must be well-trained and supported by efficient workflows to focus on relationship management and publishing services.

– **Improved access:** The research we publish has an impact only if it is accessible. Apart from selling our content to specialized libraries around the globe, we believe that financially sustainable Open Access models are the best way to improve access to our authors' research.

- *Invest in digital business capabilities*
  We continue to invest in Brill's digital business capabilities to facilitate value creation. Strategy-driven roadmaps for investment are in place for key business applications, for our content management process, and for our online publishing platforms. We aim to produce our content in such a way that it can be published and used in any format, unit, and on any device. Product and data distribution will be further improved to shorten our time to market. Findability and (mobile) usability are key and have been improved by our new brill.com platform and through our collaboration with third-party platforms. We support our operations with standard software applications that are widely used in the industry and which are provided by reputable partners, such as Klopotek, RSuite, and PubFactory. IT operations are structured to minimize risk and optimize efficiency through a combination of on-premise and cloud systems. A Digital Health Check was launched at the end of 2019. The objective of this project is to assess the balance and efficiency of our digital infrastructure and to ensure its capacity to achieve the long-term goals set in our mission and corporate strategy. In 2020, we started several projects based on the recommendations that came out of this Digital Health Check to improve our digital infrastructure and the competences and skill sets of our IT and Operations teams.

- *Develop market presence*
  We invest in our marketing and sales execution capabilities and operate from five offices around the world to be close to our clients, to adapt our global marketing to local needs, and to achieve improved market coverage. Doing so entails enhancing our communications to raise awareness of the depth and breadth of our portfolio. Communication and sales efforts will be further concentrated around publications that define Brill's reputation in core areas of excellence. Digital marketing and social media are increasingly employed to improve the efficiency and effectiveness of our marketing operation. Our new mission statement, author services, and the Brill platforms will be actively promoted as well.

- *Expand market position*
  We build on our leading position as the publisher of choice for many academic researchers in the humanities, social sciences, and international law. Additionally, we aim to enter adjacent segments where Brill's key assets (reputation, service, distribution, infrastructure) can be leveraged. Expanding our position could be achieved organically or through acquisition, such as our recent acquisition of Vandenhoeck & Ruprecht in Germany. Brill actively explores acquisition opportunities based on a clear priority set for areas where social, natural, and life sciences converge on subjects in which we are traditionally strong, such as language, philosophy and ethics, religion, and history. Furthermore, we expand the formats in which we publish for our library customers and more actively manage and develop our traditional subscription-based business models towards new Open Access and evidence-based models. For our authors, we develop more services to guide them through the publishing process.

- *Profit improvement*
  In 2020, we finalized the profit improvement plan that was launched in 2018, and succeeded in improving efficiency and reducing costs by over 1 million on an annual basis. We believe that following through on our strategy will enable us to reach our objective EBITDA margin range of more than 17% and to have a long-term average organic revenue growth of around 2%, with a return on invested capital showing at least 2% headroom to our weighted average cost of capital.

VALUE CREATION PROCESS AT BRILL

Stakeholder	Indicators of value created	Progress in 2020
Authors	- Number and reputation of authors publishing with Brill - Publishing experience at Brill - Quality of publications - Extent of distribution offered - Publication format range offered	- 1,435 book titles published versus 1,428 in 2019 - 905 journal issues published versus 868 in 2019 - iThenticate roll out and Publication Ethics Committee established
Librarians and funders	- Flexible, attractive purchasing options - Online platforms combining easy search, ease of access, usability, usage monitoring - Efficient ordering processes - Flexible publishing options: Open Access, user pays, subsidizing specific publications	- Transformative Open Access journal deals in the Netherlands and the United Kingdom - Open Access billing increased by more than 80% - 30 EBA deals closed in 2020 versus 15 in 2019 - Added OASIS ordering option for libraries
Readers	- Quality of publications, print and online - Ease of search, ease of access, usability - Platform usage - Quick availability of print publications	- eBook usage up by 51% versus 2019 (full-text downloads) - brill.com webshop revenue doubled to €750K - Moving all POD to inkjet decreased production time per unit - Starting POD operations in UK decreased shipping time for UK-based recipients
Investors	- Growth - Margin - ROIC	- Revenue growth 2.0% - EBITDA margin 17.4% - ROIC 13.8%
Staff	- Inclusivity - Turnover	- Female vs male 58%/42% - Offboarded 23 FTE, onboarded 24 FTE
Global community	- Active support for the global cause of humanities - Corporate initiatives tied to core capabilities - Overall corporate citizenship	- Humanities Matter campaign via blogs and podcasts - Continued sponsorships for local museums and initiatives - Embedded UN Global Compact strategy, see paragraph on CSR

PUBLISHING PROGRAM

The year started as usual with conference trips and campus visits made by Brill's editorial team to London, Berlin, Hawaii, New Orleans, Montreal, and New Delhi during the first two months of 2020. As of mid-February, our work, but more importantly, the work circumstances of a vast majority of our authors and editors, altered dramatically. Due to the COVID-19 pandemic, libraries around the world were required to close for physical visits causing serious disruptions for ongoing and new research projects as access to printed books and manuscripts was restricted. Most universities transitioned to online teaching in spring 2020, which created additional work for teaching staff who suddenly had to lecture classes remotely. Online teaching and working from home combined with care responsibilities affected young and mid-career researchers in particular.

At the same time, Brill's acquisitions editors had to adapt their acquisition tactics as campus visits were no longer possible and academic conferences were cancelled or moved to an online environment. Being unable to meet authors and editors in person at conferences, and in the absence of face-to-face discussions with editorial boards, the dynamics of the acquisition and editorial process shifted radically virtually overnight.

Despite these serious challenges, Brill published its journal, book, and online program as planned with only minor delays for some projects. Furthermore, the pipeline for 2021 and 2022 is developing apace as the commissioning of new projects has developed strongly throughout the year. In a year like no other the academic community has shown admirable resilience and adaptability: researchers continued their writing, peer reviewing, and editorial activities from home, and Brill's editorial team developed new online acquisition methods by, for example, exploring the potential of virtual conferences. Under these difficult circumstances, Brill profited from its strong and well-known brand, a large established network, and long-standing relationships with authors and editors who find us despite our temporary inability to travel the world to see meet in traditional venues.

JOURNALS

With 24 new journals acquired in 2020 we surpassed the activities of previous years. Our program expanded in particular in the areas of Asian studies, education, linguistics, and the social sciences. The focus for journal acquisitions remained on fully sponsored Open Access and established subscription journals. New titles for the 2022 program include: *Acta Archaeologica*; *Evangelical Quarterly*; *Journal of the History of Women Philosophers and Scientists*; *Journal of Ancient Judaism*; *International Journal of Wood Culture* (OA); *Journal of Labor and Society*; *Protest*; *Contrastive Pragmatics* (OA); *Heritage Language Journal*; *Journal of Chinese Philosophy*; *Old World: Journal of Ancient Africa and Eurasia* (OA); and *International Journal of Islam in Asia.*

BOOKS

To strengthen our book program in the coming years we have acquired more than 20 new book series which will attract manuscripts in established fields such as biblical studies, philosophy, and Asian studies as well as fast developing areas such as international environmental law, Hong Kong studies, memory studies, and maritime sociology. Handbooks have been acquired more actively in all fields as the turn-around time is relatively fast and demand in the market high. Our forthcoming book program also includes two fully sponsored Open Access book series, Ancient Languages and Civilizations and the Collected Works of Jao Tsung I, and an eBook collection of the Harvard University Asia Center.

In 2020 we started working on the Brill Book Archive, a major digitization project which will make Brill books published before 2007 digitally available. The project is realized in cooperation with the Koninklijke Bibliotheek in The Hague and will go live with the first batch of titles in 2021. During the course of the coming year we expect to digitize more than 6,000 titles from our archives.

REFERENCE WORKS AND PRIMARY SOURCES

In line with researcher and customer demand we focused our acquisition activities on smaller to medium-size reference works. Close to 20 new titles in all subject fields have been added to our rich program. The following titles give an impression of the variety of products we will be able to offer in the coming years: *Cy Twombly - Inscriptions*, a 6-volume work dedicated to one of the most important modern US artists; *Encyclopaedia Iranica Online*, published in Open Access in collaboration with Columbia University; *Jewish Ossuaries*; *Encyclopedia of Jewish Skepticism*; *A New History of Christian Doctrine*; *Erasmus Omina Online*; *Encyclopaedia of Public International Law in Asia*; *World Trade Commentaries*; and a partnership with *Sovereign Limits*, a digital database of land and maritime boundaries.

Primary Sources had a difficult year as some planned collections could not be completed due to shuttered archives and librarians were careful with spending for highly specialized products. In the second half of the year production and sales picked up again and we signed promising digitization projects for the coming years. Among others we will be adding *Argentine Cinema Online* to our South American cinema collection. *Japan Year Books Online*, *Trans-Pacific Online* as well as *Seoul Press Online* will complement our collection of digitized Asian news and media outlets.

OPEN ACCESS

Open Access billing increased in 2020 by more than 80%, an exceptionally high growth rate compared to previous years. This development was mainly driven by Open Access books as several major funding bodies made additional funds available and mandated the publication of books in Open Access. In addition to an Open Access journal deal in the Netherlands, we have reached a similar agreement with libraries in the United Kingdom. This has not only increased our share of Open Access articles significantly but has also provided authors in two of our main author markets with the best possible offer for publication.

PUBLICATION ETHICS

After having substantially reviewed our publication ethics in 2019, we continued to strengthen our control mechanisms by rolling out the anti-plagiarism software iThenticate to more than 100 journals and by establishing a Publication Ethics Committee. The committee, which includes internal as well as external experts, meets twice annually to discuss developments in the area of publication ethics and is consulted on special cases. A new book series *Studies in Research Integrity* completes our efforts in this domain.

FINANCIAL REPORT

KEY FIGURES

in thousands of euros	**2020**	2019	Change
Revenue	37,859	37,128	2.0%
EBITDA	6,600	5,183	27.3%
Operating profit	4,502	3,291	36.8%
Free cashflow	4,515	2,164	108.6%
Profit, attributable to shareholders of Koninklijke Brill NV	2,896	2,162	34.0%
Profit per share in EUR	1.54	1.15	34.0%
Underlying profit	3,525	2,394	47.3%
Underlying profit per share in EUR	1.88	1.28	47.3%
Dividend (proposed 2020) in EUR	1.25	—	
Key Financial Performance Indicators			
Organic growth	2.2%	2.5%	
ROIC	13.8%	10.1%	
EBITDA margin	17.4%	14.0%	

REVENUE

In 2020, Brill's organic revenue increased by 2.2%, which was much better than our expectations in Q2 and Q3 of 2020, a year that was heavily impacted by the COVID-19 pandemic. Total organic book revenues increased by 2.4%, with a 9.2% growth in eBooks offsetting the -3.0% organic decline in print book sales that is mainly due to the COVID-19 situation. Total organic journal sales increased by 3.4% due to continued growth in subscription value and improved renewal management.

(In thousands of euro)	**2020**	2019	Organic growth	Growth
Print books	13,511	14,145	-3.0%	-4.5%
eBooks	12,196	11,139	9.2%	9.5%
Journals	11,075	10,611	3.4%	4.4%
Primary sources	1,078	1,234	-11.9%	-12.7%
Total	37,859	37,128	2.2%	2.0%

(In thousands of euro)		% of total growth	Year on year growth
Revenue 2019	37,128	100.0 %	
Print books	(424)	(1.1)%	-3.0%
eBooks	1,033	2.8 %	9.2%
Journals	369	1.0 %	3.4%
Primary sources	(148)	(0.4)%	-11.9%
Organic revenue 2020	37,958	102.2 %	2.2%
Currency	(99)	(0.3)%	
Total revenue 2020	37,859	102.0 %	2.0%

Revenue generated through digital products was EUR 21.2 million or 56% of total, versus EUR 21 million or 56% of total in 2019. Subscription revenue as a percentage of total revenue improved from 38% to 42%, mainly due to the decline in print books which are non-subscription products.

We increased the number of major sales deals (i.e. over EUR 100 thousand per order) versus last year. In 2020, we successfully closed large deals with new and existing clients in the US, China, Australia, Germany, the Netherlands and the UK. These deals included renewals from deals closed with these customers in previous years as well as new business.

COST OF GOODS SOLD AND OPERATING EXPENSES, EBITDA

The cost of goods sold increased by EUR 0.3 million or 2.5% and the gross margin slightly decreased to 69.7% versus 69.8% in 2019. The cost of goods sold include a COVID-19 - induced write off of the MONK project (EUR 0.2 million), without this one-off item gross margin would have been 70.2%, showing the continuing improvement in our gross margin as a result of, amongst others, the shift from print to electronic products.

Operating expenses were significantly lower compared to 2019, due to COVID-19 related measures and restrictions (total positive effect of around EUR 1.7 million) and other items (total a net negative effect of around EUR 0.2 million) . To make 2020 EBITDA comparable to 2019, the following items should be taken into consideration:

- Cost for travel and conferences declined EUR 1.1 million versus 2019 due to the COVID-19 restrictions.
- In Q2 we implemented a hiring freeze that resulted in EUR 0.3 million lower personnel costs, despite salary increases from the Collective Labour Agreement.
- We received a subsidy of EUR 0.3 million in the USA as part of a COVID-19 relief program.
- We came to an agreement with our distribution partner about damages Brill incurred over 2019 and 2020, related to the quality of the provided services. At the end of 2020 Brill agreed with the distributor that the damages incurred by Brill as a result of this software replacement will be compensated for an amount of EUR 0.5 million.
- Our Finance and Operations costs increased by EUR 0.4 million, due to consultancy costs for the Digital Health Check project and further improvement of the finance function.
- We incurred EUR 0.3 million costs for advice, due diligence and legal fees related to the acquisition of Vandenhoeck & Ruprecht (see notes 3, 24 and 25).

Reported actuals including the above resulted in an EBITDA of EUR 6.6 million in 2020 (2019: EUR 5.2 million). The EBITDA margin came in at 17.4%. Taking into account the items above, our EBITDA would have been around EUR 5.3 million, and the EBITDA margin would be around 14%.

In 2020, we recorded EUR 0.3 million in costs related to our profit improvement plan, that started in 2018 and was finalized in December 2020. These exceptional costs are reported outside our EBITDA.

DEPRECIATION AND AMORTIZATION, AND FINANCING INCOME AND COSTS

Depreciation and amortization, other than recognized in cost of goods sold, were in line with 2019.

Profit and Profit per Share

In summary, operating profit and profit before tax increased significantly due to the operating expense items discussed above.

As in 2018 and 2019, net profit for 2020 was impacted by corporate income tax movements. We again incurred a partial reversal of the 2018 tax benefit. In 2019, the Dutch government decided to partly reverse the decrease of future corporate income tax rates, and as a result, the deferred tax liability increased by EUR 0.2 million. In December 2020, the Dutch government decided to reverse the decrease completely and keep the corporate income tax rate at 25%. Consequently, in our statement of financial position, our deferred tax liability increased by EUR 0.6 million and the same amount was added to the tax charge in our statement of profit or loss.

Underlying net profit, excluding one-off expenses and benefits related to the profit improvement plan, acquisition costs, the PPP subsidy in the US and one-off tax impact, amounted to EUR 3.5 million in 2020, an increase of 47.3% compared to 2019 (EUR 2.4 million). This translates into an underlying earnings per share of EUR 1.88 for 2020, which forms the basis for the dividend proposal. Reported net profit for 2020 came in at EUR 2.9 million (2019: EUR 2.2 million).

in thousands of euros	2020	2019	Growth
Profit before tax	**4,427**	**3,107**	42.5%
Cost of the 2018-2020 profit improvement plan	308	85	
PPP Subsidy US (COVID-related)	-296		
Costs for the acquisition of V&R	262		
Underlying profit before tax	**4,701**	**3,192**	47.3%
Tax, at the statutory rate	-1,175	-798	
Underlying net profit	**3,525**	**2,394**	47.3%
Non-benchmark items, after tax	-206	-64	
Change in deferred tax liability and other	-424	-169	
Profit attributable to shareholders of Koninklijke Brill NV	**2,896**	**2,162**	34.0%
Underlying earnings per share	1.88	1.28	
Earnings per share	1.54	1.15	

OPERATING WORKING CAPITAL AND CASH FLOW

Operating working capital decreased by EUR 0.6 million, mainly because we lowered the refund liability in reaction with the decline in print book sales and phasing in payments to creditors (total effect around EUR 1.0 million). This was partly offset by an increase in deferred income because we sent out our renewal invoices earlier and total subscriptions increased. Together with higher EBITDA and COVID-19 related measures (see COVID-19 risk update and note 2 impact of COVID-19) this resulted in a cash flow improvement of EUR 4.1 million versus 2019.

RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC) improved to 13.8% versus 10.1% in 2019, driven by an improvement in operating margin and a stable asset turnover.

SOLVENCY AND LIQUIDITY

Total assets (EUR 53.6 million) increased versus 2019 (EUR 51.8 million). Solvency (Shareholders' equity divided by total assets) improved to 44.6% in 2020 (2019: 40.9%; target range of 40–60%).

DIVIDEND

We wish to adhere to our corporate solvency policy of 40–60% and to the covenants agreed upon with our main bank. Also, we will continue to pursue our capital management policy where strategic investments and add-on acquisitions must be funded within free cash flow. Given that in 2020 we did not pay out dividend over 2019 and our 2020 financial results we will propose at the Annual General Meeting of Shareholders that will be held on 19 May 2021 an all-cash ordinary dividend of EUR 1.25 per (certificate of) ordinary share. This is 81% of 2020 Earnings Per Share of EUR 1.54.

THE IMPACT OF COVID-19 ON 2020 RESULTS AND RISK UPDATE FOR 2021 AND BEYOND

So far, with the COVID-19 pandemic extending far into 2021, the overall revenues of the Group are satisfactory and 2020 results were even better compared to 2019. Our sales of print books were negatively impacted by the pandemic, but this was to a large extent compensated by the sales of eBooks, showing our readiness for the shift from print to electronic products which proved important in mitigating the COVID-19 impact on our results.

The key uncertainty caused by the COVID-19 situation is the possible long-term impact on Brill's ability to generate income through revenue. This uncertainty is driven by today's threat of potential new waves and unclarity at what pace vaccination programs will make relief of global lockdown measures possible.

From March 2020 onwards Brill started to assess the potential risks and implemented measures to protect our company to the greatest extent possible against the impact of the pandemic:

Financial

As a precautionary measure, Brill agreed with its main bank to defer the quarterly redemption of our interest-bearing loan for the last 3 quarters of 2020 to mid-2024 (when we make our last redemption payment for the loan), and the bank gave us a waiver for potential breaches of the covenants relating to the loan during 2020.
The combination of cost reductions, the decision to not pay dividend in 2020, governmental support measures in the USA (PPP grant) and the Netherlands (suspension of wage taxes) and stringent cash management procedures enabled us to operate within our existing credit facility with a large headroom during 2020. We also made cash flow forecasts for the 12-month period after the issue of these financial statements and expect to be able to operate well within our credit facility for that period. In February 2021 we successfully used the option to draw funds to finance the acquisition of Vandenhoeck & Ruprecht (see notes 3, 24 and 25).

Operational

We expanded the possibilities for staff to work at home by offering equipment for their home offices, investing in our VPN connections and organizing online events to stay in touch with each other. We are in constant contact with our fulfilment partners and key vendors to safeguard the undisturbed functioning of our supply chain and to ensure a quick reaction to any COVID-19 related issues at their end.

Publishing

We introduced alternatives for face-to-face meetings at scholarly conferences, which are important events for attracting new authors and content. Examples are digital meetings in smaller groups of subject matter experts and an increase in social media presence of academic platforms and forums. So far we have not seen a decrease in new content and we have reached our goals of published books and journals.

Commercial

Brill has used alternative, digital methods of sales-lead generation and follow-up and we have increased our social media activity as a measure to counter potential loss of sales. We think the COVID-19 restrictions can increase the speed of the transition from print to electronic publications, but we will not know until after the pandemic. We operate worldwide and regions will have different paths and recovery speeds; for example universities in some Asian countries have re- opened while in Europe and the USA they went (back) into lockdown in December.

Based on the above, the conclusion is that Brill adequately reacted to the new circumstances and that measures taken have proved effective in mitigating the impact of COVID-19 so far.

However, there is still some uncertainty due to the pandemic that may in the longer term have a negative effect on Brill's ability to generate income through revenue. The two main risks we see are:

1. Although digital alternatives have worked so far, the lack of face-to-face meetings between our acquisition editors and (potential) authors and scholars could lead to a delay in the production of new content and publications to sell. We are mitigating this risk by staying in touch with the scholarly world by having regular digital meetings and other events. Also, the academic world has not come to a stand-still. Research is being done, and scholars still want and need to publish the results. Brill maintains relationships with all leading global academic research centres and has a traditionally strong link with the University of Leiden.
2. The budgets of our customers, especially university libraries, might decrease due to COVID-19-related cost-cutting measures. But we think that our digital readiness and our international sales force give us an advantage over most of our competitors in obtaining a share of these budgets. In general Brill's publications are purchased for professional academic use and therefore have an element of 'need to have'. We are further increasing our abilities to publish electronically by implementing the findings of the Digital Health Check performed in 2020.

We expect that our results in the coming years will develop in line with previous years, with the uncertainties described above. Based on our financial figures for Budget 2021 and the Strategic Plan for 2022 and 2023, we calculated the impact of two scenarios on these base figures, especially to see if we will stay within our liquidity facilities and the covenants with our bank:

1. The impact on our financial position and the covenants with our bank (related to the interest-bearing loan) of a sudden revenue decrease in 2021. This scenario shows that the decrease in revenue needs to be -11.7% or more (which equals a revenue decline of around EUR -3.6 million or more), for Brill to break the debt service cover ratio in 2021; liquidity would only become a problem in 2023 under this scenario.

2. The impact on our financial position and the covenants with our bank (related to the interest-bearing loan) of a significant revenue decrease in 2021, 2022 and 2023. This scenario shows that the decrease in revenue needs to be -5% or more in each of the 3 years (which equals a yearly revenue decline of around EUR -1.6 million or more) for Brill to break the debt service cover ratio in 2023; liquidity would only become a problem beyond 2023 under this scenario.

Given the measures already taken and their mitigating effect on 2020 results, and our readiness to mitigate the COVID-19 risks for the longer term, we think both scenarios are highly unlikely.

Whilst uncertain, based on the facts and circumstances presently known and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management concludes that COVID-19 to date did not have and most likely will not have a material adverse impact on our financial condition or liquidity.

LONG-TERM OUTLOOK

Given the current uncertainties, we do not provide an outlook for 2021. Despite the COVID-19 situation, we continue to focus on the execution of our long-term strategy. A significant step in that strategy was taken by the acquisition of Vandenhoeck & Ruprecht on 1 March 2021. We remain committed to our long-term objective of an average organic revenue growth of around 2% and an EBITDA margin of more than 17%, with a return on invested capital showing material headroom to our weighted average cost of capital.

HUMAN RESOURCES

ORGANIZATION

Brill is centrally managed with several corporate and delegated functions. The three statutory directors (CEO, CFO, CPO) form the Management Board. The primary business activities rest with the publishing units, which focus on the key subject areas in which Brill operates. The acquisitions editors within the publishing units are responsible for publication development and contact with editors and authors. Our sales teams are responsible for visiting academic libraries and trade partners. Marketing promotes our publications and services to authors and customers. They are all supported by three departments: Finance, Operations - including Technology - and HR. The heads of these departments, together with the members of the Management Board, form the extended Management Team that meets once a month. Our local legal entities in Boston, Singapore, and Paderborn are managed by local statutory directors who meet every third week individually with the CEO in a call or video conference.
The key internal factor determining the success of the company is its personnel. It is therefore important to recruit, develop, and retain skilled and motivated professionals. Brill's policy, which seeks to achieve this goal by offering a pleasant and motivating working environment, professional development and controlling the costs of personnel, is closely monitored by the Management Board and the Supervisory Board.

KEY FIGURES

Average FTE during the year was 160.6 versus 165.1 in 2019. The split of FTE as per year end was as follows:

FTEs	**Year end 2020**		Year end 2019	
Publishing	63.1	[39.8%]	68.1	[40.4%]
Operations	46.1	[29.1%]	48.1	[28.6%]
Sales & Marketing	34.5	[21.8%]	36.7	[21.8%]
Finance, HR, Other	14.7	[9.3%]	15.5	[9.2%]
Total	158.4	[100%]	168.4	[100%]

The split of FTE by country was as follows:

FTEs	**Year end 2020**	Year end 2019
The Netherlands	107.7	113.7
Germany	22.6	24.6
United States	20.9	21.9
Singapore	1.4	2.4
China	2.0	2.8
Other	3.8	3.0
Total	158.4	168.4
International workforce	50.7	54.7

Workforce split by gender:

	2020	2019
Male	41.9%	41.8%
Female	58.1%	58.2%

The share of part-time workers increased to 33.3% (2019: 31.3%) of the workforce. Sickness leave showed a change from 3.2% in 2019 to 2.0% in 2020. The age structure of the workforce was as follows:

AGE	2020	2019
20 - 29 years	8.1%	9.9%
30 - 39 years	25.6%	23.6%
40 - 49 years	27.9%	26.4%
50 - 59 years	21.5%	25.8%
Older than 60 years	16.9%	14.3%

The average age was 46.6 at the end of 2020 (2019: 46.4).

The inflow and outflow of FTE's were as follows:

FTEs outflow	2020	2019
Retirement + passing away	4.0	0.0
Brill initiative		
Temporary contracts	4.3	4.8
Other	2.0	3.0
Own initiative		
Employment 0-2 years	1.0	3.8
Employment 2-5 years	0.7	5.6
Employment 5-10 years	0.0	3.6
Employment 10-15 years	1.0	1.0
Employment 15-20 years	1.0	0.0
Employment >20 years	0.0	0.8
Total FTE outflow	14.0	22.6
Total outflow in %	8.7%	13.6%

FTEs inflow	2020	2019
Acquisitions/ divestment	0.0	0.0
Temporary contracts	0.0	0.0
Permanent contracts	0.0	0.0
Other	0.0	0.0
Temporary contracts	4.7	18.4
Permanent contracts	1.0	6.0
Total FTE inflow	5.7	24.4
Total inflow in %	3.4%	14.8%

In 2020, Brill NV's pension plan continued to be operated by Pensioenfonds PGB. The pension plan is a collective defined contribution (CDC) plan including a conditional indexation scheme. In the reporting year, the Brill pension plan remained unchanged. The pension plan is considered a defined contribution pension plan for accounting and reporting purposes. No additional arrangements have been established for senior management.

In close cooperation and on initiative of the Works Council's Pension Committee, preparations to redefine Brill's pension plan and change to an individual defined contribution (IDC) were conducted to be implemented as per the next reporting year.

REPORT BY THE WORKS COUNCIL

As it was for the whole world, 2020 was a strange year for the Works Council. When by March the world had changed and COVID-19's presence in the Netherlands became visible, the Action Points for Brill 2020 proposed in January became less relevant. The nature of our Works Council agenda changed, but our monthly meetings with CEO Peter Coebergh remained overall fruitful and cooperative, though now virtual. Our two meetings with the Supervisory Board were agreeable, as always.

At the beginning of 2020 the Works Council consisted of Tessel Jonquière (chair), Debbie de Wit (vice-chair), Tom Weterings (secretary), Anipa Baitakova, Caroline van Erp, Irene van Rossum and Jair da Silva. In the course of the year Irene and Anipa, both of whom left Brill, were replaced by Danny Slof and Ingeborg van der Laan.

Some of the items on the agenda in January actually came to pass during the year. We had negotiations for the new Pension Plan (executed by the Pension Committee, headed by Maarten Frieswijk), monitored the Digital Health Check, and oversaw the progress of the Job Grading project. Another issue that became more relevant than anticipated was working from home. As the Works Council we were happy to see that, though forced by the unfortunate external circumstance of the COVID-19 virus, most of our colleagues were able to continue their work from their homes, facilitated and supported by Brill and the IT department. We look forward to seeing changes to the working-from-home policy applied under more "normal" circumstances.

However, what did concern us was the fact that working for Brill suddenly equaled working at home, in solitude or in the frenzy of one's family. We tried to support both management and the Staff Association to make the situation as manageable and agreeable as possible. We spoke about provisions for working from home and the problems faced by colleagues having to take care of children or family members during work hours, and we responded to a Request for Concurrence about accessing key information for calculating the incidental travel allowance. Works Council chair Tessel Jonquière actively took part in the regular discussions of the Brill Corona Crisis Team about the developments concerning COVID-19 and their consequences for employees.

We hope that it will be possible to again meet with colleagues face-to-face later in 2021, but in any case will continue to support ongoing business to the best of our abilities.

Leiden, 7 April, 2021
Tessel Jonquière, Chair Works Council

RISK MANAGEMENT POLICY

The risks and mitigations described below refer to the regular strategic risks present in Brill's business. For an update on the impact of COVID-19, please refer to the Financial Report. For details on financial risk management, please refer to note 17 of the Consolidated Financial Statements. Brill's risk management policy is updated in the context of the corporate strategy. The company adopted an approach consistent with its scale, ambitions, and organizational structure.

Risks classified as having strategic impact are discussed with the Supervisory Board annually to enable the Board to accurately evaluate Brill's results and prospects. Furthermore, the Board evaluates the entire risk-management framework on an ongoing basis. Brill's policy aims for mitigating measures commensurate to the level of impact and the risk appetite that Brill defines regarding each risk category.

RISK CLASSIFICATION

To assign risk management accountability within the organization, Brill classifies risks as follows:

A. Level of impact of the risk on the business of Brill
- Operational
- Tactical
- Strategic

B. Nature of the risk
- Market: the risk relates to a change in market circumstances that impacts market participants' propensity to purchase Brill's product, to use Brill as their publisher, or to supply goods and services required by Brill at economically viable rates.
- Operations: the risk relates to an event or trend that impacts Brill's operational capacity to execute its strategy successfully and manage its business as a going concern. This category explicitly includes IT, outsourcing, fraud, corruption, and cybersecurity risks.
- Financing: the risk relates to an event or trend that impairs Brill's ability to attract sufficient funds to finance working capital or long-term investments and therefore its ability to operate as an ongoing concern and execute its business strategy.
- Regulatory: the risk relates to changes in legislation or governance with effects on Brill's current business arrangements, on Brill's stakeholders, and on their capacity or propensity to transact business with Brill (in short, impact on Brill's 'license to operate').
- Financial Reporting: the risk impacts Brill's transparency in its results and financial position both internally for management purposes as well as to its stakeholders.
- Compliance: the risk impacts Brill's compliance with applicable law and regulations or it impacts Brill's business or financial reporting through transgressions of applicable law or regulations.

Consequently, Brill's risk-management analysis and tooling framework can be summarized as follows:

RISK MANAGEMENT TOOLBOX

Management of risk at Brill is generally executed through three categories of risk-management tools:

Organization, Culture and Governance – The organizational structure and culture of Brill must support the identification and avoidance of risk by making well-informed decisions in a timely manner. This requires delegation of authority. Governance must ensure an adequate framework of accountability.

Internal Control Framework – The framework of internal controls must provide reasonable assurance that:
- Business processes are carried out effectively and efficiently;
- Financial statements adequately reflect the business' financial position and development.

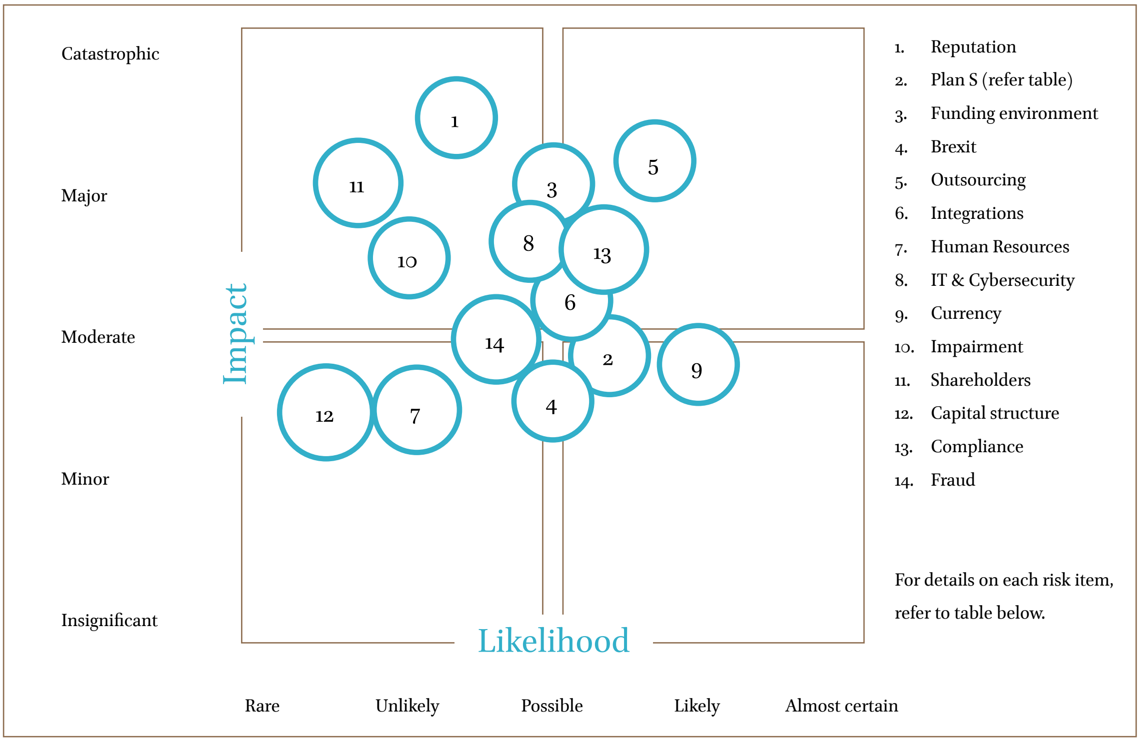
Business Policies – The framework of business policies must ensure that Brill can:
- Seize business opportunities;
- Avoid undue risk of losses to company assets;
- Execute its strategy.

Risk management is in the hands of the Management Board. Day-to-day supervision lies with the CFO, and execution is delegated as follows: design, implementation and execution of financial control measures are carried out by the Group controller, whereas the design, implementation, and execution of IT-related controls are overseen by the VP Operations. The implementation of specific measures and improvements is driven by a combination of the Management Board's assessment of current risk profiles and the annual management letter supplied by the external independent auditor. Brill's Supervisory Board reviews all reporting by the external independent auditor. Due to the small scale of operations and the centralized accounting function, Brill does not have an internal auditor. The decision to abstain from appointing an internal auditor is reviewed annually by the Supervisory Board.

DISCUSSION OF SPECIFIC RISKS WITH IMPACT AT THE STRATEGIC LEVEL

The risks set out in this overview have been classified as strategic. They are linked to the objectives pursued in Brill's strategy, the company's applicable risk appetite, and the mitigation strategies in place.

The following depicts a visual classification of specific gross or inherent risks at the strategic-impact level to illustrate an assessment of our risk profile and the level of risk that the company is willing to take:



The risk appetite ratings below should be interpreted as ranking measures rather than as an absolute, proportional measure of risk. Risk appetite per category is based on an annual management assessment.

Nature of the risk	Description of the risk	Objective threatened	Risk appetite (1=lo & 5=hi)	(Type of) mitigation
Market	1. *Reputation:* Various events may impact the company's reputation in the eyes of its stakeholders which is the cornerstone of Brill's ability to run and develop its business.	Strategic objective to expand in current and adjacent subject fields	1	*Organizational:* Organizational structure that enables the company to react and adapt flexibly to changing market circumstances. *Business policies:* Editorial policies including diligent peer review and checks on violation of publication ethics; communication policy; investor relations policy; code of conduct.
	2. *Plan S:* Changing Open Access policies of major funding bodies like the ERC, UKRI, DFG, NWO.	Maintaining a sustainable journal program	2	Dedicated Program Manager Open Access. Active participation in Open Access discussions with relevant actors within the global science community.
	3. *Funding environment:* Our customers and authors depend on governments' and societies' willingness to fund research in the humanities and social sciences incl. purchases at Brill and collaboration with Brill.	Expand in current and adjacent subject fields	3	*Business policies:* Increased focus on repeatable business, expansion into adjacent market segments, tap alternative funding sources, and support authors to procure funding for Open Access publication.
	4. *Brexit:* The impact of Brexit per January 1 2021 is still developing and may lead to distribution problems for our distributor based in the UK.	Profit improvement	2	POD printing is now possible at our distributor in the UK and stock has been partly moved to a distributor in NL. Procedures have been adapted.
Operations	5. *Outsourcing:* Failed outsourcing may impact business continuity or quality and the pricing of services used leading to reduced competitiveness.	Enhance operating capacity	2	*Organizational:* Quality of Brill staff. *Control measures:* SLAs, vendor selection process, enhanced monitoring of SLA compliance. *Business policies:* Insurance, contingency, and back-up measures.
	6. *Integrations:* Limited capacity to integrate acquisitions.	Realizing benefits of new acquisitions	2	For the acquisition of Vandenhoeck & Ruprecht (see notes 3, 24 and 25) we prepared a detailed integration plan and hired a senior interim integration manager to ensure the plan is executed and monitored.
	7. *Human Resources:* We may not be able to attract and retain the desired personnel.	Achievement of corporate strategy	2	*Business policy:* Develop Brill's employer reputation and culture as an attraction and retention mechanism.

Nature of the risk	Description of the risk	Objective threatened	Risk appetite (1=lo & 5=hi)	(Type of) mitigation
	8. IT and Cybersecurity: Deficiencies in our IT general controls may lead to reduced efficiency, reduced business continuity, and increased risk of fraud or exposure to cybersecurity risks.	Enhance operating capacity	2	*Control measures:* IT general controls such as (software-enforced) segregation of duties and IT user and access management policies. *Business policies:* Contingency and back-up measures, security measures, communication on IT and cybersecurity risks.
Financing and other	*9. Currency:* Significant swings in the USD/exchange rate may impact our results	Improve financial performance	3	*Business policies:* Hedging policy (refer to financial statements).
	10. Impairment: The company carries substantial intangible assets on its consolidated statement of financial position. Deteriorating business performance may lead to impairments which could cause substantial erosion of equity.	Improve financial performance	2	*Controls:* Review of material investments including acquisitions according to Chart of Authorization. *Business policies:* Conservative valuation calculations for acquisitions, reduction of assets required to run the business, regular review of asset value in impairment tests.
	11. Shareholders: Investors may not be willing to fund Brill's corporate strategy.	Expand in current and adjacent subject fields and markets	1	*Business policies:* Investor relations policy, dividend policy, focus on financial performance improvement. *Internal Controls:* Framework of controls aimed at financial reporting reliability.
	12. Capital structure: Rabobank loan. Covenants are part of the loan agreement. Significantly lower results may lead to breaching the covenants.	Financial stability	2	*Business policy:* Managing debt and equity, following financing policies, and monitoring ratios. Profit improvement plan and cost-saving initiative.
Regulatory	*13. Compliance:* High audit costs due to increased IFRS and other regulations for listed companies.	Improve financial performance	1	*Business policies:* Better qualified staff and processes in Finance. Improved accounting and more auditable workflows.
	14. Fraud: Brill's expanding business in certain countries might raise the risk of fraud or corruption by third-party intermediaries for which Brill can be held liable.	Financial stability, reputation	1	*Business policies:* Agreements with all intermediaries that they accept our Code of Conduct and Business Principles. CEO approval for all contracts with and payments to third parties in these countries.

RISK MANAGEMENT AND INTERNAL CONTROL IN 2020

In 2020, Brill took further steps to improve the company's internal control environment based on recommendations made by the external independent auditor. Specific steps were taken in the logging of critical data and periodic checking of authorizations in IT applications.

In July 2019, our distribution partner in the UK replaced a key software application. This change, which proved to be insufficiently controlled by the partner, caused significant commercial, operational, and administrative inefficiencies. In 2020, some of these problems were solved while others continued. At the end of 2020, Brill came to an agreement with the distributor that the damages incurred by Brill as a result of this software replacement are properly compensated.

Following the 2020 audit, further improvement is expected from enhancement of two unresolved key categories of internal control deficiencies in 2020:

- Completeness of revenues on platforms hosted by third parties and from our distribution partners;
- Further formalization of our risk-assessment process.

Corporate social responsibility is embedded in Brill's mission statement: by offering the best possible service and infrastructure to disseminate academic research, Brill contributes to an environment in which knowledge and academic development can thrive, which is beneficial to society at large. Our corporate sustainability policy can only be successful if it ties in with our core capabilities and the long-term interests of our stakeholders. Consequently, we focus on initiatives where we feel we can make a difference. At the same time, we strive for high standards and permanent improvement in all general facets of responsible corporate citizenship.

Brill focuses on two areas:

- A leading or participating role in areas where Brill's core capabilities can be leveraged to further the development of the global scholarly community;
- Permanent improvement in those areas that promote general corporate responsibility.

UN GLOBAL COMPACT

Brill's Corporate Sustainability program is driven by our membership of the UN Global Compact and our commitment to contribute to the 17 Sustainable Development Goals. These goals play a central role in our publishing program, as they are core themes in the research we publish, but they also shape the way we do business.

Over the past ten years, Brill has published 15,819 publications related to the SDGs. A large majority of these publications centre around SDG 16: Peace, Justice and Strong Institutions. These publications are part of our International Law and Human Rights program. We actively seek to expand the research we publish on the SDGs. In addition, we strive to disseminate this research as widely as possible. Of course this is done through our regular distribution channels, but we also focus on this research on our Humanities Matter blog at https://blog.brill.com as well as in our Humanities Matter podcast series on Spotify, Apple Podcasts, and Google Podcasts.

SDG 16	Peace, Justice and Strong Institutions	1,116
SDG 8	Decent Work and Economic Growth	730
SDG 14	Life Below Water	726
SDG 4	Quality Education	719
SDG 10	Reduced Inequalities	629
SDG 13	Climate Action	507
SDG 3	Good Health and Well-Being	406
SDG 7	Affordable and Clean Energy	299
SDG 11	Sustainable Cities and Communities	246
SDG 5	Gender Equality	236
SDG 15	Life on Land	161

We are embedding the SDGs in our business decisions and monitoring our progress. Below we outline key developments in 2020.

SDG 3 GOOD HEALTH AND WELL-BEING

2020 was an especially challenging year in terms of health and well-being. We saw the effects of COVID-19 and the lockdowns in our communities. All our offices experienced lockdowns. Some of our staff members were affected by illness themselves or in their personal environments. Others struggled with the combination of taking care of family and home-schooling children, while at the same time working from home. And yet others suffered from isolation and missed direct contact with colleagues. In our wider community of authors and editors we saw the same struggle. Research around such themes as isolation, loneliness, and human connection is vital and will help to identify coping strategies. This is an area where the humanities can contribute, as the article in this report illustrates. The same applies to themes such as education and home-schooling, and research into the history and social effects of pandemics.

The health and well-being of our staff, both physically and mentally, is of the utmost importance to us. The key performance indicator (kpi) we use to monitor this is our overall illness rate, which was 2,04% in 2020 for our main office. The average illness rate for 2020 in the Netherlands across businesses ranged from 4.5 to 5.2%. Despite the fact that our illness rate was relatively low, we recognize the significant impact that COVID-19 measures had on our staff, especially on mental well-being. We are committed to supporting our staff in the best possible way and took measures to help them in this challenging time, including the possibility to work from home (mandatory when required by lockdown regulations), flexible hours, and paid short care leave.

SDG 4 QUALITY EDUCATION

Education is at the core of our mission:
We operate from a strong belief that the Humanities, Social Sciences and International Law are areas of scholarship vital for addressing today's global challenges. This belief motivates us to offer our authors the best possible service and infrastructure to disseminate their research. In order to advance discovery and learning we are keen to support scholars by providing them with access to the finest research tools and reference works in their fields. The relevance and high quality of the works we publish are key to the sustainability of our business.

Open Access
In order to support the widest dissemination of the research we publish, we invest in Open Access, which is our fastest-growing business model. In 2020, we published 82 books in OA, 28 full OA journals and +500 articles. We signed three Open Access agreements and we offer OA waivers and discounts in 38 countries under the EIFL agreement.

- 82 OA books
- 28 full OA journals
- +500 OA articles
- 3 Institutional Open Access agreements, two with national consortia and one with an institution

Research Integrity
To offer quality education, we also require research integrity. Brill has a Publication Ethics Committee that oversees our policies in this area. In 2020, we published Brill's revised publication ethics, which conform to the standards of ethical behaviour promulgated by the Committee on Publication Ethics (COPE). Brill's staff and publishing partners are expected to promote adherence to the core principles of publication ethics as articulated in this document. The policy can be read in full on brill.com.
In May 2020, Brill launched the forthcoming book series *Studies in Research Integrity* in collaboration with series editor Professor Michael V. Dougherty (Ohio Dominican University), who is also a member of our Publication Ethics Committee.

SDG 5 GENDER EQUALITY
In recent years, we have seen attention towards the gender pay gap in our industry with several publishers publishing data on average pay across gender. The UK government has made it mandatory for employers with over 250 FTE to publish data comparing men and women's average pay across the organization. The data is publicly available: https://gender-pay-gap.service.gov.uk/. Data from our industry showed pay gaps in favour of men, particularly in bonus payments, and under-representation of women in the upper quartile. The industry has committed to improving this. When we look at all Dutch publicly listed companies, Brill is in the top 15 of more than 200 companies in its performance regarding gender equality.

In 2020, Brill staff and management had the following division across gender:

Supervisory Board:	33% female, 67% male
Management Board:	33% female, 67% male
Management Team:	43% female, 57% male
All staff:	58% female, 42% male

It is clear that there is a discrepancy between the number of female staff across the company and the percentage in the Supervisory and Management Board. The representation of women in our management and boards is a point that will require continuous attention and effort.
We do not have data on average pay across gender yet, but will provide this in our UN Global Compact annual communication on progress and in the next annual report.

SDG 10 REDUCING INEQUALITY

Diversity and Inclusion
We value diversity and inclusion among our staff, authors, and editors. To this end, we have joined the initiative from the Royal Society of Chemistry (RSC) to take action to reduce bias across all stages of the publishing process. This initiative has brought together 32 publishing organizations to set a new standard to ensure a more inclusive and diverse culture within scholarly publishing. As a group, we acknowledge that biases exist in scholarly publishing and we commit to scrutinizing our own processes to minimize these. We will pool our resources, expertise, and insight to accelerate change in research culture.

Collectively we will:

1. **Understand our research community**
   We will collaborate to enable diversity data to be self-reported by members of our community, and we will work towards a collective and compliant system so that researchers only need to self-report data once. We will share and analyse anonymized diversity data to understand where action is needed.

2. **Reflect the diversity of our community**
   We will use anonymized data to uncover subject-specific diversity baselines, and set minimum targets to achieve appropriate and inclusive representation of our authors, reviewers, and editorial decision-makers.

3. **Share success to achieve impact**
   We will share and develop new and innovative resources to improve representation and inclusivity of diverse groups. We will transparently share policies, measurements, language, and standards, to move inclusion and diversity in publishing forward together.

4. **Set minimum standards on which to build**
   We will scrutinize our own publishing processes and take action to achieve a minimum standard for inclusion in publishing, based initially on the Royal Society of Chemistry's Framework for Action in Scientific Publishing. We will engage all relevant stakeholders to improve outcomes on inclusion and diversity, at all stages of the publishing process.

Accessibility
Brill is committed to ensuring our websites are easily accessible for everyone. By adopting best practices and striving to adhere to current guidelines and recommendations, we are continuously working towards improving accessibility. Wherever possible, Brill strives to comply with *Section 508 Amendment to the Rehabilitation Act of 1973, EN 201 549 Accessibility requirements suitable for public procurement of ICT products and services in Europe – v2.1.2 (2018-08)* and level AA of the Web Content Accessibility Guidelines (WCAG 2.1).

Developing Countries
Brill's sustainability policy also manifests itself in the company's Developing Countries Program. As part of its research capacity building strategy, Brill has an Adopt-a-Library program in place through which it annually donates collections of books to libraries and universities in developing countries. These donations are supported by workshops for academics and librarians that focus on how faculty can increase the impact of their research by publishing nationally and internationally and how to make the best use of limited resources. Such workshops are given throughout the year by Brill publishers as part of research capacity building. Brill's endeavours in this context align with existing initiatives, such as Research4Life and INASP's Author Aid, an online mentoring system of international academics and researchers that promotes coaching and the exchange of knowledge between developed and developing countries in a very practical and effective manner. To advance accessibility and distribution, Brill offers discounts on its Open Access fees to academics and scientists in developing countries as part of its Brill Open Program.

SDG 11 SUSTAINABLE CITIES AND COMMUNITIES AND SDG 17 PARTNERSHIPS FOR THE GOALS

Partnerships that Support Research Communities
Brill actively participates in existing education programs and takes initiatives that are developed in cooperation with professional publishers and international organizations. Examples include Research4Life, INASP, Association of Commonwealth Universities, and Publishers for Development. As part of Research4Life, Brill co-founded and launched a new program in 2018 focusing on International Law called Global Online Access to Legal Information (GOALI). This has been done in close cooperation with academic libraries such as Yale and Cornell Law School libraries, the Library of the International Labor Organization (ILO) in Geneva as the lead UN entity, and other academic publishers and key stakeholders.

Sponsorships
In addition to participating in international partnerships, we nurture and promote cultural heritage and the research community in our home town, Leiden. Leiden University deserves a special mention in this regard. The Brill Fellowship available at the Scaliger Institute makes it possible for researchers to study the special collections of Leiden University's library and is just one example of the ways in which the company demonstrates its loyalty to the city and its university. Brill also contributes to Leiden's annual VeerStichting symposium and fosters and maintains positive relations with Dutch heritage institutes. The company has granted corporate sponsorship to the Siebold Museum (Japan Studies) and Rijksmuseum Boerhaave (History of Science), both of which are in Leiden. Brill also sponsors the annual Plantijn lecture in Leiden.

Actively contributing to these initiatives supports the future development of the global scholarly community and Brill's network within that community. Therefore, we strongly believe that an active policy in this regard is in the interest of all stakeholders.

SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Brill's vendor policy contains unequivocal provisions pertaining to social conditions (the exclusion of child labour and corruption, for example) and the substances and materials to be used. Brill's General Business Principles are clear about our values and their impact on the conduct of our business. Brill aims to be a reliable, responsible, and attractive employer (refer to the Value Creation Process at Brill section).

Brill companies insist on integrity and fairness in all aspects of business and expect the same from our business partners. The direct or indirect offer, payment, soliciting, or acceptance of a bribe in any form is unacceptable. We do not engage in the practice of facilitation payments to accelerate or secure the performance of a routine government action.

Employees must avoid conflicts of interest between their private activities and conducting company business. Employees must also declare potential conflicts of interest. All business transactions on behalf of a Brill company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

As a publicly listed company, Brill is committed to compliance with rules against insider trading. In our interactions with employees, business partners, and local communities, we seek to listen and respond honestly and responsibly.

Brill staff is committed to the responsible use of digital communications and social media in line with Group policies. We comply with applicable laws and regulations of the countries in which we operate.

Brill's tax policy is aimed at achieving an efficient tax structure while paying fair amounts due in the jurisdictions where it does business. The transfer pricing arrangements put in place within the Group are aimed at being sustainable within the context of the current OECD initiatives and concerns that have emerged in the global community and the digital economy.

SDG 13 CLIMATE ACTION

For several years, Brill has compensated the CO_2 usage of marketing materials. Our printing partners use the ClimateCalc calculation model to calculate the CO_2 footprint of Brill marketing material during the production process and compensate this through Gold Standard projects for CO_2 compensation. The process is certified by the ISO-standard 16759. Brill pays an additional fee on marketing materials to facilitate this. In 2020, we investigated how we can expand CO_2 compensation to other areas. We will extend this to travel. All flights and train transport will be compensated from 2021 onwards and retroactively for 2020. Although compensation is a good thing, it is better to travel less. In 2020, we travelled much less due to COVID-19. We have experimented with working from home, virtual conferences, and contact with our communities via video calls. While personal relations are vital in our service level for authors and editors, video calls are also here to stay. We will go back to meeting our authors and editors at live events when this is possible again, but we will be mindful of the necessity to travel, especially by plane. We have devised a new travel policy that promotes the use of trains when this is an option, and encourages local staff to attend conferences to avoid long-distance travel when possible.

In our marketing approach, the effects of COVID-19 accelerated the transition from print to digital promotion that had already started. Print materials are kept to a minimum and are printed locally to avoid long-distance shipments. We created linen bags and will no longer use plastic bags at conferences.

In 2020, we reduced the shipment of free copies of journals in favour of digital access and we greatly reduced the use of plastic wrappings on our print books by changing our cover material.

In addition, our print suppliers have Forest Stewardship Council (FSC) certification. The universal 'Brill' typeface, the use of which saves time and money, was developed as an efficient and therefore paper-friendly font family.

SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

As mentioned above, our research on the SDGs is especially strong for SDG 16, which can be seen in our International Law and Human Rights program. In this light, we are also proud of our cooperation with The Hague Academy of International Law for which we publish The Hague Academy Collected Courses and other publications.

POLICIES

To create a coherent framework for the conduct of business within the Brill Group, Brill has the following policies in place:

1. Corporate Governance statement
2. Brill Code of Conduct
3. Vendor Policy
4. Remuneration Policy
5. Risk Management Policy
6. Whistleblower Policy
7. Code of Conduct on Insider Trading
8. Guidelines on publication ethics for editors, authors, and reviewers

For documents listed above which are not included in this report, please refer to brill.com.
The Management Board monitors the effects of the above-mentioned policies on a regular basis by discussing them with the HR manager, the appointed trusted persons, and the Works Council.

RESPONSIBILITY STATEMENT

The Management Board of Koninklijke Brill NV is responsible for the preparation of the financial statements in accordance with IFRS as adopted by the European Union and the provisions of Part 9 Book 2 of the Dutch Civil Code (DCC). In addition, the Management Board is responsible for the preparation of the Management Board's Report, which is included in the Annual Report.

In the Annual Report, the Management Board endeavours to present a true and fair view of the financial position of the Group as per 31 December 2020 and the development of the Group during 2020. In the section Risk Management, the Management Board identified the main risks currently known that could affect the achievement of Brill's strategic objectives or that could lead to misstatements in the financial statements, as well as the measures implemented to manage these risks. These measures can provide reasonable but not absolute security against material losses or material errors.

As required by the provisions of 1.4.3 of the Corporate Governance Code and section 5.25c par 2c of the Dutch Act on Financial Supervision, the Management Board confirms that to its knowledge:

(Statement according to the Corporate Governance Code)
- the Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and internal control framework;
- although internal controls are not fully formalized and documented, management is of the opinion that the framework of internal control provides sufficient assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on an ongoing concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

(Statement according to 5.25c par 2c)
- the 2020 financial statements give a true and fair view of the assets and liabilities, the financial position, and the result of Brill and the companies jointly included in the consolidation; and
- the 2020 Annual Report likewise gives a true and fair view of Brill's position and the position of its affiliated companies on the consolidated statement of financial position date, as well as of the course of events during the financial year under review;
- furthermore, the Annual Report describes the principal risks that Brill faces.

In reference to the above two statements, we estimate that the ongoing COVID-19 crisis may have an impact on the results in 2021 but will in the long long-term threaten Brill's financial position and liquidity. For a detailed assessment of the impact of COVID-19, please refer to the Financial Statements.

Leiden, 7 April, 2021
Management Board

Koninklijke Brill NV ('Brill'), a public limited company under Dutch law, with its registered office at Plantijnstraat 2, 2321 JC Leiden, is the parent company of the Brill Group. The corporate governance structure of the company is based on the company's Articles of Association (for the 'Articles', refer to brill.com), the Dutch Civil Code ('DCC'), the Dutch Corporate Governance Code ('the Code'), and further applicable laws and regulations. The Management Board and the Supervisory Board are responsible for the corporate governance structure. Supervisory Board members are independent in the sense of the Corporate Governance Code.

The share capital of the company is divided into ordinary shares and cumulative preference shares. There are currently no cumulative preference shares issued. Of the issued ordinary shares, approximately 99% are certified and administered by the Stichting Administratiekantoor Koninklijke Brill NV (the Trust Office). Only registered depository receipts are listed on Euronext Amsterdam. Of the receipts 65% are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depository receipts, on 31 December 2020, have reported an interest of 3% or more to the Dutch Authority Financial Markets:

Filings	**Size**	**Declaration date**
Mont Cervin Sàrl	22%	22 June 2012
Teslin Participaties Coöperatief U.A.	19%	18 September 2020
Axxion S.A.	6%	20 July 2016
J.P. van Slooten	5%	11 April 2017
Stichting Administratiekantoor Arkelhave Capital	5%	16 December 2016
Stichting John en Marine Van Vlissingen Foundation	5%	11 August 2015
Brokat Media Support BV	3%	16 September 2020

Holdings Members of the Supervisory Board and Management Board

Name	**Number of registered depository receipts**
Peter Coebergh	600
Jasmin Lange	500
Olivier de Vlam	400

In 2018, the members of the Management Board acquired registered depository receipts in Brill via their own banks and at their own risk, with the consent of the Supervisory Board. No further transactions were recorded since. These shares are not related to any remuneration schemes.

Brill is a statutory two-tier company (operating under the Dutch 'structuurregime'). The Articles of Association regulate *inter alia* the appointment and dismissal of Supervisory Board and Management Board members, the rights allocated to the Annual General Meeting of Shareholders and the amendment of the Articles. Brill's corporate governance is established in line with its business objectives and with the Code except where noted otherwise below. In addition to the Code, Brill has implemented its Core Values and Business Principles.

The proceedings of the Annual General Meeting of Shareholders follow the stipulations of the DCC and are detailed in the Articles of Association. Brill's most notable deviation from the Code is the policy regarding use of certification as a possible method of protection. Brill is a relatively small, profitable publisher, active in an industry that is in consolidation. Also, the sensitive nature of Brill's relationships with its stakeholders - including authors, librarians, and scholars whose continued trust is the cornerstone of our business' value - requires careful weighing of each major strategic change. Therefore, the Management Board deems protection against uninvited external influence necessary. Accordingly, the company has implemented defensive structures.

Firstly, the company has cooperated with the issuance of registered depository receipts that can be seen as a defensive measure in that the Stichting Administratiekantoor Koninklijke Brill NV (Trust Office) reserves the right in the event of situations as referred to in Art. 2:118a.2 DCC not to issue voting proxies nor to accept binding voting instructions. Registered depository receipts will be maintained as long as they contribute to the objective to ensure sufficient protection and balanced decision-making on the future of the company.

In line with the Code, the Board of the Trust Office consists of independent members. The Board of the Trust Office shares the opinion of the Management Board and Supervisory Board on the use of registered depository receipts as a defensive instrument.

Secondly, Brill has the possibility to issue preference shares. When this occurs, the preference shares will be placed with Stichting Luchtmans, which has the right to acquire preference shares to a maximum of 100% of the ordinary issued share capital.

Pursuant to the Articles of Association, conversion of registered depository receipts is possible up to 1%. In addition, shareholding is limited to individuals, the company itself, the Trust Office, and legal entities that were shareholders before 29 July 1997.

Several responsibilities have been allocated to the Combined Meeting (the joint meeting of the Supervisory Board and the Management Board). The rights of the Combined Meeting include the determination of the number of members of the Supervisory Board, authority on profit distribution proposals, the making of proposals to amend the Articles, dissolution and legal merger / demerger of the company.

Management Board members are appointed by the Supervisory Board. The Supervisory Board must notice the general meeting of an intended appointment of a Management Board member. Each Management Board member may be removed by the Supervisory Board. The Supervisory Board may not remove a Management Board member until the general meeting has been consulted on the intended removal.

Supervisory Board members are appointed by the general meeting of shareholders on a nomination of the Supervisory Board. The Supervisory Board must simultaneously inform the general meeting of shareholders and the Works Council of the nomination. The nomination will state the reasons on which it is based.

Diversity and inclusiveness are important aspects of the corporate management culture, as expressed in Brill's Core Values. Consequently, it is Brill's objective to achieve a balanced composition of all its governance bodies. As of May 2019, the company's management body, the Management Board, consists of two male directors with Dutch nationality and one female director with German nationality. The extended Management Team (which includes the Management Board) consists of seven members, three of which are female. Given the composition of the management layers below the Management Board, Brill believes that maintaining this balanced distribution is sustainable. The company has a Supervisory Board consisting of three persons, of which one is female with French nationality, and two are male with Dutch nationality. Catherine Lucet, the female member of the Supervisory Board, will have fulfilled the maximum tenure of eight years as of May 2021 and will have to be replaced. To keep the balanced composition, the Supervisory Board has searched for and identified a female replacement who will be nominated at the AGM on 19 May 2021.

Regarding transparency between the Management Board and the Supervisory Board, and between Supervisory Board members themselves, clear agreements are in place. The employment agreements for statutory directors are drawn up in accordance with the best practice provisions of the Code.

The Supervisory Board and the Management Board meet annually to discuss the implementation of best practices in corporate governance and compliance with current legal requirements. They currently hold that the governance of the company complies with the principles expressed in the Code, except for the use of depository receipts as a defensive mechanism.

The Supervisory Board and the Management Board are aware that protection of the company is generally only temporary in nature. Therefore, the company's strategy must be made clear to all stakeholders and especially to investors, and what valuable elements from past, present, and future are incorporated therein. The aim is to make the company an attractive investment for investors who prefer a strategy focused on long-term sustainable value creation. Sustainable value creation is, in turn, largely dependent on Brill's standing among customers and authors. Our investor- relations activities aim to communicate this message. Retaining the trust and support of investors is a basic element of the corporate governance policy.

Regarding aspects of best practice provisions not relevant to protection, the Management Board and the Supervisory Board remain of the opinion that these support the existing corporate governance structure. We are of the opinion that Brill's current governance supports strategies that create long-term value.

Our main business policies are outlined in the list below:
1. Brill Core Values and Business Principles
2. Corporate Governance (refer to separate chapter)
3. Brill Code of Conduct
4. Vendor Policy
5. Remuneration Policy (refer to separate chapter)
6. Corporate Sustainability (refer to separate chapter)
7. Risk Management Policy (refer to separate chapter)
8. Whistleblower Policy
9. Code of Conduct on Insider Trading

For documents listed above which are not included in this report, please refer to brill.com.

The Management Board monitors the effects of the above-mentioned policies on a regular basis by discussing them with the HR manager, the appointed trusted persons, and the Works Council.

Supervisory Board
Management Board

SUPERVISORY BOARD'S REPORT REGARDING THE YEAR 2020

ANNUAL FINANCIAL STATEMENTS

Based on the ongoing appointment by the AGM of PricewaterhouseCoopers Accountants NV (PwC) as the company's independent auditor, the Supervisory Board instructed PwC to audit the financial statements of Koninklijke Brill NV for the 2020 financial year. For the 2020 financial statements, an unqualified independent auditor's report was issued. We therefore recommend that shareholders approve these annual financial statements. We propose distributing an ordinary all-cash dividend of EUR 1.25 per share (certificate) for 2020.

ACTIVITIES

Due to the COVID-19 pandemic, only the meetings in February and August were held in Leiden. All other meetings (9 in total) were held virtually because of COVID-19 restrictions. At all meetings, the entire Board was present.

In 2020, the Supervisory Board closely followed the effect of the COVID-19 pandemic on Brill, especially during its early stages when it was unclear how significant the impact would be. The Management Board took effective action and the Supervisory Board received regular updates on the developments concerning and impact of the COVID-19 measures on the business and Brill staff.

More generally, the Supervisory Board met with the Management Board during all Supervisory Board meetings to discuss or approve topics including company culture, risk management, staffing developments, management development, long-term company strategy, cost development and management, possible acquisitions, the progress and development of publishing platforms, liquidity planning, credit facilities, investor relations, corporate governance issues, and various investments. All Supervisory Board members were present at all meetings.

During the meetings with the Management Board attention was also paid to the corporate strategy, which is updated annually and presented by the Management Board. An update of the corporate strategy was discussed and approved. The building blocks of this newly updated strategy have been on the agenda of most of the regular meetings, especially the publishing strategy and priorities and recent developments in Open Access publishing. Also the results of the Digital Health Check, launched at the end of 2019, were discussed in all our regular meetings.

The Board dedicated time to monitoring the progress of the profit improvement plan announced in 2018, to discussing the way Management addressed the challenges faced by the Finance organization, and to assessing the risks related to Brexit and the system migration at our international distribution partner based in the UK. Business development opportunities, acquisitions, progress reports, and possible partnerships in various countries are subjects on the agenda for every meeting.

Reports from the external independent auditor are received and discussed on a regular basis. Progress on issues from the management letter issued by the external independent auditor received special attention. Risk assessment and measures to mitigate risks are always discussed in the context of the annually updated management letter. In 2018, management commenced addressing certain significant internal control deficiencies in the area of IT General Controls and in financial controls through a finance improvement plan. Although significant progress was made, this plan is still in execution and will be finalized in 2021.

In the biannual meetings with the Works Council, issues such as corporate culture, work pressure, and the tone in the company have been discussed without the presence of the Management Board. In addition, the profile for succession of Mrs. Lucet foreseen in 2021 was reviewed and appropriate candidates were discussed.

There were also informal consultations between members of the Supervisory Board and the members of the Management Board during the year. The Supervisory Board continued the practice of beginning each meeting without the presence of the Management Board, with the aim of discussing the agenda for the meeting and allowing each member to express particular points of attention for the meeting itself. This included the functioning of the Supervisory Board, its individual members, and of the Management Board and their teams. The Supervisory Board met with a selection of staff invited to its meetings. This enabled the Board to observe internal relationships as well as the tone in the company and the corporate culture in practice.

A recurring item on our annual corporate calendar is the remuneration of the statutory director(s). The directors' objectives in the context of the variable remuneration scheme were also determined and evaluated. Where possible, Brill's corporate strategy was anchored in targets, both in the short-term as well as in the long-term variable remuneration. The Remuneration Report provides more details.

Two meetings with the external independent auditor and Management Board were held to discuss the management letter resulting from the interim audit and the final reports. The discussions were followed by the customary annual discussions between the Supervisory Board and the independent auditor, without the presence of the Management Board.

A formal evaluation of the Supervisory Board itself took place in 2020, based on a structured list of questions and assessments that each member had completed and that was subsequently discussed. The outcome of the evaluation was that the Supervisory Board functions properly. Some suggestions for process improvements were noted and followed up.

AUDIT COMMITTEE

An Audit Committee was established early 2020, consisting of Robin Hoytema van Konijnenburg and Theo van der Raadt. This was necessary as the Supervisory Board consisted of four members at the time; before the establishment of the Audit Committee, this function was performed by the Supervisory Board in regular meetings.
The Audit Committee held discussions both formally and informally with the CFO and senior financial staff. The main topics discussed were progress of the finance function improvement plan, internal control updates, financial results and audit related matters

In 2020, the Audit Committee and the Supervisory Board concluded that at present, given the size of the company, there is no need to appoint an internal auditor. However, this decision will be reviewed annually.

Given the reduction of the size of the Supervisory Board from four to three members, it was decided that after the audit of the 2020 accounts, the Audit Committee will cease to formally exist and its function will again be performed by the Supervisory Board in regular meetings.

PROFILE OF BOARD MEMBERS

The Supervisory Board should be composed in such a way that each member - and the Supervisory Board as a whole - can fulfil their role, which includes overseeing management policies and the general business of the company and its affiliates as well as adequately advising the Management Board. Given the global nature of the company's activities, it is imperative for all members of the Supervisory Board to possess international experience. Moreover, there must be at least one member who is particularly familiar with the operations of a publishing house and has experience as a publisher. Additionally, one member of the Supervisory Board must have financial expertise, meaning that he or she will have acquired relevant knowledge and experience of finance management within listed companies and other larger legal entities.

The members of the Supervisory Board need to have sufficient time to perform their duties; in particular this applies to the chairman of the Supervisory Board. The Supervisory Board and its chairman met this requirement. As of 25 June 2020 (after closing of the AGM), the Supervisory Board consists of three persons. The gender balance is now 67% male versus 33% female. The members of the Supervisory Board are independent within the context of the Dutch Corporate Governance Code.

CORPORATE GOVERNANCE

The annual report describes how the company dealt with the implementation of the Dutch Corporate Governance Code that was in force during 2020. The Supervisory Board annually evaluates its instruments and processes in relation to the Code. There were no transactions with conflicting interests relating to the Supervisory Board and the three statutory directors.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

On 25 June 2020, the Annual General Meeting of Shareholders was organized by means of a webinar. The chairman of the Supervisory Board, the Management Board, and the external independent auditor were present at a studio location. Also, a notary from Allen & Overy was present to oversee the live voting protocol. Shareholders were given the opportunity to submit questions in advance and were also able to ask their questions via live chat during the meeting itself. All resolutions presented were approved. This included the resolution to reduce the number of members of the Supervisory Board from four to three. Being at the end of his four-year term, the chairman, Mr. Steven Perrick, stepped down effective the close of the AGM. As it was decided in the Combined Meeting to reduce the number of members of the Supervisory Board from four to three it not necessary to propose a new Supervisory Board member. The Supervisory Board then decided to appoint Mr. Robin Hoytema as the new chairman, and Mr. Theo van der Raadt as vice-chairman of the Supervisory Board. The Board wishes to express its gratitude to Mr. Perrick for the significant contribution made during his four-year term.

The Supervisory Board would like to thank the Management Board and all staff for their dedication and contributions in 2020, which has resulted in a satisfactory performance despite an often difficult working environment, travel restrictions, and many uncertainties.

Leiden, 7 April, 2021

Supervisory Board
Robin Hoytema van Konijnenburg (Chairman)
Catherine Lucet
Theo van der Raadt (Vice-Chairman)

Robin Hoytema van Konijnenburg, 1957, Dutch (male), Chairman of the Supervisory Board (as of 25 June 2020)

Mr. Hoytema van Konijnenburg was appointed to the Board in 2015. His current term runs until 2023.
Other positions:

- Board member Stichting Administratiekantoor Roeminck Insurance (as of 2 April 2020)
- Board member Vereniging Effectenuitgevende Ondernemingen (VEUO)
- Board member of the Heineken Africa Foundation

Steven Perrick, 1949, Dutch (male), Chairman of the Supervisory Board (until end of the AGM on 25 June 2020)

Mr. Perrick was appointed Chairman to the Board in August 2016.
Other positions:

- Attorney at Wakkie+Perrick, Amsterdam
- Professor occupying an endowed chair in civil law at Amsterdam University
- Chairman Stichting Ammodo
- Board Member Stichting Continuïteit NN Group
- Board Member Stichting Preferred Shares Mylan
- Deputy Judge at the court of justice in Arnhem
- Editor and advisor of law publications

Catherine Lucet, 1959, French (female), Member of the Supervisory Board

Mrs. Lucet was appointed to the Board in 2013. Her current term runs until May 2021.
Other positions:

- Deputy Managing Director of Editis. Managing Director of the Education Division
- Independent Board member of Casino Guichard Perrachon. Chairperson of the Governance and CSR Committee. Member of the Audit Committee. Lead Director

Theo van der Raadt, 1953, Dutch (male), Vice-Chairman of the Supervisory Board (as of 25 June 2020)

Mr. Van der Raadt was appointed to the Board in 2019. His current term runs until 2023.
Other positions:

- Chairman of the Supervisory Board, ICT Group NV
- Member of the Supervisory Board, Shared Stories Group (publishing house)
- Vice Chairman Supervisory Board/Chairman audit committee/Chairman remuneration committee, BDR Thermea Group

REMUNERATION POLICY AND REPORT FOR THE YEAR 2020

This remuneration report combines both the requirements for the Supervisory Board to prepare a remuneration report in line with the Dutch Corporate Governance Code, as well as the requirements for the Management Board to prepare a remuneration report in line with Book 2 of the Dutch Civil Code.

As per 1 December 2019, the new EU shareholder rights directive (SRD) was recorded into legislation in the Netherlands (art 2:135 Dutch Civil Code). Pursuant to this legislation, Brill's remuneration policy will henceforth be a voting point in Brill's Annual General Meeting. Prior to the AGM, the Works Council of Brill will be requested to prepare its position on the remuneration policy. In setting the remuneration policy for 2020, the content of the discussion and the voting at the AGM will be considered. This remuneration policy will be posted on brill.com in accordance with the provisions of art 2:135 (DCC).

Brill's remuneration policy is largely unchanged versus the prior year and there were no deviations from the policy in 2020.

REMUNERATION POLICY, SUPERVISORY BOARD

The remuneration of the chairman and the members of the Supervisory Board is set at a fixed annual amount and does not include variable elements. The members receive neither performance-related remuneration nor shares, nor do they accrue pension rights with the company. They receive no severance pay when they exit the Board. The remuneration of the Supervisory Board is regularly evaluated, with the advice of an external expert if necessary. Brill established guidelines governing the holding of and transactions in securities, other than those issued by Brill, by Supervisory Board members.

REMUNERATION POLICY, MANAGEMENT BOARD

The remuneration of the Management Board is determined by the Supervisory Board based on the remuneration policy, in line with the best practice provisions of the Dutch Corporate Governance Code ('the Code'). The policy with respect to the remuneration of the Management Board seeks to enable Brill to attract, develop, and retain qualified and expert persons. Additionally, the remuneration must be proportional to the salary conditions for all Brill staff and should be aligned with the strategic planning scenario and our corporate culture and be reasonable from the perspective of our key stakeholders in order to support Brill's mission. The Supervisory Board, if necessary, with the aid of an external expert, conducts regular reviews to establish whether the Management Board's remuneration is in line with market development. The Supervisory Board evaluates the fixed salary levels of the statutory directors annually in accordance with their responsibilities and performance.

The policy of the company relating to the contract of employment is in line with best practice provisions of the Code. The applicable notice period is four months and is in line with standard practice. Members of the Management Board are appointed for a period of four years and can be reappointed by the Supervisory Board following each term. The contracts include a severance pay of one year fixed annual remuneration.

The pension plan for the current statutory directors is maximized as per the regular Brill pension plan.

The company does not grant loans, advances, guarantees, or rights for the acquisition of options or shares to the members of the Management Board. In order to avoid conflicts of interest, the Supervisory Board has made an agreement with the Management Board about ownership of and transactions in securities other than those issued by Brill.

VARIABLE INCOME, LINK TO LONG-TERM VALUE CREATION

The Supervisory Board sees variable remuneration as a meaningful part of the Management Board's remuneration package, because the targets against which performance is measured reflect the drivers for growth and value creation in the short- and long-term and are assistive to achieving Brill's mission. The Supervisory Board assesses that the financial targets in the long-term plan are the most relevant contributors to the creation of long-term financial value. The non–financial targets in the long-term compensation plan are derived from Brill's Corporate Strategy as it is in force at the time of agreeing upon the objectives. Annually, short-term targets are determined by the Supervisory Board which largely reflect objectives for the key figures on which the company reports in its annual results. These key figures are important measures of the success of the execution of the company's strategy aimed at long-term value creation and as such, both the short-term and the long-term variable remuneration are directly linked to the company's long-term value creation.

The variable component of remuneration related to short-term targets is a maximum of 40% for the CEO and 35% for the CFO and CPO, and for the three-year, long-term objective, again a maximum of 40% or 35%, respectively, of the base salary in the year that the objective was agreed upon. Consequently, the percentage of the maximal total payout that is variable or at risk is 44% for the CEO (80%/180%) and 41% (70%/170%) for the CFO and the CPO.

SUPERVISORY BOARD

The members of the Supervisory Board received a fixed annual remuneration. They did not receive cash or other deferred incentive payments, such as stock options or shares, nor did they accumulate pension entitlements with Brill. The remuneration for the members of the Supervisory Board was not adjusted in 2020.

Remuneration of the Supervisory Board (in thousands of euros)	**2020**	2019
Steven Perrick*)	18	36
Robin Hoytema van Konijnenburg	32	29
Catherine Lucet	28	28
Theo van der Raadt*)	28	18
*) Remuneration proportional to period served	106	110

MANAGEMENT BOARD

The remuneration for the members of the Management Board in 2020 had a fixed portion and two performance-related variable components, the first of which is for the current year and the second of which is for a three-year period.

Remuneration payout to the members of the Management Board was as follows:

Paid remuneration of the Management Board (in thousands of euros)

	Short-term employee benefits	Short-term incentive plan	Long-term incentive plan*)	Post-employment benefits	Total
2020					
Peter Coebergh	272	73	0	13	358
Olivier de Vlam	221	31	0	13	265
Jasmin Lange	163	40	0	12	215
Total	656	144	0	38	838
2019					
Peter Coebergh	269	38	0	13	320
Olivier de Vlam	234	12	0	13	259
Jasmin Lange	133	12	0	8	153
Total	636	62	0	34	732

*) The current Management Board members have no long-term plans that have in 2020 matured to payout date.

In the 2020 accounts, the following accruals for variable remuneration were recognized for future payout:

Target achievement of the members of the Management Board (in % of annual base salary)

	Short-term Financial	Short-term Non-financial	Long-term 2018-2020	Long-term 2019-2021	Long-term 2020-2022	Annual Total
Peter Coebergh						
Target	20%	20%	40%	40%	40%	80%
Achievement	16.3%	13.8%	24.5%	n.a.	n.a.	55%
Olivier de Vlam						
Target	17.5%	17.5%	35%	35%	35%	70%
Achievement	14.2%	12%	21.5%	n.a.	n.a.	48%
Jasmin Lange						
Target	17.5%	17.5%	30%	33.2%	35%	70%
Achievement	14.2%	12%	21.5%	n.a.	n.a.	48%
Accrued in 2020 for	90	76	66	42	40	314
Accrued in 2019 for	83	82	59	37	0	261

The short-term variable income awarded to the Management Board is based on three financial targets that in 2020 included increase of revenue, increase of EBITDA, and ROIC. The increase of revenue, EBITDA, and ROIC were met in 2020. Due to the special attention that the Management Board had to spend on managing the impact of the COVID-19 crisis, it was decided not to set specific individual non-financial targets for 2020. Instead it was agreed that the Supervisory Board would use its discretion to award a certain bonus percentage for the non-financial targets based on the results of 2020.

The long-term (3-year) variable income to the Management Board will be granted according to performance criteria which are linked to long-term value creation:
- The criteria in the 2018–2020 plan focus on three elements: increasing the EBITDA margin, adding acquisitions, and relative total shareholder return (TSR);
- The criteria in the 2019–2022 plan focus on new business creation, EBITDA margin, and TSR;
- The criteria in the 2020–2023 plan focus on new-business creation, EBITDA margin, and TSR.

Since the target achievement of the long-term plans can only be ascertained at the end of each plan, Brill accrues provisional amounts for future payout.

For 2021, the Supervisory Board intends to set targets for variable income that are similar to 2019 targets, as the short-term target setting for 2020 was changed because of the extraordinary situation around COVID-19. The full list will be published as an annex to the AGM materials that are to be posted on brill.com.

REMUNERATION EXPENSES

As a consequence, expenses recorded in the statement of profit or loss for executive remuneration are as follows:

Total paid executive remuneration (in thousands of euros)	**2020**	2019
Supervisory Board	106	110
Management Board	838	732
Total paid remuneration (amounts per person as per above)	944	843
Variable payout accrued in the prior year	-144	-96
Variable component accrued in the current year	314	261
Net expense for executive remuneration	1,114	1,008

In 2020, no payments were made to former Supervisory Board or Management Board members. The Management Board members received no additional compensation for their role as statutory director at Brill's subsidiaries. The Group has not claimed back any of the variable remuneration paid out in the past.

As part of its remuneration policy, Brill monitors and reports on the company's pay ratio. This indicator compares the remuneration of the Management Board (fixed + variable components) against the average salary of all employees (minus the Management Board). In 2020, the pay ratio was 3.5 (2019: 3.2). Brill deems the expected height of the payout ratio to be appropriate given the size and profile of the company.

Over the last five years, Management Board remuneration, in comparison to all Brill staff, was as follows:

	2020	2019	2018	2017	2016
Total salary expense, excluding subsidies received (in thousands of euros)	13,391	13,049	13,205	12,010	10,526
Management Board remuneration (in thousands of euros)	838	732	819	399	394
Staff salary expense (in thousands of euros)	12,553	12,317	12,386	11,611	10,132
Average FTE	160.6	165.1	166.7	160.5	131.7
Management Board average FTE	3.0	3.0	2.4	1.0	1.0
Staff average FTE	157.6	162.1	164.3	159.5	130.7
Staff salary expense / average FTE (in thousands of euros)	79.7	76.0	75.4	72.8	77.5
Pay ratio	3.5	3.2	4.5	5.5	5.1
Information on performance of the Group in the comparable period:					
Revenue (in thousands of euros)	37,859	37,128	35,950	36,394	32,177
EBITDA Margin	17.4%	14.0%	10.1%	11.4%	14.0%
ROIC	13.8%	10.1%	7.6%	11.1%	13.0%

Leiden, 7 April, 2021

SUPERVISORY BOARD

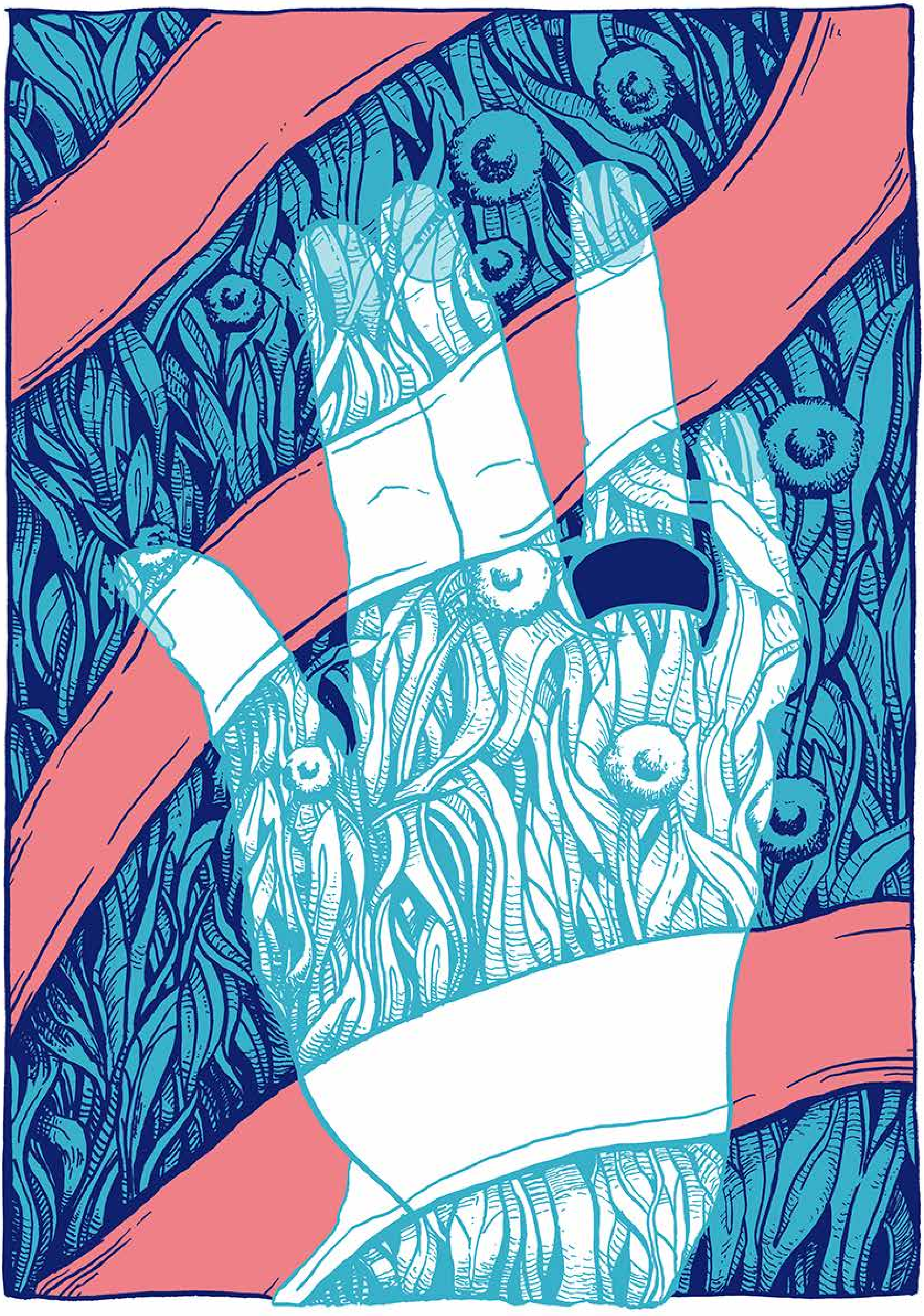
Robin Hoytema van Konijnenburg (Chairman)
Catherine Lucet
Theo van der Raadt (Vice-Chairman)

MANAGEMENT BOARD

Peter Coebergh
Jasmin Lange
Olivier de Vlam
Wim Dikstaal ad interim

On Being Human

CHRISTOPHER BOYLE, UNIVERSITY OF EXETER & KELLY-ANN ALLEN, MONASH UNIVERSITY



Over three centuries of scholarly publishing

BRILL

As the Editors-in-Chief of the Journal of Belonging and Human Connection (JBHC), one of the newest journals in Brill's extensive suite of titles, we are honoured to accept the invitation to write an annual essay for Brill's Annual Report. JBHC is a new peer-reviewed journal which focuses on the theoretical, methodological, and empirical advances of the study of belonging and human connection. Our journal provides an interdisciplinary, internationally relevant platform for scholarly work investigating the human desire to belonging and be connected with others.

Christopher Boyle, University of Exeter &
Kelly-Ann Allen, Monash University

In the present moment, as we live through a global pandemic that is unprecedented in living memory, the topic of human connection and belonging could not be more apposite. Our current situation brings home the reality that we are all embedded in social systems that are much larger than ourselves. To sustain these systems, society dictates that we follow moral and legal codes that regulate how we behave as individuals within a wider collective world. We cannot all behave as if others do not exist, so it follows that there must be some form of understanding and cooperation that enables society to function without falling into irreparable chaos and conflict. In Western philosophy, these cooperative endeavours are frequently analysed in terms of the two ethical theories that Kant called *ethical formalism* and *utilitarianism*. The former relates having knowledge of what the good *actually* is to an appreciation of universal necessity.
To put it briefly, one must understand that doing good is not a solitary individualistic pursuit but rather an activity that strives towards ends that are in the best of interests of humanity. Utilitarianism, on the other hand, is a form of consequentialism which holds that the end goal, the happiness of the greatest number of people, is more important than the process by which it is achieved. If the outcome can be regarded as being good, then, no matter the journey taken to get there, achieving it should be regarded as an encouraging and positive ethical outcome. The end, ultimately, justifies the means.


I Can Help

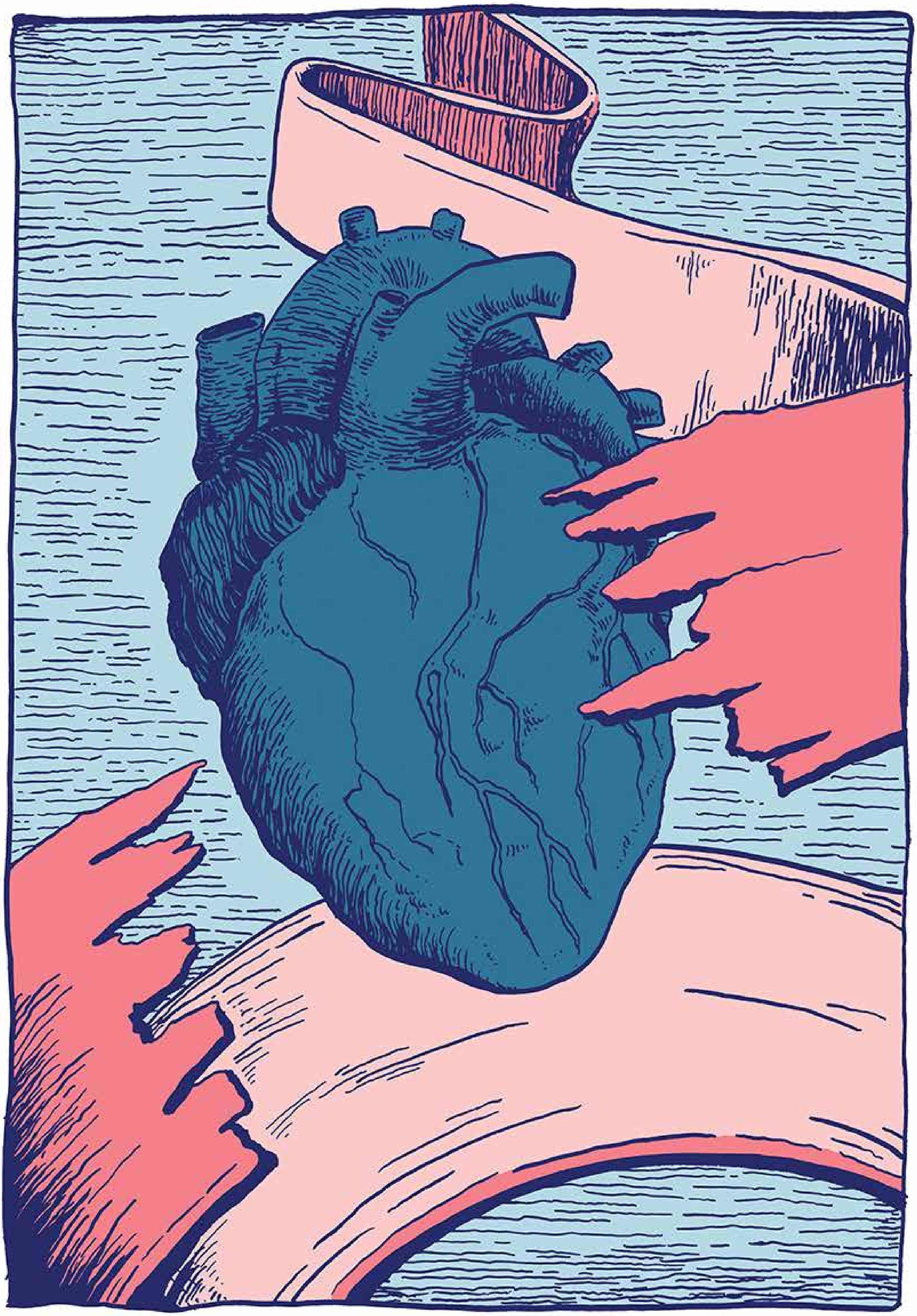
“Stories of kindness and support for others have also come to light”

In the current COVID-19 pandemic, the enforcing of lockdowns by national governments is premised on the ethical assumption that the good that will be achieved by taking such drastic governmental action outweighs the costs involved in achieving that end. While governments around the world have provided support for individuals suffering from the economic effects of these lockdowns, the prevailing consequentialist view is that this suffering is a price that must be paid to ensure that as few people as possible will die from the virus. The pandemic has often created new difficulties for individuals and has intensified pre-existing suffering for many. Restrictions imposed by physical distancing, self-isolation, and quarantining obstructed opportunities for many people to feel a sense of belonging and connect with others as they had done formerly . Shortages in supermarkets prompted individualistic behaviours that responded to fear and anxiety. Yet many stories of kindness and support for others have also come to light – an altruistic surprise for those whose world views led them to expect only selfishness and greed from their fellow humans. This positive humanity has repeatedly emphasised the links that hold individuals together as a collective, showing that support for one another offer greater gains than does looking out purely for oneself.

“The links that hold individuals together as a collective”

The debate about whether *“humans are inherently immoral and will take advantage”* wherever they can, has deep roots and was an important topic for thinkers in classical Greece. In his *Republic,* Plato reflects on the idea that “humans could not be trusted to act ethically if they thought they would get away with it”. Plato has one of his characters advance the view that, while laws may maintain social behaviour if people think there is a risk of being caught, if someone was able to act with impunity there would be nothing to constrain them. He illustrates this viewpoint with the story of Gyges and his ring. According to the tale, the shepherd Gyges acts unethically because *he can get away with doing so*, and this, the speaker claims, demonstrates that nobody does good willingly, but only because they are compelled to do so. Plato’s Socrates devotes himself to arguing against this view in the remainder of the work, but it is far from clear whether he succeeds, or indeed whether Plato intends for him to succeed. If he did not, he would be far from the only thinker to hold that humans are fundamentally flawed, that their behaviour is coloured by what Nobel Laureate William Golding described as “the darkness of man’s heart.”

This assumed *darkness* is supposedly inherent in being human.



“The darkness of man’s heart”

Golding based his first and most famous novel, *Lord of the Flies*, on the premise that people require externally imposed order and that without it chaos will ensue. The views communicated in this book – that the lack of a moral code will inevitably lead to the breakdown of society – has been extraordinarily influential, particularly in Western countries where the book has been taught in high schools for decades. In Golding’s story, a group of teenage boys are marooned on a desert island, where, without adult supervision, they descend into selfishness and immorality. Golding’s own background takes the backdrop of two world wars and it may be easy to understand why the idea of being humane when being human is fragile. What is more difficult to understand, however, is why the notion that the human being is essentially selfish could take root as a constant in the public narrative for more than half a century after the book’s publication in 1954. Because, there are very good empirical reasons to think that the grim picture Golding paints and Plato considers does not truly reflect how humans behave in adversity or without formal structures to govern them.

“Lord of the Flies”

Golding’s bleak vision begins to recede further when one discovers that a very real incident took place in 1965, 11 years after the publication of *Lord of the Flies*, in which a group of Tongan school boys were stranded on a desert island in the pacific. As Dutch historian and author Rutger Bregman recounts, the six boys lived in harmony with one another on the uninhabited and forgotten island of Ata for some 15 months, working together and looking out for the collective. These events suggest less the idea that a darkness resides in the heart of all humans than Lewis Carroll’s comment that *“one of the deep secrets of life is that all that is really worth the doing is what we do for others”*. The presumption, then, that humans can be expected to act selfishly when they can, does not seem to hold, or at least not in the universal manner reflected on by Plato and Golding. We may not be as selfish as presumed. Important evidence emerges from the empirical psychological literature which demonstrates that *most* people feel pleasure, happiness and satisfaction from acts of altruism. Many evolutionary scientists, the most famous being Charles Darwin, consider such behaviours to have a biological cause important for our survival as a species.

In the age of COVID – an age that we can hope is moving towards its end with the promise of mass vaccination – stories of kindness that demonstrate the importance of positive human connection and belonging have been prevailing. Reflecting on his time incarcerated at Auschwitz, Viktor Frankl wrote that *"when we are no longer able to change a situation - we are challenged to change ourselves."* The COVID-19 pandemic has offered us all a valuable opportunity to reflect on how we treat others. Do we support the less vulnerable? Do we think selflessly about other people and strive towards equitable outcomes? As humans, it seems that many of us look out for each other. We do not, overall, fall into selfishness or display antisocial behaviours whenever we think we can get away with it. The idea that we might makes for a compelling and dramatic story, but it does not align with the reality of the human condition, which values connection and belonging as much, if not more, than it does getting ahead as an individual. We belong to communities and these very communities need individuals who care for and think of others. COVID-19, for all the pain and suffering it has brought with it, may, in the end, help us to discover that there is goodness out there, even if it is sometimes hidden from us. And above all truly understand the fundamental importance of our need and purpose toward belonging and human connection.

Colophon

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William Golding Lord of the Flies

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Imagination is the only weapon in the war against reality." — Lewis Carroll

https://www.theguardian.com/books/2020/may/09/the-real-lord-of-the-flies-what-happened-when-six-boys-were-shipwrecked-for-15-months

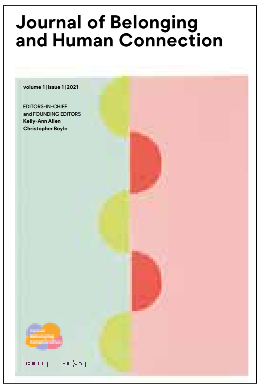
Illustrations

Illustrations by Gwen Stok, alumna of the Willem de Kooning Academie. Gwen Stok works as independent illustrator and artist. She creates illustrations, comics and autonomous work that provide insight into human nature with a philosophical playfulness. In 2020-2021 she was appointed Special City Artist of Rotterdam. www.gwenst.com

Graphic design

Remco Mulckhuyse
Coördesign, Leiden

The article "On Human Nature" by Christopher Boyle, University of Exeter, and Kelly-Ann Allen, Monash University, will also be published in the Journal of Belonging and Human Connection (JBHC), Brill, 2020.



FINANCIAL STATEMENTS FOR THE YEAR 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

In thousands of euros

	31-12-2020		31-12-2019	
ASSETS				
Non - current assets				
Tangible fixed assets [4]	223		339	
Right of use assets [5]	1,458		1,914	
Intangible fixed assets [6]	32,562		33,366	
Financial assets	112		12	
Deferred tax assets [7]	38		52	
		34,393		35,683
Current assets				
Inventories [8]	3,069		3,217	
Trade and other receivables [9]	10,073		10,029	
Income tax to be received [7]	49		1,110	
Cash and cash equivalents [10]	5,899		1,788	
Derivative financial instruments [16]	158		0	
		19,247		16,144
Total assets		53,640		51,827
EQUITY AND LIABILITIES				
Equity attributable to owners of Koninklijke Brill NV				
Share capital [11]	1,125		1,125	
Share premium	343		343	
Retained earnings	22,929		20,033	
Other reserves [11]	-479		-289	
		23,918		21,212
Non-current liabilities				
Interest bearing loans [12]	3,500		3,765	
Lease liabilities [5]	1,106		1,757	
Deferred tax liabilities [7]	4,226		3,634	
		8,832		9,156
Current liabilities				
Interest bearing loans [12]	1,083		1,083	
Trade and other payables [13]	9,459		10,785	
Deferred income [14]	8,967		8,851	
Lease liabilities [5]	728		684	
Provisions [15]	0		50	
Derivative financial instruments [16]	21		5	
Tax to be paid	632		0	
		20,889		21,458
Total equity and liabilities		53,640		51,827

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros

	2020	2019
Revenue [18]	37,859	37,128
Cost of goods sold [19]	-11,487	-11,206
Gross Profit	26,372	25,922
Expenses [19]		
Selling and distribution expenses	-6,766	-7,365
General and administrative expenses	-15,104	-15,266
Operating Profit	4,502	3,291
Finance income [20]	112	64
Finance expenses [20]	-187	-248
Profit before income tax	4,427	3,107
Income tax [7]	-1,531	-945
Profit for the period attributable to shareholders of Koninklijke Brill NV	2,896	2,162
Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements		
Exchange differences in translation of foreign operations	165	131
Net gain or loss on cash flow hedges	12	108
	177	239
Income tax relating to these items	-44	-29
Other comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	133	210
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	3,029	2,372
Earnings Per Share [21] **(in euros)**		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill NV	1.54	1.15

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros

	2020		2019	
Cash flow from operating activities				
Profit before income tax	4,427		3,107	
Adjustments for				
Amortization and Depreciation fixed assets [4, 5, 6]	1,790		1,840	
Amortization Content [6]	2,856		2,819	
Finance income and expense – net	133		184	
Change in operating assets and liabilities				
Change in working capital	-1,366		286	
Change in long-term provisions	0		-45	
Cash generated from operations	7,840		8,192	
Interest paid/received	-133		-209	
Income tax paid/received	1,077		-717	
Net cash flow from operating activities		8,784		7,266
Cash flows from investing activities				
Investment in tangible fixed assets [4]	-46		-119	
Investment in intangible fixed assets (non-content) [6]	-448		-457	
Investment in Content [6]	-2,845		-3,984	
Investment in financial fixed assets	-100		0	
Payments for acquisitions, net of cash acquired	-120		0	
Net cash flow from investing activities		-3,559		-4,560
Cash flow from financing activities				
Dividend paid to company shareholders [22]	0		-1,593	
Redemption Interest bearing loans [12]	-270		-1,078	
Redemption lease liabilities [5]	-843		-629	
Net cash flow from financing activities		-1,113		-3,300
Net cash flow		4,111		-595
Cash and cash equivalents as per 1 January		1,788		2,383
Net cash flow		4,111		-595
Cash and cash equivalents as per 31 December [10]		5,899		1,788

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros

	Share Capital [11]	Share premium [11]	Retained earnings [11]	Currency Translation Reserve [11]	Currency Hedge Reserve [11]	Total equity
Balance as per 1 January, 2019	1,125	343	19,465	-401	116	20,648
Total comprehensive income for the period						
Profit for the year	0	0	2,162	0	0	2,162
Other comprehensive income/expense	0	0	0	108	-112	-4
Total comprehensive income for the period	0	0	2,162	108	-112	2,158
Transactions with owners of the company						
Dividends paid over 2018 [22]	0	0	-1,594	0	0	-1,594
Total transactions with owners of the company	0	0	-1,594	0	0	-1,594
Balance as per 31 December, 2019	1,125	343	20,033	-293	4	21,212
Balance as per 1 January, 2020	1,125	343	20,033	-293	4	21,212
Total comprehensive income for the period						
Profit for the year	0	0	2,896	0	0	2,896
Other comprehensive income/expense	0	0	0	-170	-20	-190
Total comprehensive income for the period	0	0	2,896	-170	-20	2,706
Transactions with owners of the company						
Dividends paid over 2019 [22]	0	0	0	0	0	0
Total transactions with owners of the company	0	0	0	0	0	0
Balance as per 31 December, 2020	1,125	343	22,929	-463	-16	23,918

1. REPORTING ENTITY

Koninklijke Brill NV (together with its subsidiaries referred to as 'Brill' or the 'Group') is established as a Naamloze Venootschap (Public Limited Company incorporated in the Netherlands), based at Plantijnstraat 2 in Leiden, the Netherlands and registered at the chamber of commerce under number 28000012. Its registered depository receipts are traded publicly at Euronext in Amsterdam. The main activities are academic publications with a focus on the humanities and social sciences, international law and selected areas in the Sciences. These financial statements were authorized for issue by decision made on 7 April, 2021, by Brill's Supervisory Board and Management Board.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Koninklijke Brill NV have been prepared in accordance with IFRS as endorsed by the EU(EU- IFRS) and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code (DCC). The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Going concern

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

The impact of COVID-19 on 2020 results and risk update for 2021 and beyond

So far, with the COVID-19 pandemic extending well into 2021, the overall revenues of the Group are satisfactory and 2020 results were even better compared to 2019. Our sales of print books were negatively impacted by the pandemic, but this was to a large extent compensated by the sales of eBooks, showing our readiness for the shift from print to electronic products which proved important in mitigating the COVID-19 impact on results.

The key uncertainty caused by the COVID-19 situation is the possible long-term impact on Brill's ability to generate income through revenue. This uncertainty is driven by the current threat of potential new waves and unclarity at what pace vaccination programs will make relief of global lock down measures possible.

From March 2020 onwards Brill began to assess potential risks and implemented measures to protect the company against the impact of the pandemic to the extent possible:

Financial

As a precautionary measure Brill agreed with its main bank to defer the quarterly redemption of our interest bearing loan for the last three quarters of 2020 to mid-2023 (when we do our last redemption payment for the loan), and the bank gave us a waiver for potential breaches of the covenants relating to the loan during 2020.
The combination of cost reductions, the decision to not pay dividend in 2020, governmental support measures in the USA (PPP grant) and the Netherlands (suspension of wage taxes) and stringent cash management procedures enabled us to operate within our existing credit facility with a large headroom during 2020. We also made cash flow forecasts for the 12 months' period after the issue of these financial statements and expect to be able to operate well within our credit facility for that period. In February 2021 we successfully used the option to draw funds to finance the acquisition of Vandenhoeck & Ruprecht (see notes 3, 24 and 25).

Operational

We expanded the possibilities for staff to work at home by offering equipment for their home offices, investing in our VPN connections and organizing online events to stay in touch with each other. We are in constant contact with our fulfilment partners and key vendors to safeguard the undisturbed functioning of our supply chain and make sure we can react quickly to any COVID-19 related issues at their end.

Publishing
We introduced alternatives for face-to-face meetings at scholarly conferences, which are important events for attracting new authors and content. Examples are digital meetings in smaller groups of subject matter experts and an increase in social media presence of academic platforms and forums, So far we have not seen a decrease in new content and we have reached our goals of published books and journals.

Commercial
Brill has used alternative, digital ways of sales lead generation and follow up and we increased our social media activity as a measure to counter potential loss of sales. We think the COVID-19 restrictions can increase the speed of the transition from print to electronic publications, but we will not know until after the pandemic. We operate worldwide and regions will have different paths and speed of recovery; for example universities in some Asian countries have re-opened while in Europe and USA they went (back) into lockdown in December

Based on the above the conclusion is that Brill adequately reacted to the new circumstances and that measures taken have proved effective in mitigating impact of COVID-19 so far.

However, there is still some uncertainty that the pandemic may in the longer term have a negative effect on Brill's ability to generate income through revenue. The two main risks we see are:

1. Although digital alternatives have been successful so far, the lack of face-to-face meetings between our acquisitions editors and (potential) authors and scholars could lead to a delay in the production of new content and publications to sell. We are mitigating this risk by staying in touch with the scholarly world by having regular digital meetings and other events. Also, the academic world has not come to a stand-still. Research is being done, and scholars still want and need to publish the results. Brill maintains relationships with all leading global academic research centres and has a traditionally strong link with the University of Leiden.
2. The budgets of our customers, especially university libraries, might decrease due to COVID-19 related cost cutting measures. But we think that our digital readiness and our international sales force give us an advantage over most of our competitors in getting a share of these budgets. In general Brill's publications are purchased for professional use and therefore have an element of 'need to have'. We are further increasing our abilities to publish electronically by implementing the findings of the Digital Health check performed in 2020.

We expect that our results in the coming years will develop in line with previous years, with the uncertainties described above. Based on our financial figures for Budget 2021 and the Strategic Plan for 2022 and 2023, we calculated the impact of two scenario's on these base figures, especially to see if we will stay within our liquidity facilities and the covenants with our bank:

1. The impact on our financial position and the covenants with our bank (related to the interest bearing loan) of a sudden revenue decrease in 2021. This scenario shows that the decrease in revenue needs to be -12% or more (which equals a revenue decline of around EUR -3.6 million or more), for Brill to break the debt service cover ratio in 2021; liquidity would only become a problem in 2023 under this scenario.

2. The impact on our financial position and the covenants with our bank (related to the interest bearing loan) of a significant revenue decrease in 2021, 2022 and 2023. This scenario shows that the decrease in revenue needs to be -5% or more in each of the 3 years (which equals a revenue decline of around EUR -1.6 million or more), for Brill to break the debt service cover ratio in 2023; liquidity would only become a problem beyond 2023 under this scenario.

Given the measures we already took and the mitigating effect they had on our 2020 results, and our readiness to mitigate the COVID-19 risks for the longer term, we think both scenarios are highly unlikely.

Whilst uncertain, based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management concludes that COVID-19 to date did not have and most likely will not have a material adverse impact on our financial condition or liquidity.

Basis of consolidation
The consolidated financial statements contain the financial statements of Brill and its subsidiaries per 31 December, 2020. The financial statements of Brill's subsidiaries have been prepared for the same period as Brill's, using consistent standards of accounting. Note 24 to the consolidated financial statements contains information on Brill's subsidiaries.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management Board to exercise judgement in the process of applying the company's and the group's accounting policies. The areas involving more judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in paragraph 2.6.

All balances, transactions, cost and income within the Group and all profits and losses originating from intra group transactions are eliminated. Subsidiaries are consolidated as of the date of acquisition meaning the date at which Brill obtained control over the acquired business. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. Subsidiaries continue to be consolidated until the moment Brill loses control when this exposure or rights cease to exist, generally when shareholding becomes less than 50%.

Business combinations
Business combinations are identified when the Group obtains control over an integrated set of assets and activities that is capable of being conducted and managed for providing economic benefits to the Group. In general, before qualifying as business combinations, the acquired business will need to meet the test of incorporating demonstrable inputs (for example intellectual property rights, customer groups, author networks), processes (such as editorial activities or marketing and selling activities) and outputs (in most cases, revenue).

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. When a business combination is achieved in stages, the Group's previously-held equity interest in the acquired entity is re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in financing results.

The Group measures goodwill at the acquisition date as the sum of the fair value of the consideration transferred and the recognized amount of any non-controlling interests in the acquired business, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed (including any publishing rights that have been identified). When the sum as defined above is negative, a bargain purchase is recognized immediately in profit or loss. If the business is acquired in stages, the fair value of the existing equity interest in the acquired business is also included in the determination of goodwill.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Cost related to business combinations, other than those associated with the cost of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable (like earn-out arrangements) is recognized as a liability at fair value at the acquisition date.

Basis of measurement and currencies used
Brill's consolidated financial statements have been prepared based on historic cost, except for the financial derivatives which have been recognized at fair value. The reporting currency is the euro, and all amounts have been rounded to thousands, except where noted differently. Numbers are reported in thousands of euros and additions therefore may include rounding differences.

Changes in the basis of preparation of the Financial statements adopted on 1 January, 2020.
The following standards have become effective as per 1 January but do not have an impact on Brill's operations or financial reporting:

- Definition of Material - amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These amendments align the provisions of these standards with the revised definition of material.

- Definition of a Business - amendments to IFRS 3 "Business Combinations". This amendment changes the definition a business to "An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities".

- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7. The amendments provide relief for financial instruments qualifying for hedge accounting in the lead up to reform of interest rate benchmarks. Brill applies hedge accounting for EURIBOR interest rate.

- Revised Conceptual Framework for Financial Reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the requirements of any standard. The purpose of the Conceptual Framework is to assist in developing standards and to help prepares develop consistent accounting policies where there is no applicable standard in place. The revised Conceptual Framework includes some new concepts and clarifies some important concepts.

- Amendments to IFRS 16 Leases COVID-19 - Related Rent Concessions (becomes effective on or after 1 June, 2020). These amendments provide a practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19.

Future changes in the basis of preparation of the Financial Statements
At present, there are no standards issued with future effectivity that will change the basis of preparation of Brill's Financial Statements.

Significant accounting estimates, judgments and assumptions

Business combination
Publishing rights, trade names and goodwill are recognized at historic cost from an acquisitions' purchase price allocation. Establishing fair value of these and other assets involves significant management estimates and judgments regarding the valuation method applied, remaining useful life of intangible assets, cash flow estimates and an estimated discount rate.

For the purchase price allocation analysis, the multiple excess earnings method is used. The historic sales pattern is used to forecast revenues of the titles in place at the date of acquisition for a period of ten years. Commensurate portions of forecasted operating costs were allocated to establish full profitability. The discount rate used was the rate used by Brill at the corporate level at the end of 2017 (9.26% after tax). The resulting valuations were tested for plausibility in a weighted average rate of return analysis.

Impairment testing
Where intangible assets have indefinite lifetimes, they are tested for impairment annually. This requires an estimation of the business value of the cash generating units to which publishing rights and goodwill have been allocated. The procedure entails preparation of a cash flow forecast for each cash generating unit, determining a discount rate and calculating the discounted value of the estimated cash flows.

For details, refer to note 6 to the consolidated financial statements.

Amortization of intangible assets
The largest asset class outside acquired intangibles is investments in content. See note 2.10 'Intangible fixed assets' for this accounting policy. Prior to capitalization of intangible assets, Brill prepares an estimate of the expected economic benefits. In general this results in a straight-line amortization of between 3 and 10 years. The amortization pattern of capitalized content is based on the expected pattern of consumption of the expected future economic benefits embodied in the asset. Brill uses the historic sales pattern as input in estimating the expected pattern of consumption. This results in a decreasing charge over the useful life of the asset. Inherent to this policy the actual consumption of the economic benefits in the year can differ from the estimated consumption. In the financial year the consumption was in line with the estimated consumption.

Significant judgement in determining the lease term of contracts with renewal options
Brill applies judgement in evaluating the term of lifetime of a lease. Judgement has to be made whether it is reasonably certain to exercise an option to renew or terminate a lease. Based on these judgements the non-cancellable term of the lease is determined. Brill determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised

Brill considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the renewal or termination option of a lease contract.

Foreign exchange conversion
The Consolidated financial statements are prepared in euro, being the reporting currency of the Group. Transactions in foreign currency are recorded at the exchange rate of the functional currency as per the transaction date. Monetary financial assets and liabilities in foreign currency are converted at the exchange rate of the functional currency at balance date. Any differences are recognized in the consolidated statement of profit or loss and other comprehensive income. Non-financial items in foreign currency valued at historic cost in foreign currency are converted at the exchange rate prevailing at the date of the original transaction.

At balance date, the assets and liabilities of subsidiaries are converted to the euro at the exchange rate per balance date and the consolidated statement of profit or loss and other comprehensive income is converted at the weighted average exchange rate for the year. The exchange rate differences that originate from the conversion are recorded in the Comprehensive income statement. When divesting a foreign subsidiary, the cumulative balance of exchange rate differences recorded in Capital related to this subsidiary is transferred to the Consolidated statement of profit or loss and other comprehensive income.

Tangible fixed assets
Tangible fixed assets are recorded at historic cost, less cumulative depreciation and cumulative impairments (if applicable). Tangible fixed assets are depreciated on a straight-line basis over their useful life and taking in consideration any residual value. The book value of tangible fixed assets is tested for impairment when events or changes in circumstances indicate that the book value may not be realizable. The residual value and the useful life are reviewed annually and revised if necessary. A tangible fixed asset is derecognized in case of divestment or if no future economic benefit is expected from either continued use or divestment. Any income or loss, resulting from the derecognition of the asset from the Consolidated statement of financial position, is recognized in the Consolidated statement of profit or loss and other comprehensive income at derecognition.

Leases

Right of use assets
Right of use assets are measured at cost less accumulated depreciation and impairments. The Group recognizes right of use assets at the commencement date of the lease. The right of use assets is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Starting at the commencement date of the lease the right of use assets are depreciated on a straight-line basis over the lease term. Brill assesses the right-of-use asset for impairment when indicators exist that the asset might be impaired. Please refer to the policy on Impairment of tangible and intangible assets.

Lease liabilities
At the commencement date, Brill measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Brill's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the assessment to purchase the underlying asset.

Low value leases, below EUR 5,000 per underlying asset are not recognized in the right of use assets and lease liabilities. Lease payments on lease of low-value assets are recognized as expensed on a straight-line basis over the lease term and recognized as general and administrative expenses in the statement of profit or loss and not recognized in the balance sheet.

Intangible fixed assets
Intangible fixed assets are recognized at cost less accumulated amortization.

Acquired goodwill and publishing rights are allocated to Brill's publishing units in accordance with their match to the respective publishing programs. We consider our publishing units to be our lowest possible reportable level of cash generating units, since they form the principal managerial units within Brill, matching the key market segments in which Brill is active. Each publishing unit has separate management and is managed as a strategic business unit. The publishing programs contained within these units have been selected for their potential to mutually reinforce each other's development. In 2019 we moved the Educational Science publishing list from PU MIA to PU HIS to enhance programmatic coherence.

Publishing rights and other acquired intangible assets
Intangible assets resulting from acquisitions are capitalized at historic cost. The acquisitions were selected to have strong components of long-lasting economic value that mutually reinforce each other such as brands or imprints, reputation, a product portfolio consisting of subscription or serial publications, or a backlist generating substantial revenue. Therefore, Brill in general does not amortize publishing rights.

However, in some cases we determine, in the purchase price allocation process, that the publishing list requires significant continued development investment and that the titles purchased have a limited foreseeable economic useful life. In these cases, we will proceed to linearly amortize publishing rights in line with their estimated economic useful life.

Goodwill
Goodwill resulting from business combinations is measured at historical cost less accumulated impairment losses. Goodwill resulting from business combinations are capitalized at historic cost.

Brill measures goodwill at the acquisition date as the sum of the fair value of the consideration transferred and the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the business is acquired in stages, the fair value of the existing equity interest in the acquiree is also included in the determination of goodwill. Costs related to acquisitions which the group incurs in a business combination, are expensed as incurred. Any contingent consideration payable (such as earn-out arrangements) is recognized at fair value at the acquisition date and subsequently remeasured to fair value with changes in fair value recognized in profit or loss.
Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to cash-generating units for impairment testing purposes. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Capitalized Content and Content WIP (Work in Progress)
Content costs of internally developed publications are recognized as intangible fixed assets. These assets are valued at production cost. Content is presented as WIP until publication date and then transferred to Content, after which amortization starts. The amortization method used is selected based on the expected pattern of consumption of the expected future economic benefits embodied in the asset and is applied consistently from period to period. The method results in a decreasing charge over the useful life of content assets (i.e. diminishing balance method). Amortization is recognized under Cost of Goods Sold.

Other intangibles
Trademarks, imprints, information systems and licenses are amortized on a straight-line basis over the estimated useful life of the asset. If the recoverable amount of the asset is lower than book value, additional impairments are recorded. The assets' useful lives are reviewed annually and revised if required.

Impairment of Tangible and Intangible fixed assets
Goodwill and indefinite – lived intangible assets are tested annually for impairment at the level of the cash generating unit, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the impairment has been established, Brill prepares an estimation of the recoverable amount of the asset. The recoverable amount is the higher of the fair value of the asset after deduction of divestment expense and the value in use. If the book value is higher than the recoverable amount, the asset is assumed to be impaired and is marked down to the recoverable amount. In determining the value in use, estimated future cash flows related to the asset are discounted using a discount rate that considers current market evaluations of the time value of money and specific risks relating to Brill's business and financing structure. Losses related to impairments of assets related to Brill's continuing business are recognized in the Consolidated statement of profit or loss and other comprehensive income.

At balance date, Brill assesses whether there are any indications that a recorded impairment loss from the past no longer exists or has diminished. If such indication exists, an estimate is prepared of the fair value. An impairment loss is only reversed if a change has occurred in the estimates used to establish the fair value of the asset since the recognition of the last impairment loss. If this is the case, the book value of the asset is increased to the fair value. The increased book value cannot be higher than the book value that would be recorded (net after any applicable depreciation or amortization) in case no prior impairment losses had been recorded. Such reversal is recognized in the Consolidated statement of profit or loss and other comprehensive income. After such reversal, any applicable depreciation or amortization charges are adjusted to reflect the revised book value of the asset in order to properly allocate its adjusted book value to the future periods.

Inventory
The Inventory of finished products and publications in the editing stage is stated at the lower of cost and net realizable value. Cost comprises direct materials and expenses such as printing and binding and expenses for related services. Subsidies to publishing projects are only recorded when sufficient likelihood exists that these subsidies will be received and that all conditions precedent have been met.

The cost related to specific product formats (mostly printing and binding) are divided by the number of units produced and form the unit cost which is recorded in the Consolidated statement of financial position in finished goods and charged to Cost of Goods Sold when a unit is sold.

Trade and other receivables
Trade and other receivables are financial instruments classified as measured at amortized cost. Trade receivables are recognized initially at their transaction price of the books, journals and database access sold. All other receivables are initial measured at their fair value less transaction costs, if applicable. Trade and other receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

The Group measures the expected credit losses allowance for its trade receivables for the whole lifetime of the receivables (simplified approach). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, in case these differences are substantial, the days past due and security when applicable. The Group has no unbilled revenue or contract assets to include in the assessment. The expected loss rates are based on the historical payment profiles of sales of the last five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information when these would affect the ability of the customers to settle the receivables. Management assesses forward looking information in relation to the specific market in which it operates. Bad debts are written off entirely once the inability to collect has been established with certainty. Indicators that there is no reasonable expectation of recovery that considered as a default include, amongst others, the failure to make the contractual payments for a period longer than the local applicable payment term or a trade debtor has financial difficulties or is unable to engage in a repayment plan with the group. The Group considers counterparties for cash and cash equivalents to have low credit risk when these counterparties have a prime credit rating.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position (and the Consolidated statement of cash flows) consists of bank, cash and short-term deposits with a duration of three months or less. Cash and cash equivalents are financial instruments classified as measured at amortized cost. Cash and cash equivalents have a low credit risk, see Trade and other receivables for the Group's policy on credit losses.

Equity
Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. See respectively the sections Foreign exchange conversion and Financial instruments and hedging in these Basis of preparation of the financial statements for Other reserves relates to the currency translation and hedge reserve.

Interest bearing debt, accounts payable and other short-term liabilities
Brill initially recognizes interest bearing debt, trade payables and other liabilities at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these positions are measured at amortized cost with any difference between cost and redemption value being recognized in the Consolidated statement of profit or loss and other comprehensive income over the period of the loan, using the effective interest method. The effective interest is presented as interest expenses.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Group presents interest bearing debt as current liability in case the repayment occurs within twelve months after the reporting period or when a debt is payable on demand.

Prepaid transaction costs are netted with corresponding loan. Transaction costs are expensed linearly over the term of the loan. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Loans to consolidated subsidiaries
Loans to consolidated subsidiaries are recorded at par value. If they are denominated in other currencies than the euro, loans are revalued at balance date.

Provisions
A provision is recognized if (i) Brill has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of economic resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

If it is to be expected that (part of) the liability will be reimbursed, for example as part of an insurance arrangement, the reimbursement is recorded as a Current asset at the time that adequate certainty about the reimbursement has been established. The cost related to recording the provision is recognized in the Consolidated statement of profit or loss and other comprehensive income, after deduction of any reimbursements to be received. If the impact of the time value of money is material, provisions are recorded at discounted value.

Employee benefits

Pensions and other post – employment arrangements
The pension arrangement for the Dutch employees is collectively arranged for in the Pensioenfonds voor Grafische Bedrijven (PGB). The pension plan continues to meet the criteria as set out in IAS 19 for a defined contribution arrangement. Pension arrangements for US employees are also classified as defined contribution arrangements. All pension premiums paid by Brill are recognized as expense in the Consolidated statement of profit or loss and other comprehensive income.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

Revenue recognition
Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for transferring for sales of books, journals and database access to its customers, the Group's performance obligations. The performance obligations have fixed considerations and for books a variable consideration is included for the refund rights. For refund rights only revenue is recognized for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, which is based on recent returns statistics and sale volumes. The Group recognizes revenue when it transfers control of a product or service (or performance obligation) to a customer. For printed books this is after shipping and handling activities. Sales of books are invoiced at shipping and journals and database access are paid in advance. All contract conditions are fulfilled at transfer of control. In case incremental costs occur to obtain contracts with customers, the contract duration is usually one year or less, these costs

are expensed when incurred. Due to the short contract term for sales of books, journals and database access, no remaining performance obligations after year end are disclosed. In general, Brill applies a payment term of 30 days after invoice date.

(*a*) *License and royalty income*
Brill licenses the content in its possession to third party access providers who consolidate Brill's content in their own database with content from other publishers, to be sold separately or in packages. These access providers register the sales of Brill content themselves and reimburse to Brill a proportional share of revenue generated by them as a royalty or license fee. Brill recognizes revenue when the sale and the reimbursement amount for the period is confirmed by the third party (i.e. at a point in time). Pending these confirmations, which occur quarterly, Brill records revenue accruals for the expected amounts which are settled upon final confirmation of the period's result.

(*b*) *Sales of books*
Sales of books are one-time sales and are recognized after physical shipping or after making the product accessible to the customer online. These sales are performance obligation satisfied at a point in time. The sales are made to wholesale buyers, retail outlets or via the internet.

(*c*) *Sales of journal subscriptions*
The journal issues contained within a publication year (the "Volume") are transferred to the customers as they become available during the lifetime of the subscription period. The journal issues are made available in printed or digital form. Journals are performance obligations that are satisfied at a point in time. The advances received for journals subscription are initially recorded as deferred income (contract liabilities), revenue is recognized when (the control of) the journal is transferred to the customer.

(*d*) *Database access subscriptions*
Database access or primary sources revenue is recognized over the period of the subscription contract. Database access is a performance obligation that is satisfied over time. The progress of time of the access period is relevant in the transfer of the services, the revenue is recognized on a straight-line basis during the subscription period (transfer of control) as the customer has the right to use the database during this period. The advances received for database access are initially recorded as deferred income and defined as contract liabilities.

(*e*) *Principal versus agent considerations*
The Group has a few contracts with business partners to provide sales, marketing and fulfilment services for the publication made and owned by these partners. The Group does not own the rights or the inventory of these publications. The Group does not control the goods before they are transferred to customers, and hence, is an agent in these contracts. The Group recognizes only the agent fee as revenue (as a performance obligation satisfied over time).

(*f*) *Subscription payments – deferred income*
Advances for subscription payments are received and result in the obligation of the Group to transfer books, journals or digital content to its customers. These liabilities are part of the contracts with customers and classify as contract liabilities and presented as deferred income. Subscriptions are prepaid for one year or less and do not result in significant finance components.

(*g*) *Right to return*
For sales of print books the customers have a right to return for which a refund liability is recognized and measured at the net amount of revenue in the statement of financial position within Trade and other payables. This liability to the customer relates only to the consideration of the contract and not to future performance obligations of the Group. The Group also recognizes an asset for the right to recover the books sold as part of its other receivables and accruals. The return rates are based on the returns of the last year.

Cost of Goods Sold
Upon completion of a work, total physical production costs are recorded in Inventory as Finished Product. Finished product (product format specific cost) is divided by the number of copies printed to arrive at the unit cost per title. At delivery, unit costs are charged to the Cost of Goods Sold. When a journal issue is delivered, its costs are recorded directly in the cost of goods sold. Cost for a journal issue contains direct production expenses, preparation of content, royalties and shipping costs.

Cost of capitalized content are amortized over the expected useful life of the asset; amortization is recognized under Cost of Goods Sold.

Interest Income
Income is recognized when the interest accrues according to the effective interest method, meaning the interest at rate which, when discounting the future cash flows over the expected lifetime of the instrument, the discounted value equals the net book value of the financial asset.

Cash flow statement

Cash flow from operating activities
Cash flows from operating activities are calculated by the indirect method by adjusting the profit from operating activities for non-cash flows and autonomous movements in consolidated working capital. Operating cash flow also includes the costs for financing of operating activities and income tax paid on all activities.

Cash flow from investment activities
Cash flows from investing activities are those arising from net capital expenditure and from acquisition and sale of business or publication rights. Cash and cash equivalent available at the time of acquisition or sale are deducted from the related payments or proceeds.

Cash flows from financing activities
Cash flows from financing activities comprise the cash receipts and repayments of debt and equity instruments and lease liabilities and dividend payments.

Subsidies
Subsidies relating to publishing projects are at the launch of the publication included in the Inventory, as the net amount of development costs and subsidies and are expensed accordingly. Subsidies relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Brill, also through its German subsidiary, frequently receives project, program or generic subsidies from private or public funding bodies. These funding bodies generally aim to support scholarly communication, often in the form of a print cost subsidy or a general cost subsidy. A subsidy is fully allocated to the publishing project for which the subsidy was granted and included in (offset against) the development cost capitalized for the project. The excess of subsidies over development cost is presented under other payables, since these represent a potential obligation until the moment of publication.

Taxation

Tax liabilities and receivables
Tax owed or receivable for the current and previous periods is measured according to the amount that is estimated to be paid to or received from the tax authorities. The taxation is measured according to the prevailing legal rates and legislation.

Deferred taxation
A deferred tax asset or liability is recognized for temporary differences as per balance date between the tax book value of assets and liabilities and their value in these financial statements. Deferred tax assets are recorded for all temporary differences in so far as it is likely that there will be a taxable income against which the temporary difference can be offset. Deferred tax assets and liabilities are recorded for all taxable temporary differences except when:

- the deferred tax asset results from an initial recognition of a claim or liability in a transaction which is not a business combination and which, at the moment of the transaction, has no impact on the profit before tax or the taxable income, and / or;
- the deferred tax asset results from an initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which, at the moment of the transaction, has no impact on the profit before tax or the taxable income, and;
- in relation to temporary differences relating to investments in subsidiaries and joint venture interests, when the timing of settlement can be determined individually and when it is likely that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are measured at the tax rates which are expected to prevail during the period in which the claim is materialized, or the liability is settled, based on legally determined rates and applicable tax law. Deferred tax assets and liabilities are netted if there is a legal right to net claims and liabilities, and if the deferred tax relates to the same taxable entity, the same tax authority and the same period.

Sales tax and value added tax
Revenue, cost and assets are recorded after deduction of sales tax and value added tax. The net tax amount to be claimed or paid is recorded under payables or receivables in the Consolidated statement of financial position.

Financial instruments and hedging

Recognition and de-recognition
Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification
In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is made at a financial asset level based on the business model to collect the contractual cash flows. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets of the Group, like non-current financial assets, trade and other receivables and cash and cash equivalents, are classified as financial assets measured at amortized cost. Financial liabilities, like interest bearing loans and trade and other payables, are classified as financial liabilities measured at amortized cost. Derivative financial instruments of the Group, interest rate swap or foreign currency exchange contracts, are classified as financial assets or liabilities at fair value through profit or loss.

All income and expenses relating to financial instruments measured at amortized cost that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Derivatives and hedge accounting
Brill uses financial derivative instruments such as futures and swaps to manage risks related to foreign currencies and interest. Financial derivatives instruments are classified as financial instruments with fair value through profit or loss and are recognized at trade date. Derivatives are initially recognized at fair value and are subsequently remeasured to their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives to cash flow hedges based on a particular risk associated with the cash flows of highly probable forecast transactions.

At inception of the hedge relationship, the Group documents the economic relationship between the derivatives (hedging instruments) and forecast transaction (hedged item) including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships and movements in the hedge reserve are disclosed in note 16. Derivatives with a duration of one year or less are presented as current assets or current liabilities, derivatives with a duration of more than one year are presented as non-current assets or liabilities. Derivatives with a positive value for the Group are presented as assets and derivatives with a negative value are presented as liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within Finance costs.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecasted transaction occurs this amount is removed from equity and included in (i) the measurement of the recognition of the related non-financial asset or liability, such as an inventory, or (ii) in profit or loss as a reclassification adjustment in the same period or periods during which the hedge expected future cash flow affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3. BUSINESS COMBINATIONS

During the year, no business combinations were concluded. On December 23 2020, Brill NV acquired 100% of the shares of VORGE Zweite Beteiligungsverwaltung GmbH, based in Vienna, for a price of EUR 35 thousand. At the time of acquisition the company only included share capital. The company is renamed into Brill Österreich GmbH on March 16, 2021 and will be used for the publishing activities of the Austrian assets of Vandenhoeck & Ruprecht and Böhlau Verlage that were acquired on March 1, 2021 (see notes 24 and 25).

	2020	2019
Amounts paid or to be paid	35	0
Paid in prior year	0	0
Cash and cash equivalents included in target	0	0
Payments related to acquisitions in prior years	0	0
Deferred portion of acquisition payments	0	0
Net cash payments related to acquisitions	35	0
Payments related to acquisitions next year	0	0
Net cash payments related to acquisitions in the period	35	0

4. TANGIBLE FIXED ASSETS

2020	Leasehold improvements	Furniture & Fixtures	IT Hardware	Total
Book value as per 1 January, 2020	123	72	144	339
Investment	0	0	46	46
Transfer at cost	0	0	0	0
Transfer accumulated depreciation	0	0	0	0
Disposal at cost	0	0	0	0
Disposal accumulated depreciation	0	0	0	0
Depreciation	-47	-38	-82	-167
Exchange rate differences	1	1	3	5
Book value as per 31 December, 2020	77	35	111	223
1 January, 2020				
Cost	907	619	553	2,079
Accumulated depreciation	-784	-547	-409	-1,740
Net book amount	123	72	144	339
31 December, 2020				
Cost	907	619	599	2,125
Accumulated depreciation	-831	-584	-488	-1,903
Net book amount	77	35	111	223

2019	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2019	151	112	125	388
Investment	8	0	111	119
Transfer at cost	57	-2,543	2,486	0
Transfer accumulated depreciation	-50	2,537	-2,487	0
Disposal at cost	0	-74	-2,592	-2,666
Disposal accumulated depreciation	0	64	2,592	2,656
Depreciation	-43	-23	-94	-160
Exchange rate differences	0	-1	3	2
Book value as per 31 December, 2019	123	72	144	339
1 January, 2019				
Cost	842	3,243	546	4,631
Accumulated depreciation	-690	-3,131	-421	-4,242
Net book amount	152	112	125	389
31 December, 2019				
Cost	907	619	553	2,079
Accumulated depreciation	-784	-547	-409	-1,740
Net book amount	123	72	144	339

Estimated useful life of fixed assets is as follows:

- Leasehold improvements 10 years;
- Furniture & Fixtures between 5 and 10 years;
- IT-hardware 3 years.

The depreciation is part of the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (refer note 19). See note 12 for the amount of the pledged tangible fixed assets.

5. LEASES

A rental agreement is in existence for our office located at Plantijnstraat 2 in Leiden. Brill USA has a rental agreement for its office located at 2 Liberty Square, Boston, MA. Brill Deutschland GmbH entered into a rental agreement for its office located Wollmarktstrasse, Paderborn. Brill also leases smaller offices in Beijing and Singapore.

Furthermore, Brill has operational leasing contracts for company cars with duration of four years.
Assets and Financial liabilities for leasing and rent are:

Right of use assets

	Offices	Company cars	Total
Book value as per 1 January, 2020	1,851	63	1,914
Additions	52	115	167
Depreciations	-558	-65	-623
Book value as per 31 December, 2020	1,345	113	1,458
Book value as per 1 January, 2019	2,511	74	2,585
Additions	57	39	96
Depreciations	-579	-50	-629
Sub lease receivable	-138	0	-138
Book value as per 31 December, 2019	1,851	63	1,914

Lease liabilities

	2020	2019
Carrying amount at 1 January	2,441	3,046
Additions	161	120
Interest accretion	75	-96
Redemption lease liabilities	-843	-629
Carrying amount at 31 December	1,834	2,441
Non-current lease liabilities	1,106	1,757
Current lease liabilities	728	684
	1,834	2,441

In the year Brill expensed EUR 101 thousand for low value leases (2019: EUR 101 thousand). Total cash outflow of leases was EUR 799 thousand (2019: EUR 766 thousand).

6. INTANGIBLE FIXED ASSETS

2020	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
Book value as per 1 January, 2020	15,925	3,389	11,394	2,411	247	33,366
Acquisition	85	0	0	0	0	85
Investment	0	0	2,845	363	0	4,058
Reclass and Disposals – at cost	0	0	0	-213	0	-1,063
Reclass and Disposals – accumulated amortization	0	0	0	0	0	0
Amortization	-120	0	-2,856	-854	-54	-3,883
Book value as per 31 December, 2020	15,890	3,389	11,383	1,707	193	32,562
1 January, 2020						
Cost	16,174	3,389	46,340	6,524	404	72,831
Accumulated amortization	-249	0	-34,946	-4,113	-157	-39,465
Net book amount	15,925	3,389	11,394	2,411	247	33,366
31 December, 2020						
Cost	16,259	3,389	49,185	6,674	404	75,910
Accumulated amortization	-369	0	-37,802	-4,967	-211	-43,349
Net book amount	15,890	3,389	11,383	1,707	193	32,562

2019	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
Book value as per 1 January, 2019	15,778	3,389	10,228	3,089	301	32,785
Acquisition	0	0	0	0	0	0
Investment	0	0	3,984	457	0	4,441
Reclass and Disposals – at cost	267	0	-352	-6,196	0	-6,281
Reclass and Disposals – accumulated amortization	0	0	254	5,928	0	6,182
Amortization	-120	0	-2,720	-867	-54	-3,761
Book value as per 31 December, 2019	15,925	3,389	11,394	2,411	247	33,366
1 January, 2019						
Cost	15,907	3,389	42,716	12,265	404	74,681
Accumulated amortization	-130	0	-32,488	-9,176	-103	-41,897
Net book amount	15,778	3,389	10,228	3,089	301	32,785
31 December, 2019						
Cost	16,174	3,389	46,340	6,524	404	72,831
Accumulated amortization	-249	0	-34,946	-4,113	-157	-39,465
Net book amount	15,925	3,389	11,394	2,411	247	33,366

During 2019 an in-depth review was carried out on the tangible and intangible assets recorded in the statement of financial position. It appeared that many assets in the ledger were no longer in use anymore and were fully amortized or depreciated.
Consequently these assets were disposed. Furthermore, this analysis identified a limited number of items are to be presented under a different category and have been reclassed. There is no material financial impact on the balance sheet as a result of this transfer.

The category 'Other' above contains Licenses and Trade names. For the assets obtained through acquisitions, as part of the acquisition accounting process, Management separately identified and estimated the fair value of each asset described above. The assets that were valued in the purchase price allocation were appraised using the multiple excess earning method which involves significant estimates and judgments as disclosed in note 2.6. The assets have an estimated remaining useful life of 5 years and will be amortized accordingly.

Capitalized content cost typically consists of pre-publication expenditure such as typesetting, illustrations, editing and translations. Sometimes, development of a publication takes several years. Until finalization, Content is presented as WIP within one month of the publication date and then transferred to content, after which amortization starts. A minimum threshold of EUR 1,500 applies. Until finalization, WIP is regularly reviewed to assess whether the content assets in preparation still have the economic future value expected at the start of the project. If there is an indication of impairment, the value is reduced to its expected economic value.

The amortization schedule for Content assets is as follows:

Year	1	2	3	4	5	6	7	8	9	10
	39%	17%	8%	6%	5%	5%	5%	5%	5%	5%

Exceptions may apply based on size or business model.

Publishing rights, trade names and goodwill are related to business combinations and acquisitions of publishing rights. Intangible assets with a definite useful life are amortized in line with their expected useful life, if applicable.

In addition to acquired intangible assets, Brill recognizes investments in information systems and internally developed content (capitalized product development costs). These assets are amortized in line with their expected useful life. In case of content, the estimation of remaining useful life is based on the expected pattern of consumption of the expected future economic benefits embodied in the asset. In most cases, the expected pattern leads to a diminishing balance amortization pattern Amortization of content is expensed within the cost of goods sold.

Information systems are usually amortized in between 3 and 5 years. These expenses are recognized in the Consolidated Statement of profit or loss and other comprehensive income under General and administrative expenses.

Impairment testing of goodwill and other intangible assets
At the end of each reporting period, Brill reviews any indication whether the CGUs (segments) that contain goodwill and intangible assets may be impaired. In addition, Brill carries out annual impairment tests by comparing the carrying amount of each CGU to the recoverable amount.

The recoverable amount is determined by calculation of the CGU's value-in-use. The value-in-use is determined by discounting the CGU's future cash flows. The cash flow projections are based on actual operating results, and the budget and strategic plans in force at the time of making the analysis. Furthermore, the three-year projections in the strategic plans are extended to 10 years. The Management Board believes that this is a term in which relevant market trends (most importantly scholarly publication output) can be reliably forecasted.

Cash flows are discounted using a pre-tax discount rate of 8.8% (2019: 9.2%) that reflects current market assessments of the time value of money and the risks specific to the assets. In determining its discount rate, Brill uses the following variables:

Variable for determining the weighted cost of capital	**2020**	2019
Risk free interest rate (in %)	-0.36	-0.31
Country risk premium (in%)	0.70	0.70
Market debt premium (in %)	1.18	1.31
Market risk premium (in %)	6.25	6.50
Small Firm Premium (in %)	3.67	3.67
Leveraged Beta	0.61	0.72
Corporate tax rate (in%)	25.00	25.00

Key assumptions applied to the net present value calculations relate to growth of revenue and development of the cost of goods sold. These assumptions are based on management estimates as included in the most current business plans. Revenue growth assumptions are based on an expected continuous growth in output of and demand for scholarly research whereas cost estimates assume a shift from variable expense to fixed expense, increasing slower than revenue. The annual impairment test showed that the recoverable amount for all segments for intangible assets and goodwill exceeded their carrying amounts.

We also made an assessment whether a change in a key assumption would cause the carrying amount to exceed the recoverable amount.

	Applied terminal growth rate of cash flows (g)	Increase in discount rate which would trigger an impairment
ARC	0.5%	> 5 percent point
HIS	0.5%	> 5 percent point
LAW	0.5%	> 4 percent point
MIA	0.5%	> 5 percent point
LLA	0.5%	> 0.5 percent point
S&F	0.5%	> 2 percent point

Sensitivity tests applied to the valuations show that except for LLA. the valuations are robust against material (negative) variances in the applied terminal growth rate. For LLA, the valuation is highly sensitive for a change in the discount rate, applied terminal growth rate and other assumptions, which might lead to an impairment in the future.

Net book amounts by segment as per 31 December (refer note 18 for details on segmentation and developments in 2020):

Segment	Acquired intangible assets		Goodwill		Total	
	2020	2019	**2020**	2019	**2020**	2019
ARC	874	886	404	404	1,278	1,290
HIS	1,349	1,349	1,578	1,578	2,927	2,927
LAW	10,657	10,696	788	788	445	11,484
MIA	604	265	343	343	947	608
LLA	2,306	2,700	0	0	2,306	2,700
S&F	140	85	276	276	416	361
Total	15,930	15,981	3,389	3,389	19,319	19,370

Acquired intangible assets which are currently assumed to have an indefinite useful economic life total EUR 15.6 million (unchanged versus 2019). ARC contains EUR 837 thousand, MIA contains EUR 532 thousand, LAW contains EUR 10,560 thousand, and for HIS and LLA all assets are indefinite.

At year-end 2020 Brill had no material outstanding commitments for the purchase or development of intangible assets.

7. INCOME TAX

This note provides an analysis of Brill's income tax expense and Brill's deferred tax position.

	2020	2019
Income tax on continued operations		
- Current	940	429
- Deferred tax	591	516
Tax recognized in the consolidated statement of profit or loss and other comprehensive income	1,531	945

Of the current tax charge, EUR 175 thousand (2019: EUR 236 thousand) is due in other jurisdictions than the Netherlands. The table below reconciles the effective tax rate and the calculation of tax according to local nominal Dutch tax rates for the year ended 31 December, 2020 and 2019.

In 2020 Brill again incurred a partial reversal of the 2018 tax benefit. In 2019, the Dutch government decided to partly reverse the decrease of future corporate income tax rates, and as a result, the deferred tax liability increased by EUR 182 thousand. In December 2020, the Dutch government decided to reverse the decrease completely and keep the corporate income tax rate at 25%. Consequently, in our statement of financial position, our deferred tax liability increased by EUR 553 thousand and the same amount was added to the tax charge in our statement of profit or loss.

	2020	2019
Income before tax	4,427	3,107
Statutory Dutch income tax rate	20% - 25.0%	20% - 25.0%
Tax, at the nominal rate	1,090	740
- Effect of different tax rates outside the Netherlands	-87	16
- Permanent differences	14	7
- Release from deferred tax liability	-33	0
- Changes in nominal tax rate	553	182
- Miscellaneous	-7	0
Tax recognized in the consolidated income statement	1,531	945
Effective tax rate	34.6%	30.4%

Deferred taxation is itemized as follows with regards to deferred tax liability:

	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
2020					
Net carrying amount as of 1 January, 2020	-3,739	39	66	0	-3,634
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	-585	16	0	0	-569
Recognized in other comprehensive income	0	0	-22	0	-22
Effect of movement in foreign exchange rates		0	0	0	0
Net carrying amount as of 31 December, 2020	-4,324	55	44	0	-4,226
2019					
Net carrying amount as of 1 January, 2019	-3,153	26	44	-29	-3,112
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	-585	13	22	0	551
Recognized in other comprehensive income	0	0	0	29	29
Effect of movement in foreign exchange rates	0	0	0	0	0
Net carrying amount as of 31 December, 2019	-3,739	39	66	0	-3,634

The deferred tax amount is wholly non-current. Taxes due on hedge contracts with negative value are included in the tax accrual.

Deferred taxation is itemized as follows with regards to deferred tax asset:

	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
2020					
Net carrying amount as of 1 January, 2020	0	0	52	0	52
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	0	0	-9	0	-9
Recognized in other comprehensive income	0	0	0	0	0
Effect of movement in foreign exchange rates	0	0	-5	0	-5
Net carrying amount as of 31 December, 2020	0	0	38	0	38
2019					
Net carrying amount as of 1 January, 2019	0	-9	24	0	15
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	0	10	27	0	37
Recognized in other comprehensive income	0	0	0	0	0
Effect of movement in foreign exchange rates	0	-1	1	0	0
Net carrying amount as of 31 December, 2019	0	0	52	0	52

8. INVENTORIES

Inventories	**31-12-2020**	31-12-2019
Publications in development	230	69
Finished goods	2,726	2,918
Book return asset	113	230
	3,069	3,217

The inventory of finished goods includes a provision for obsolescence of EUR 4,130 thousand (2019: EUR 3,465 thousand). During the year, the provision was increased by EUR 665 thousand (2019: EUR 299 thousand). This amount was charged in the Cost of goods sold in the Consolidated Statement of profit or loss and other comprehensive income.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables	31-12-2020	31-12-2019
Trade receivables	9,111	8,764
Other receivables	962	1,256
	10,073	10,020

Trade and other receivables are classified as current. Trade debts are non-interest bearing and have average payment terms of thirty to ninety days, depending of the country of residence of the customers. Note 16 contains a risk analysis.

For some trade receivables, Brill may obtain security in the form of insurance against default of the debtor.

Change in credit loss allowance	2020	2019
1 January	112	197
Add to the allowance during the year	239	109
Receivables written off during the year as uncollectible	-4	-193
Amounts recovered during the year	0	0
31 December	347	112

Aging trade receivables	31-12-2020 Gross amount	31-12-2020 Credit loss allowance	31-12-2020 Net amount	31-12-2020 Loss allowance
Payment not due	7,446	-7	7,438	0% - 0.1%
Payment due:				
0- 30 days	1,183	-1	1,182	0.1%
30-60 days	92	0	92	0.1%
60-90 days	192	0	192	0.1%
> 90 days	546	-339	207	62.0%
Total trade receivables	9,458	-347	9,111	

Aging trade receivables	31-12-2019	31-12-2019	31-12-2019	31-12-2019
	Gross amount	Credit loss allowance	Net amount	Loss allowance
Payment not due	5,933	-9	5,924	0% - 0.1%
Payment due:				
0- 30 days	1,279	0	1,279	0.1%
30-60 days	698	0	698	0.1%
60-90 days	353	-1	352	0.1%
> 90 days	613	-102	511	38.0%
Total trade receivables	8,876	-112	8,764	

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as per ultimo 2020 were EUR 5,899 thousand (ultimo 2019: EUR 1,788 thousand). Included in this amount is EUR 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office.

11. SHARE CAPITAL AND RESERVES

The share capital of the company is divided into ordinary shares and cumulative preference shares. There are currently no cumulative preference shares issued. The number of ordinary shares with par value of EUR 0.60 per share, issued and paid, was 1,874,444 in 2020 (2019: 1,874,444). The number of authorized shares was 2,500,000 in 2020 (2019: 2,500,000). In 2020, shareholder capital was EUR 1,125 thousand (2019: EUR 1,125 thousand).

Stichting Luchtmans was granted a call option that gives it the right, in the event of hostile action or imminent hostile action against the company, to purchase a number of cumulative preference shares equal to, at most, 100% of the shares and depository receipts issued at the time at which the option is exercised less one share. When the option is exercised, only 25% of the total nominal amount must be paid. The exercise price is equal to the nominal value. Stichting Luchtmans and the company have agreed that the option may be exercised up to 100% of the issued capital if and as long as shares and depository receipts are listed on the Euronext Amsterdam NV exchange.

Other reserves consist of a currency translation reserve (including forex differences resulting from the translation of the accounts of the foreign subsidiaries) and a hedge reserve (including the share in the increase or decrease of the cash flow hedge for which it has been established that it is effective).

Other reserves	Currency translation reserve	Cash flow hedge reserve	Total
1 January, 2020	-293	4	-289
Result revaluation	-178	-37	-215
Reclassification to profit and loss	-49	10	-39
Recognized in other comprehensive income	-227	-27	-254
Tax on revaluation result	57	7	64
Total mutation	-170	-20	-190
31 December, 2020	-463	-16	-479
1 January, 2019	-401	116	-285
Result revaluation	0	-138	-138
Reclassification to profit and loss	108	27	135
Recognized in other comprehensive income	108	-111	-3
Tax on revaluation result	0	-1	-1
Total mutation	108	-113	-4
31 December, 2019	-293	4	-289

12. INTEREST BEARING LOANS

In May 2018, Brill took a long-term bank loan of EUR 6.5 million, of which at balance date EUR 4.6 million was outstanding. Brill pays a quarterly redemption until the loan is fully paid back mid-2024. As a measure against the impact of COVID-19, we agreed with our bank to defer the redemption payments for Q2, Q3 and Q4 of 2020. These amounts (total EUR 813 thousand) will be paid back with the last redemption in 2024.
The movement of the interest-bearing loans is as follows:

	2020	2019
1 January	4,848	5,926
Debt redemption	-270	-1,083
Transaction costs loan expensed over loan term	5	5
31 December	4,583	4,848
Short-term (< 1 year) reclassed to current liabilities	1,083	1,083
Reported as long-term loan	3,500	3,765

On 31 December, 2020 unused credit facilities of EUR 15 million were available (2019: EUR 15 million). The arrangement provides Brill with a facility of EUR 7.5 million current account facility and an additional EUR 7.5 million of current account facility specifically for the financing of acquisitions. As a security for these bank loans Brill has pledged assets. The pledged assets with a total book value of EUR 30.0 million (2019 EUR 28.6 million) consist of publishing rights (EUR 15.9 million, 2019 EUR 15.9 million), receivables (EUR 10.7 million, 2019 EUR 9.3 million), inventories (EUR 3.2 million, 2019 EUR 3.1 million) and tangible fixed assets (EUR 0.2 million, 2019 EUR 0.3 million).

The main non-financial covenant is the non-distribution clause that prohibits Brill to distribute to its shareholders more than 100% of the sum of Profit before tax plus amortization and depreciation (non-product). The sums involved were:

Non distribution covenant	**2020**	2019
Profit before tax	4,427	3,107
Amortization and depreciation (non-product, non IFRS 16)	1,167	1,177
Maximum distribution	5,594	4,284

In addition, the covenants include two financial ratios:

Net debt/EBITDA ratio	**2020**	2019
Cash and cash equivalents	-5,899	-1,788
Interest bearing loans	4,583	4,848
Net debt	-1,316	3,060
EBITDA [26]	6,600	5,183
Net debt/EBITDA ratio (must be less than 3.0 as of 2019)	-0.20	0.59

Debt service coverage ratio	**2020**	2019
EBITDA [26]	6,600	5,183
Income tax paid/received	1,077	-717
Replacement investments: tangible assets	-46	-113
Replacement investments: intangible assets (non-product, non-acquisition)	-363	-457
Total	7,269	3,896
Interest paid	133	153
Redemption loan	270	1,078
Total	403	1,231
Debt service coverage ratio (must be higher than 1.1)	18.0	3.2

Finally, the loan agreement stipulates that the Group must generate over 80% of its EBITDA through its main entity, Koninklijke Brill NV. In 2020 this benchmark was 79% (2019: 73%). The bank issued a clarification letter which implies that, as of balance sheet date, Brill had a substantive right to defer settlement of the loan for more than 12 months.

Net debt movements	Cash and cash equivalents	Interest bearing loan – short-term	Interest bearing loan – long-term	Total
Net debt 1 January 2020	1,788	-1,083	-3,765	-3,060
Cash flows	4,111	0	265	4,376
Net debt 31 December 2020	5,899	-1,083	-3,500	1,316

13. TRADE CREDITORS AND OTHER PAYABLES

Trade creditors and other payables	**31-12-2020**	31-12-2019
Trade creditors	3,650	2,632
Other taxes and social securities	549	558
Refund liability	596	1,152
Accruals	2,788	2,361
Pension liability	170	128
Other payables	1,706	3,954
	9,459	10,785

Trade creditors are non-interest bearing and normally have a payment due date of less than 30 days. Taxes, social securities and other payables are settled during the year.

14. DEFERRED INCOME

Deferred income relates to the advances received for journal and database access subscriptions. Deferred income recorded on the consolidated statement of financial position per December 31 2019 of EUR 8,851 thousand was recognized in the revenue of the year 2020 (2019 EUR 8,402 thousand).

15. PROVISIONS

	31-12-2020	31-12-2019
Provisions		
Short-term provisions	0	50
Long-term provisions	0	0
	0	50

Provision movements	Short-term provisions	Long-term provisions	Total
01-01-2020	50	0	50
Release	-50	0	-50
New provisions	0	0	0
31-12-2020	0	0	0

The 2019 provision relates to a legal claim that was brought forward against Brill and represents management's best estimate of the expected outcome. The liabilities identified at that time are now considered to be non-existent and the provisions have been released to the consolidated statement of profit and loss.

16. FINANCIAL INSTRUMENTS

Classification of financial instruments
The classification of the financial instruments of the Group are set out below.

Classification of financial instruments	31-12-2020	31-12-2019
Financial assets		
Financial assets measured at amortized cost	16,010	11,829
Financial assets measured at amortized cost	158	—
	16,168	11,829
Financial liabilities other than lease liabilities		
Financial liabilities measured at amortized cost	8,783	8,038
Financial liabilities measured at fair value through profit or loss	21	5
	8,804	8,043

Accounting for foreign currency forward agreements
Brill enters into foreign currency forward agreements to mitigate its USD exposure. In 2020, the changes in the fair value of these contracts are recorded in the profit or loss.

Hedge accounting
To mitigate the effect of changes in market interest rates on our financial results, Brill entered into an interest rate swap covering the floating interest rate of the interest bearing loans. This instrument effectively changes the variable interest rate from the loan agreement into a fixed rate. At the end of the reporting period the hedge accounting position of the interest rate swap was:

Year	Notional amount	Fair value	Contract rate	Hedging instrument	Hedged item	Ineffectiveness
2020	4,062	-21	-0.26%	21	-21	—
2019	5,417	4	-0.26%	-5	5	—

The movements in cash flow hedge reserve are set out below.

Trade creditors and other payables	**2020**	2019
1 January	4	116
Changes in fair value derivatives	-37	5
Recycling to profit or loss (General operating expenses)	10	-116
Taxes	7	-1
31 December	-16	4

Netting
The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December, 2020 and 31 December, 2019. The column 'net amount' shows the impact on the group's consolidated statement of financial position if all offsetting rights were exercised.

	Effects of offsetting on consolidated statement of financial position			Related amounts not offset	
31 December, 2020	Gross amount	Offset in the balance sheet*	Net presented in the balance sheet*	Amount subject to master netting arrangements	Net amount
Financial assets					
Derivative financial instruments	158	0	158	-158	0
Total	158	0	158	-158	0
Financial liabilities					
Derivative financial instruments	21	0	21	-21	0
Total	21	0	21	-21	0
31 December, 2019					
Financial Assets					
Derivative financial instruments	0	0	0	0	0
Total	0	0	0	0	0
Financial liabilities					
Derivative financial instruments	5	0	5	0	5
Total	5	0	5	0	5

* Balance sheet = Consolidated statement of financial position.

Hierarchy in fair value
As per 31 December, 2020, Brill held the below financial instruments, valued at fair value, by valuation method:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Measurement methods are, among others, the discounted cash flow method using discount rates and relevant forward rates as at the end of the reporting period.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

During the year there have been no (2019: no) movements between Fair Value levels.

As per 31 December	Book value 2020	Fair value 2020	Level 2020	Book value 2019	Fair value 2019	Level 2019
Financial assets						
Currency forward agreements	158	158	2	0	0	2
Financial liabilities						
Interest bearing loans	4,583	4,583	2	4,849	4,849	2
Interest rate swap	-21	-21	2	5	5	2
Currency forward agreements	0	0	0	0	0	

Every year, at the end of the reporting period, Brill evaluates the hierarchical classification of regularly used financial instruments, based on the lowest level of the utilized variables that have a material impact on the instrument's fair value. Changes in the valuation of the currency forward agreements are recognized in comprehensive income.

17. FINANCIAL RISK MANAGEMENT

Foreign currency exchange risk
Brill's reporting currency is the euro. The US dollar is the main other currency relevant to Brill's business. In 2020, around 31% (2019: 33%) of revenues originated from the United States. Brill's objective related to currency exchange risk is to improve its financial performance by mitigating significant swings in the US dollar exchange rate. For this objective Brill may enter into foreign currency forward contracts. Normally, prices in US dollar are announced at the beginning of the year and are adjusted annually. In determining prices in US dollar, current exchange rate circumstances are considered. Since most expenses are in euro, Brill is net long in US dollar. Brill's policy is to hedge around 80% of the expected net incoming cash flow in US dollar for the next twelve months by using currency options. In addition, Brill attempts to limit currency risk by means of natural hedging, meaning entering in liabilities in US dollar to compensate receivables in US dollar.

The below table shows the impact of a change in exchange rate of the US dollar versus the euro on Brill's financial results:

Impact of a 5% increase of the US dollar value versus the euro	**2020**	2019
Net revenue	105	114
Gross profit	95	105
Net profit	233	161
Equity	51	51

Impact of a 5% decrease of the US dollar value versus the euro	**2020**	2019
Net revenue	-116	-133
Gross profit	-105	-123
Net profit	-258	-182
Equity	-57	-57

In determining the impact, Brill takes the current hedging contracts into account and used estimations, based on historical information and forecasts, of outstanding US dollar amounts for sales, expenses, receivables, liabilities and subsidiaries. The impact on Net profit is mainly caused by the change in valuation of assets and liabilities in US dollar. The impact on equity is mainly caused by changes in the valuation of the investment in the US subsidiary and the valuation of the cash flow hedge.

Interest rate risk

As per ultimo 2020, a long-term loan with variable rate (3 months EURIBOR plus 1.8%) was in place, causing a limited interest rate risk exposure (see note 12). Brill's objective related to interest risk is to improve financial performance by mitigating risk on interest rate increases, for example by use of interest rate swaps or comparable instruments. Given the recent decline in market interest rates, Brill entered into an interest rate swap transaction on 3 July, 2019 to mitigate the risk of increases in interest during the remainder of the period. Brill's interest payments are now capped at 1.5% of the remaining outstanding debt for the duration of the loan.

The below table shows the impact of a change in interest rate on Brill's financial results, assuming the that additional facilities are nil and the interest bearing loans are fully hedged with the interest rate swap.

Impact of a 5% increase of 3 months EURIBOR	2020	2019	Impact of a 5% decrease of 3 months EURIBOR	2020	2019
Profit after tax	0	0	Profit after tax	0	0
Equity	0	0	Equity	0	0

Credit risk

The business of Brill is concentrated in Western Europe, the United States and Asia. Over 80% of Brill's sales are transacted via third parties, such as book distributors and journal subscription agents. Brill's objective related to credit risk is to improve financial performance by mitigating defaults on outstanding receivables. However, there is no significant concentration of credit risk, whether through exposure to individual customers and/or regions. Currently, a consolidation is ongoing in the trade market. Although the risk of insolvency of a trade customer is unchanged, this concentration does increase the potential impact of an insolvency. However, this process does not result in a significant credit risk for the Group. For ongoing sales activity, Brill has access to relevant credit information. In addition, Brill's credit policy includes payment terms, credit limits and dunning policies. Cash flow is impacted by the payment behaviour of our customers; therefore, compliance with payment terms is monitored closely. Brill's maximum exposure is limited to the book value of non-current financial assets, trade and other receivables, derivative financial instruments (assets) and cash and cash equivalents in the statement of financial position at year end.

In the journals business Brill runs almost no credit risk, because journal deliveries are made after receipt of payment by subscribers. It is in the interest of the publisher to deliver new issues to subscribers without interruption and for that reason, the publisher may, on an exception basis, deliver issues before payment has been received. A limited risk exists with regard to subscription fees paid by the customer to the subscription agent but not transferred yet to the publisher. Very limited credit risk exists in the sale of online products because Brill can terminate access to the product at any time.

The Group operates in different jurisdictions where different payment terms apply, changes in credit quality is determined according to the different payment terms in these jurisdictions. The Group considers an event of default for internal credit risk management purposes if there is information indicating the debtor is unlikely to pay its liabilities in full or a breach of financial covenants by the debtor.

Liquidity risk

The Group prepares quarterly evaluations of its liquidity position using a seasonal cash flow pattern in combination with expected major changes in expenditure and income. The Group's approach to managing liquidity is aimed at ensuring that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity projections including available credit facilities are incorporated in the regular management information reviewed by the Management Board. The below table shows the maturities of the Group's financial liabilities. The cash flows are contractual and undiscounted.

	Balance amount	Maturity Immediate	< 3 months	3-12 months	1-5 year	> 5 year	Total
As per 31 December, 2020							
Trade and other payables	9,460	4,422	1,205	3,833	0	0	9,460
Interest bearing loans	4,583	0	271	813	3,499	0	4,583
Derivatives financial instruments	2,951	0	1,395	1,556	0	0	2,951
		4,422	2,871	6,202	3,499	0	16,994
As per 31 December, 2019							
Trade and other payables	10,785	4,918	1,715	4,152	0	0	10,785
Interest bearing loans	4,849	0	271	813	3,765	0	4,849
Derivatives financial instruments	785	0	0	0	0	0	0
		4,918	1,986	4,965	3,765	0	15,634

Capital management policy

The key components of capital managed by Brill are working capital and fixed tangible and intangible assets (collectively referred to as Invested Capital, refer to note 26). Brill's financial policy aims to finance Brill's growth objectives, while free cash flow should cover any applicable interest and redemption of long-term borrowing as well as cash dividends. Funding originates from either internal or external sources. Internal funding arises specifically from containing the growth of Invested Capital by attracting more subscription-based business and reducing stock levels through printing on demand as well as pursuing policies that reduce fixed asset investment requirements, e.g. by using cloud versus on premise solutions. External funding originates from our standing credit facilities and maintaining access to capital markets through our investor relations policy. The policy assumes solvability of between 40 and 60% and adherence to the covenants relating to our credit facilities (refer to note 12).

18. SEGMENT INFORMATION

Brill's Management Board evaluates company performance from a business segment perspective, a product portfolio perspective as well as from a geographical perspective. Business segments (Publishing Units) are evaluated based on revenue, income and net assets in use. Certain asset and liability classes are considered Corporate and are not allocated to business segments. Product types are evaluated based on revenue. Geographical areas are evaluated based on revenue.

Brill's publishing activities are segregated into six business segments, identified as publishing units. The aggregation of these segments has been made based on management considerations, the market served, the nature of subject areas and group of researchers our publications are targeting:

- HIS – History, American studies, Educational studies, Slavic studies, social sciences, and biology
- LAW – International law, human rights, humanitarian law, and international relations
- LLA – Languages and linguistics, literature and culture studies, and Asian studies
- MIA – Middle East, Islamic and African studies
- ARC – Philosophy, art, religion and Bible studies, Theology, Jewish studies, Ancient Near East, Egyptology, classical antiquity, Greek and Latin literature
- S&F – the business operation contained under Brill Deutschland GmbH, notably the imprints Ferdinand Schöningh, Wilhelm Fink and mentis

Brill's Management Board primarily uses Revenue and EBITDA to assess the performance of the business segments. EBITDA per Publishing Unit is calculated based on direct EBITDA contribution minus allocated group services and overhead costs.

Publishing Unit	LAW	MIA	LLA	HIS	ARC	S&F	Group	Total
Revenue 2020	5,785	5,620	4,224	7,958	10,502	3,770	0	37,859
Revenue 2019	6,103	4,957	4,234	8,325	10,227	3,282	0	37,128
Direct EBITDA contribution 2020	3,706	3,058	1,868	4,206	6,168	608	-13,014	6,600
Direct EBITDA contribution 2019	3,554	2,548	1,497	4,245	6,055	778	-13,495	5,183

Product revenue segmentation is as follows:

Revenue by product type	**2020**	2019
Print books	13,511	14,144
eBooks	12,196	11,139
Journals	11,075	10,611
Primary Sources	1,078	1,234
Total	37,859	37,128

In 2020, there was one customer that accounted for more than 10% of consolidated revenues: EBSCO International (EUR 4.9 million). Books represent the majority of the revenue, realized across all segments.
Brill measures revenue by region in accordance with its priorities and managerial structure in the marketing and sales organization. Geographical spread of revenue (according to the location of the customer) is:

Revenue by region	**2020**	2019
Western Europe	17,621	17,488
North America	13,873	13,823
Asia Pacific	4,333	4,045
Other	2,032	1,772
	37,859	37,128

The ownership of all intangible assets and most tangible assets lies in the Netherlands except for the assets of Schöningh & Fink and mentis whose ownership lies in Germany. Brill derives about 8.6% of total revenue from its country of domicile, the Netherlands.

19. EXPENSES

Cost of goods sold contains the following cost types: technical production and shipping cost, cost of online products and platforms, amortization of intangible fixed assets, and royalties. Operational costs contain office related costs, services, communications and professional services.

Cost of goods sold	**2020**	2019
Technical production costs	7,538	7,208
Amortization of capitalized content costs [6]	2,856	2,818
Royalties	1,093	1,180
	11,487	11,206

Reconciliation Selling, General and administrative with personnel cost and operating expenses	**2020**	2019
Selling and distribution expenses	6,766	7,365
General and administrative expenses	15,104	15,266
Total operating expenses	21,870	22,631
Personnel cost	12,099	11,724
Operational expenses	7,980	9,100
Amortization of intangible assets (non-product related) [6]	1,001	1,014
Depreciation of tangible fixed assets [4]	167	163
Depreciation right of use assets [5]	623	630
Total operating expenses	21,870	22,631

Breakdown of personnel costs is as follows:

Personnel costs	2020	2019
Salaries	10,338	10,152
Severance payments	308	85
Social security payments	1,495	1,625
Defined contribution pension arrangement	998	813
Other defined contribution arrangements	252	173
	13,391	12,848
Booked to Work in progress	-1,292	-1,124
	12,099	11,724

Personnel costs booked to work in progress relates mostly to the internal desk editing team. This team constitutes about 16% of Brill's overall workforce. Desk editing writes time to products, which is then capitalized or expensed. In addition to internal staff, Brill uses vendor services for most of the editing and typesetting activities for its publications.

See note 24 "Information concerning related parties" for the remuneration of the board.

The number of FTE at year end, divided by function was as follows:

FTEs	Year end 2020		Year end 2019	
Publishing	63.1	[39.8%]	68.1	[40.4%]
Operations	46.1	[29.1%]	48.1	[28.6%]
Sales & Marketing	34.5	[21.8%]	36.7	[21.8%]
Finance, HR, Other	14.7	[9.3%]	15.5	[9.2%]
Total	158.4	[100%]	168.4	[100%]

The average workforce amounted to an average of 160.6 FTEs (2019: 165.1 FTEs). The total workforce engaged on a full-time basis at year end showed an increase of 1.4 FTEs from 167.0 to 168.4 FTEs. At the end of 2020, 50.7 FTEs (2019: 54.7FTEs) were working outside the Netherlands (from Brill's offices in Boston, Paderborn, Singapore and Beijing, as well as from home offices in the United Kingdom, Canada, Germany and Switzerland).

The General and administrative expenses include a subsidy of 300 thousand USD/EUR 296 thousand that was received in the USA as part of a COVID-19 relief program.

20. FINANCE INCOME AND EXPENSE

The interest rate received on our current account balance was 0% in 2020 (2019: 0%).

Finance income	**2020**	2019
Interest received	54	39
Foreign exchange rate differences	58	25
	112	64

Finance expense	**2020**	2019
Interest paid on credit facilities	-34	-63
Interest paid on interest bearing loan	-78	-89
Interest expenses on lease liabilities	-75	-96
	-187	-248

21. EARNINGS PER SHARE

Earnings per share was calculated by dividing net income attributable to shareholders by the weighted average number of outstanding ordinary shares. At balance date, no stock options, redeemable preferred shares or other convertible instruments were outstanding that might lead to future dilution of earnings per share. After balance date, no share transactions took place.

Earnings per share	**2020**	2019
Net income	2,896	2,162
Weighted average number of shares issued	1,874,444	1,874,444
Earnings per share attributable to shareholders of Koninklijke Brill NV (in euros)	1.54	1.15

22. DIVIDEND PAID AND PROPOSED

Dividend	2020	2019
Dividend paid		
Dividend paid for 2018: 0.85		1,593
Dividend paid for 2019: 0	—	
Total paid	—	1,593
Proposed dividend for 2020		
(not included as a liability per 31 December 2020)		
Ordinary Dividend to be paid for 2020: 1.25	2,343	
Profit distribution proposal 2020		
Ordinary dividend on ordinary shares	2,343	—
Added to retained earnings	553	2,162
Net profit	2,896	2,162

23. COMMITMENTS

A bank guarantee of EUR 107 thousand was issued in support of the rental agreement of the office located Plantijnstraat 2 in Leiden (until September 2023). At year end, there were no major commitments for investments. The liabilities for low-value leases will average yearly at EUR 101 thousand.

24. INFORMATION CONCERNING RELATED PARTIES

Remuneration of the Supervisory Board and Management Board
The members of the Management Board and Supervisory Board are the key management of the Group.

Total paid executive remuneration (in thousands of euros)	2020	2019
Supervisory Board	106	110
Management Board	838	732
Total paid remuneration	944	842
Variable payout accrued in the prior year	-144	-96
Variable component accrued in the current year	314	261
Net expense for executive remuneration	1,114	1,007

See the remuneration report for more information.

Subsidiaries

These consolidated financial statements contain the financial statements of Koninklijke Brill NV and its subsidiaries:

– Brill USA, Inc. (in Boston, MA) – functional currency USD
– Brill Asia Pte Ltd (in Singapore) – functional currency SGD
– Brill Deutschland GmbH (in Paderborn, Germany) – functional currency EUR
– VORGE Zweite Beteiligungsverwaltung GmbH (in Vienna, Austria) - functional currency EUR
– Brill Consulting Beijing Ltd (in Beijing, China) – functional currency CNY

In 2020, as in 2019, Koninklijke Brill NV had a 100% interest in Brill USA, Inc. At the time of a sale of print books to a third party, Brill USA purchases the books from Koninklijke Brill NV, net of a market-based discount. Furthermore, Brill USA receives a commission in line with market standards for selling online publications.

Brill Asia Pte Ltd was incorporated as a 100% subsidiary of Brill NV as of 1 January, 2016. Brill Asia performs publishing, marketing and sales and business development services to Koninklijke Brill NV and receives a market-based fee in return.

Brill Consulting Beijing Ltd was incorporated as of 5 July, 2017 as a 100% subsidiary of Brill Asia Pte Ltd. Brill Beijing provides marketing and sales services to the Group and receives a market- based fee in return.

Brill Deutschland GmbH was incorporated as a 100% subsidiary of Brill NV on 12 December, 2016. Brill Deutschland incorporates the Schöningh & Fink acquisition effective 1 January, 2017 and the mentis Verlag acquisition effective 1 January, 2018.

On December 23 2020, Brill NV acquired 100% of the shares of VORGE Zweite Beteiligungsverwaltung GmbH, based in Vienna, for a price of EUR 35 thousand. At the time of acquisition the company only included share capital. The company is renamed into Brill Österreich GmbH and will be used for the publishing activities of the Austrian assets of Vandenhoeck & Ruprecht and Böhlau Verlage that were acquired on March 1, 2021 (see notes 3 and 25) .

Other related party transactions and relationships

The company has a related party relationship with its subsidiaries in Germany, Austria, the U.S., Singapore and China. The company, through its subsidiary Brill GmbH, also owns 10% of the shares of Utb GmbH (Utb). Utb is a group of highly respected, medium-sized private publishers in Germany, Austria and Switzerland. They co-operate in university textbook publishing under the label Utb, publishing in over thirty disciplines. Brill pays Utb an average of 9% of revenues generated under the Utb label as compensation for Utb's services.
In January 2020, Brill obtained, by participating in a capital issuance, a 2.4% stake in the French startup Jus Mundi. The company develops and markets a database on International Law.

Both Utb and Jus Mundi are reported under financial fixed assets.

25. EVENTS AFTER BALANCE SHEET DATE

See note 22 Dividend paid and proposed for the proposed divided for the year.

On March 1, 2021 Brill acquired all business assets of Vandenhoeck & Ruprecht. This renowned German publishing house, founded in 1735 and headquartered in Göttingen, has a superb and long-standing international reputation in the Humanities, especially in the fields of Theology and History. Since 2017 Böhlau Verlag, another high-quality humanities publisher, based in Cologne and Vienna, is also part of the V&R group. Total revenue of the V&R group amounted to c. 10 million euro in 2020.

The German operations of V&R will be combined with Brill's existing publishing activities in Germany. In 2021, Brill will generate an annualized revenue in Germany and Austria of around EUR 16 million.

Authors will benefit from our combined marketing and sales efforts that will increase the impact of their research, customers will benefit from our increased sales capacity both internationally and in the German language market that will enhance the customer service level we can give them, and staff will benefit from shared facilities and tools available to them.

The acquisition of V&R is expected to positively contribute to Brill's EBITDA and underlying Earnings Per Share (EPS) in 2021 and be accretive to EBITDA and EPS attributable to shareholders as of 2023, following completion of integration activities in 2022. The transaction will be effectuated through a purchase by Brill's subsidiary Brill Deutschland GmbH and Brill's new subsidiary Brill Österreich GmbH of all assets and liabilities pertinent to the business. Total purchase price is EUR 4 million (still subject to net asset value adjustments based on the closing balances per February 28, 2021). The transaction is financed with EUR 1.1 million cash and utilization of an existing acquisition facility of EUR 2.9 million provided by Rabobank NL. The acquisition will be effective as of March 1, 2021 and results from V&R will be included in the consolidated figures of the Brill Group per that date.

26. RECONCILIATION OF NON-GAAP INFORMATION

Brill's Management Board believes an understanding of the company's performance is enhanced by using several Non-GAAP measures, respectively EBITDA, ROIC and free cash flow. In this note these measures are reconciled to GAAP measures.

EBITDA
Brill uses the term EBITDA to evaluate the performance of the total company and the operating segments.

Reconciliation of Revenue and profit before tax	**2020**	2019
Revenue	37,859	37,128
Cost of goods sold	-11,487	-11,206
Selling and distribution costs	-6,766	-7,366
General and administrative expenses	-13,006	-13,373
EBITDA	6,600	5,183
Depreciation and Amortization	-1,790	-1,806
Restructuring costs	-308	-85
Operating profit	4,502	3,292

Return on invested capital (ROIC)
Koninklijke Brill NV uses the term ROIC to evaluate the performance of the total company. ROIC shows both our ability to generate profitable revenue as well as our ability to control the consolidated statement of financial position. Return on investment is calculated by dividing net operating profit less adjusted tax by average Invested capital.

Reconciliation assets	31-12-2020	31-12-2019
Fixed assets	34,393	35,631
Deferred tax liabilities	-4,226	-3,583
Current assets	19,247	15,842
Current liabilities	-20,889	-21,156
Net working capital	-1,643	-5,314
Short-term portion interest bearing loan included in current liabilities	1,083	1,083
Net tax	583	-1,110
Net derivative financial instruments	-137	5
Cash and cash equivalents	-5,899	-1,788
Invested Capital	24,154	24,924

Return on invested capital	2020		2019	
Operating profit	4,502		3,292	
Effective tax (adjusted for exceptional non-cash tax result)	-1,126	(25%)	-823	(25%)
Net operating profit less adjusted tax (NOPLAT)	3,376		2,469	
Invested capital	24,154		24,924	
Average invested capital	24,539		24,390	
Return On Invested Capital	13.8%		10,1%	
Asset turnover (revenue / average invested capital)	1.5		1.5	
NOPLAT margin (NOPLAT / revenue)	8.9%		6,6%	

Free cash flow

Free cash flow is a term used to evaluate the cash available to the company's investors.

Free cash flow	2020	2019
Net cash flow	4,111	-595
Dividend paid to shareholders	0	1,593
Interest and debt redemption	404	1,166
	4,515	2,164

CONTENTS

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

In thousands of euros (before appropriation of profit)

	31-12-2020		31-12-2019	
ASSETS				
Non-current assets				
Intangible fixed assets [3]	32,156		33,005	
Tangible fixed assets [4]	1,114		1,373	
Financial fixed assets [5]	3,440		2,613	
		36,710		36,991
Current assets				
Inventories	1,966		2,029	
Trade and other receivables [6]	10,331		10,707	
Cash and cash equivalents [7]	4,748		1,215	
		17,045		13,951
Total assets		53,755		50,942
EQUITY AND LIABILITIES				
Equity and Liabilities				
Share capital	1,125		1,125	
Share premium	343		343	
Legal reserves [13]	11,383		11,105	
Retained earnings	8,171		6,477	
Profit for the year	2,896		2,162	
		23,918		21,212
Provisions for deferred tax liabilities		4,226		3,634
Non–current liabilities [8]		4,190		4,736
Current liabilities [9]		21,422		21,360
Total Liabilities and Equity		53,755		50,942

COMPANY STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

In thousands of euros

	2020	2019
Gross profit		
Revenue	30,767	28,905
Cost of Goods Sold	-8,768	-7,626
	21,999	21,279
Expenses [11]		
Selling and distribution expenses	-4,213	-4,213
General and administrative expenses	-14,321	-14,717
Operating profit	3,465	2,349
Finance income [12]	33	38
Finance expenses [12]	-118	-158
Profit before income tax	3,380	2,229
Income tax expense/credit	-1,355	-710
Results from subsidiaries, net of tax	871	643
Profit from continued operations, attributable to shareholders of Koninklijke Brill NV	2,896	2,162

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. INFORMATION REGARDING THE COMPANY

The company financial statements have been approved for publication by the Supervisory Board and the Management Board on 7 April, 2021. Koninklijke Brill NV is established as a Naamloze Vennootschap (Public Limited Company), based at Plantijnstraat 2 in Leiden, the Netherlands and registered at the chamber of commerce under number 28000012. Its registered depository receipts are traded publicly at Euronext in Amsterdam.

2. BASIS OF PREPARATION FOR THE COMPANY FINANCIAL STATEMENTS

The company financial statements are prepared based on Title 9, Book 2 of the of the Dutch Civil Code (DCC), applying the regulations of section 362.8 allowing the use of the same accounting policies as applied for the consolidated financial statements. These accounting policies are described in the Notes to the Consolidated Financial Statements. Subsidiaries are recognized under financial fixed assets using the net asset value, applying the IFRS accounting policies endorsed by the European Union. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

Where the notes to the company financial statements and the consolidated financial statements are almost the same, we refer to the consolidated financial statements.

Goodwill

Goodwill relating to investments in consolidated subsidiaries is initially measured as the excess of the aggregate of the consideration transferred over the net fair value of the net identifiable assets acquired and liabilities and contingent liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Presentation of goodwill is dependent on the structuring of the acquisition. Goodwill is presented separately in the company financial statements if this relates to an acquisition performed by the company itself. Goodwill is subsumed in the carrying amount of the net asset value if an investment in a subsidiary is acquired through the company's intermediate subsidiary.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Goodwill relating to investments with significant influence (associates) and joint ventures is always included in the carrying amount of those investments.

Investments in Subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and can affect those returns through its power over the subsidiary. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities. They are derecognized from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the Consolidated statement of profit or loss and other comprehensive income.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the Consolidated statement of profit or loss and other comprehensive income.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

Amount due from and to group companies are measured at fair value which equals book value.

For assets, liabilities, income or expenses that are not disclosed in these Company financial statements reference is made to the respective notes in the Consolidated financial statements. Provisions relate to note 7 Deferred tax liabilities in the Consolidated financial statements

3. INTANGIBLE FIXED ASSETS

2020	Publishing rights	Goodwill	Capitalized content	Information systems and other	Total
Book value, 1 January, 2020	15,879	3,113	11,394	2,619	33,005
Acquisition	0	0	0	0	0
Investment	0	0	2,845	334	4,029
Reclass and Disposal – at cost	0	0	0	-213	-1,063
Amortization	-99	0	-2,856	-861	3,816
Book value, 31 December, 2020	15,780	3,113	11,383	1,879	32,156
1 January, 2020					
Cost	16,069	3,113	46,340	6,831	72,353
Accumulated amortization	-190	0	-34,946	-4,212	-39,348
Net book amount	15,879	3,113	11,394	2,619	33,005
31 December, 2020					
Cost	16,069	3,113	49,185	6,953	75,320
Accumulated amortization	-289	0	-37,802	-5,073	-43,164
Net book amount	15,780	3,113	11,383	1,880	32,156

2019	Publishing rights	Goodwill	Capitalized content	Information systems and other	Total
Book value, 1 January, 2019	15,711	3,113	10,228	3,330	32,382
Acquisition	0	0	0	0	0
Investment	0	0	3,984	457	4,441
Reclass and Disposal – at cost	267	0	-352	-6,198	-6,283
Reclass and Disposal – accumulated amortization	0	0	254	5,931	6,185
Amortization	-99	0	-2,720	-901	-3,720
Book value, 31 December, 2019	15,879	3,113	11,394	2,619	33,005
1 January, 2019					
Cost	15,802	3,113	42,708	12,572	74,195
Accumulated amortization	-91	0	-32,480	-9,241	-41,812
Net book amount	15,711	3,113	10,228	3,331	32,383
31 December, 2019					
Cost	16,069	3,113	46,340	6,831	72,353
Accumulated amortization	-190	0	-34,946	-4,212	-39,348
Net book amount	15,879	3,113	11,394	2,619	33,005

For an overview of amortization rates and methods for each asset class, refer to note 6 of the Consolidated financial statements.

4. TANGIBLE FIXED ASSETS

2020	Right-of-use assets	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2020	1,128	110	15	121	1,374
Investment	96	0	0	46	142
Depreciation	-288	-75	-7	-32	-402
Book value, 31 December, 2020	936	35	8	135	1,114
1 January, 2020					
Cost	1,457	890	428	487	3,262
Accumulated depreciation	-329	-780	-412	-367	-1,888
Net book amount	1,128	110	16	120	1,374
31 December 2020					
Cost	1,553	890	428	533	3,404
Accumulated depreciation	-617	-855	-420	-398	-2,290
Net book amount	936	35	8	135	1,114

2019	Right-of-use assets	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2019					
Investment and additions	39	0	0	84	123
Reclass and disposal – at cost	0	48	-2,600	27	-2,525
Reclass and disposal – accumulated depreciation	0	-49	2,598	-14	2,535
Depreciation	-329	-41	-8	-88	-466
Book value, 31 December, 2019	1,128	110	15	121	1,374
1 January, 2019					
Cost	1,418	842	3,029	375	5,664
Accumulated depreciation	-329	-690	-3,003	-264	-4,286
Net book amount	1,089	152	26	111	1,378
31 December, 2019					
Cost	1,457	890	428	487	3,262
Accumulated depreciation	-329	-780	-412	-367	-1,888
Net book amount	1,128	110	15	121	1,374

As per 31 December 2020 the right-of-use assets include EUR 825 thousand for offices (2019: EUR 1,072 thousand) and EUR 112 thousand related to company cars (2019: EUR 56 thousand). A rental agreement is in existence for our office located in Leiden with duration until September 2023. Brill has operational leasing contracts for company cars with a duration of four years.

Estimated useful life of fixed assets is as follows: Leasehold improvements 10 years, Furniture & Fixtures between 3 and 10 years and IT-hardware 3 years. The depreciation is part of the general and administrative expenses in the Consolidated statement of profit or loss and other comprehensive income. Any disposal of assets only includes fully depreciated assets that are no longer present at Brill.

5. FINANCIAL FIXED ASSETS

	City	Country	Share in company 31-12-2020	Share in company 31-12-2019
Brill USA, Inc.	Boston	USA	100 %	100 %
Brill Asia Pte Ltd	Singapore	Singapore	100 %	100 %
Brill Deutschland GmbH	Paderborn	Germany	100 %	100 %
VORGE Zweite Beteiligungsverwaltung GmbH	Vienna	Austria	100 %	— %
Jus Mundi	Paris	France	2.4 %	— %

Financial fixed assets are stated at net asset value. The value of the financial fixed assets developed as follows:

	Investments in subsidiaries	Loans to consolidated subsidiaries	Total
Net carrying amount, 1 January, 2020	1,723	890	2,613
Acquired	135	0	135
Profit 2020	871	0	871
Revaluation foreign currency	-178	0	-178
Net carrying amount, 31 December, 2020	2,551	890	3,440
Net carrying amount, 1 January, 2019	1,123	890	2,013
Profit 2019	643	0	643
Revaluation foreign currency	-42	0	-42
Net carrying amount, 31 December, 2019	1,723	890	2,614

The annual interest on the loan included in the value of the subsidiary Brill Deutschland is 2.3%. The loan is to be paid back after five years. The loan is subordinated to obligations that Brill Deutschland has to any third parties.

6. TRADE AND OTHER RECEIVABLES

Trade and other debtors are short-term in nature, non-interest bearing and have payment terms of 30-90 days in general, depending on the country of origin of the trade debtor. For an aging analysis and changes in the provision for bad debt, refer to Note 9 to the consolidated financial statements.

	31-12-2020	31-12-2019
Trade receivables	7,317	7,635
Amounts due from group companies	1,966	827
Income tax receivable	—	1,167
Derivative financial instruments	158	1,078
Other receivables	891	10,707
	10,331	10,707

Amounts due from subsidiaries are due within twelve months. See note 9 Trade and other receivables, note 16 Financial instruments and note 17 Financial risk management in the Consolidated financial statements.

7. CASH AND CASH EQUIVALENTS

As per ultimo 2020, cash and cash equivalents were EUR 4,748 thousand (ultimo 2019: EUR 1,215 thousand). Included in this amount is EUR 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office. Cash and cash equivalents not required for funding of the operations are invested in short-term bank deposits with variable rate, where possible. As per ultimo 2020 and ultimo 2019 there were no short-term bank deposits.

8. NON-CURRENT LIABILITIES

	31-12-2020	31-12-2019
Interest bearing loans	3,500	3,765
Lease liabilities	690	971
	4,190	4,736

See note 5 Leases, note 12 Interest bearing borrowings and note 17 Financial risk management in the Consolidated financial statements.

9. CURRENT LIABILITIES

	31-12-2020	31-12-2019
Deferred income	8,898	8,836
Interest bearing loans	1,083	1,083
Lease liabilities	396	356
Trade payables	3,220	3,439
Amounts due to group companies	2,121	1,541
Accruals	2,564	2,164
Pension liabilities	169	126
Other liabilities	2,351	3,815
Tax to be paid	620	0
	21,422	21,360

Amounts due to subsidiaries fall due within twelve months, the interest rate applicable is nil (2019: nil), no securities are provided. See note 5 Leases, note 12 Interest bearing borrowings, 13 Trade creditors and other payables, note 14 Deferred income, note 16 Financial instruments and note 17 Financial risk management in the Consolidated financial statements.

10. COMMITMENTS

A bank guarantee of EUR 107 thousand was issued in support of the rental agreement of the Leiden office (until September 2023). As in prior years we estimate the expenditures on low value leases to remain around EUR 100 thousand a year.

11. EXPENSES

Personnel expenses

The personnel expenses included in the expenses are specified below.

Personnel costs	2020	2019
Salaries	7,417	7,288
Severance payments	300	85
Social security payments	1,036	1,102
Defined contribution pension arrangement	866	753
Other defined contribution arrangements	252	248
	9,871	9,476
	-1,292	-1,124
Expenses capitalized in Work in progress	8,579	8,352

The pension plan of the employees is collectively arranged with the Pensioenfonds voor Grafische Bedrijven (PGB). The pension plan is based on an average salary basis. Indexation of the pension rights depends on the financial position of the pension fund. The coverage rate of the fund is 103% (2019: 103%).

The general and administrative expenses included the expenses disclosed in note 18 of the Consolidated financial statements. The remuneration of the Management Board and the Supervisory Board is disclosed in note 24 of the Consolidated financial statements.

Audit fees

	2020	2019
Audit of annual financial statements	329	423
Other audit procedures	0	0
Tax services	0	0
Other non – audit services	0	0
	329	423

These audit fees relate to fees paid to PricewaterhouseCoopers Accountants NV (PwC) in the Netherlands. PwC is not used outside the Netherlands, nor is PwC used for any consulting engagements.

12. FINANCE INCOME AND EXPENSES

The financial income includes interest amount of EUR 33 thousand of group companies (2019: EUR 34 thousand). The financial expenses include an interest amount of EUR 6 thousand of group companies (2019: EUR 1 thousand).

13. LEGAL RESERVES

As capitalized content costs meet the definition of capitalized development costs, based on Dutch requirements a legal reserve is formed in the stand-alone financial statements equal to the amount of the capitalized content.

14. PROFIT APPROPRIATION

The Management Board proposes an ordinary cash dividend of EUR 1.25 per (certificate of) ordinary share of EUR 0.60 nominally. If the Annual General Meeting accepts the dividend proposal, the 2020 profit of EUR 2,896 thousand will be appropriated as follows:

Profit appropriation proposal	2020
Ordinary dividend on ordinary shares	2,343
Retained Earnings	553
Net profit	2,896

Leiden, 7 April, 2021

Supervisory Board	**Management Board**
Robin Hoytema van Konijnenburg	Peter Coebergh
Catherine Lucet	Jasmin Lange
Theo van der Raadt	Olivier de Vlam

Due to long-term absence, Management Board member Olivier de Vlam has not signed these financial statements. Ad Interim CFO Wim Dikstaal cannot sign these financial statements as he is not a Statutory Director of Brill.

OTHER INFORMATION

APPROPRIATION OF PROFIT FOR THE YEAR

Bylaws regarding profit appropriation

Profit appropriation takes place pursuant to article 30 of the Articles of Association which stipulates that profit shall be distributed as follows:

A. Payment of a dividend on the amount paid up in respect of the cumulative preference shares in accordance with Article 25.2 of the Articles of association;
B. The Combined Meeting determines the amount, after deduction of the payout as established under A. that is to be added to Retained earnings to satisfy the Group's solvability objectives;
C. The Supervisory Board determines the variable remuneration of the Management Board;
D. The Supervisory Board, consulting with the Management Board, establishes the variable remuneration of the other staff;
E. The amount remaining after pay-out of the cumulative preference shares, retained earnings, and variable remuneration is at the disposal of the Annual General Meeting of shareholders for payout to holders of registered shares and registered depository receipts.

HOLDINGS MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Name	**Number of registered depository receipts**
Peter Coebergh	600
Jasmin Lange	500
Olivier de Vlam	400

In 2018, the members of the Management Board acquired registered depository receipts in Brill via their own banks and at their own risk, with the consent of the Supervisory Board. No further transactions were recorded since. These shares are not related to any remuneration scheme.

To: the general meeting and supervisory board of Koninklijke Brill NV

Report on the financial statements 2020

Our opinion

In our opinion:

- the consolidated financial statements of Koninklijke Brill N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2020 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Koninklijke Brill N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2020 of Koninklijke Brill N.V., Leiden. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020;
- the consolidated statement of changes in total equity for the year ended 31 December 2020; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2020;
- the company statement of profit or loss for the year ended 31 December 2020; and
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Koninklijke Brill N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach
Overview and context

Koninklijke Brill N.V. (hereafter also referred to as 'Brill') is listed at Euronext in Amsterdam and its principal activity is publishing with a strong international focus. The Company's main activities are academic publications with a focus on the humanities and social sciences, international law and selected areas in the sciences. The Company has developed platforms for its online resources. Koninklijke Brill N.V. engages an external UK-based service organisation that globally provides fulfilment and distribution services for the Group. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

In 2020 Brill continued to experience performance issues at the UK-based service organisation mentioned above, which affected Brill's operations and financial reporting. We have devoted significant attention to this third-party service organisation and included this as a key audit matter as set out in the section 'Key audit matters' of this report.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2 of the financial statements the areas of judgement in applying accounting policies and the key sources of estimation uncertainty are described. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of intangible assets, we particularly considered this as a key audit matter as set out in the section 'Key audit matters' of this report

Another area of focus, that was not considered as key audit matter, was the impact of the COVID-19 pandemic. The impact of the COVID-19 pandemic is described in note 2 of the financial statements.

As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit of an internationally operating publisher. In our team we included valuation experts in the area of intangibles and IT specialists.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €340,000.

Audit scope

- The Group consists of the components Koninklijke Brill N.V. (Brill the Netherlands), Brill USA Inc (Brill USA), Brill Deutschland GmbH (Brill Germany), VORGE Zweite Beteiligungsverwaltung GmbH (Brill Austria), Brill Asia Pte Ltd and Brill Consulting Beijing Ltd (together Brill Asia).
- At the head office in Leiden, the group engagement team audited all significant financial statement line items of the Group except the procedures described under the next bullet point.
- The group engagement team instructed the component auditor in the USA to perform specified audit procedures for group purposes, which included attending inventory counts in the USA.
- The group engagement team reviewed the third-party service organisation's ISAE 3402 type 2 report.
- Audit coverage: 92% of consolidated revenue, 93% of consolidated total assets and 95% of consolidated profit before income tax.

Key audit matters

- Significant assumptions in the valuation of intangible assets.
- Reliance on third-party service organisation.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

During the planning stage, we had open discussions with the supervisory board on using revenue as a benchmark in determining the materiality, instead of profit before income tax as we used in prior years.

We concluded that revenue is more suitable given the focus on revenue growth of the Company and the investments in the execution of the strategy. From a stakeholders' perspective, the long-term horizon and any growth of the Company is more appropriately reflected through a consideration of revenue. As a consequence, we determined to use revenue as benchmark for the materiality in our audit.

Overall group materiality	€340,000 (2019: €145,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 0.9% of revenue rounded to €340,000.
Rationale for benchmark applied	We used revenue as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. From a stakeholders' perspective, the long-term horizon and growth is reflected through the consideration of revenue. Brill's growth strategy focuses on revenue which makes revenue an important metric for the financial performance of the Company.
Component materiality	The component materiality used for the financially significant component Brill the Netherlands equals €335,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €16,750 (2019: €7,200) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Koninklijke Brill N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Koninklijke Brill N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focused on the significant component Brill the Netherlands. For this component, we performed an audit of the full set of financial statements. We performed specific audit procedures on the relevant financial statement line items of the components Brill USA, Brill Germany, Brill Austria and Brill Asia in order to achieve appropriate coverage on the consolidated financial statements as a whole. In addition, we issued instructions to the local component auditor of Brill USA to perform specified audit procedures on payroll expenses and inventory. We reviewed the auditor's report and assessed the results. We concluded that it is appropriate to rely on the work of the component auditor.

In total, in performing these procedures, we achieved the following coverage on the financial statement line items:

Revenue	92%
Total assets	93%
Profit before tax	95%

For the remaining financial statement line items not covered by audit procedures, we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those financial statement line items.

The group engagement team performed the audit work for group entities Brill Germany, Brill Austria and Brill Asia. For components Brill USA we used a component auditor who is familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit team in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit team the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with the in-scope component audit team during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

In line with prior years, Brill engages an external UK-based service organisation that globally provides significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting. We obtained an understanding of the nature and significance of the services provided by the external service organisation, and of the controls operated at the service organisation. Prior to obtaining an ISAE 3402 type 2 report, we assessed the professional competence, objectivity and independence of the auditor of the service organisation. We evaluated the ISAE 3402 type 2 report on the design and operating effectiveness of relevant internal controls over financial reporting prepared by the auditor of the service organisation. The group engagement team performed a review of the file of the service organisation's auditor to evaluate the sufficiency and appropriateness of the evidence provided by the report. We concluded that for the purpose of our audit, we can appropriately rely on the controls operated at the service organisation.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The two key audit matters are similar in nature to the key audit matters we reported in 2019. However, unlike in prior years, the key audit matter 'Significant assumptions in the valuation of intangibles assets' does not include content assets. The valuation of content depends on the amortization, which is determined using the same (diminishing balance) method as in prior year (refer to note 6 of the financial statements).

Last year's key audit matter 'Deficiencies in internal control framework' is no longer a key audit matter, because Brill made sufficient progress in terms of audit readiness. However, for reasons of efficiency and effectiveness, we took a mainly substantive rather than a control-based audit approach.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*Our audit work and observations*
Significant assumptions in the valuation of intangible assets *Management board's assumptions are included in 'Significant accounting estimates, judgements and assumptions' (note 2) and 'Intangible fixed assets' (note 2 and note 6) in the financial statements.* As of 31 December 2020, the intangible assets include goodwill (€3,389 thousand) and publishing rights (€15,890 thousand), among other balances. The valuation of these classes of intangible assets was a focus area in our audit, because the balances are highly material, and the valuation is based on significant assumptions and is therefore subject to risk of misstatement due to error or fraud.	We obtained the impairment tests prepared by the Company. We challenged and questioned the assumptions and estimates used in the impairment tests, including the determination of CGUs and the allocation of assets to CGUs. In challenging and questioning management board's judgements and assumptions, we evaluated whether there are biases that could represent a risk of material misstatement due to fraud. We reconciled growth percentages used to the management board's strategic plan and compared these to historical growth percentages. With the assistance of our valuation experts, we assessed the determination of the discount rate and assessed whether the discount rate used is consistent with available market data. We compared the current year actual results with prior year forecasts of 2020 figures. We considered whether these prior year forecasts contained assumptions that, with hindsight, were too optimistic. We also performed sensitivity analyses of value-in-use for different discount rates and different terminal growth rates. The potential effects of COVID-19 have been considered.

Key audit matter	*Our audit work and observations*
	As part of enhanced 'stand back' requirements, we evaluated the audit evidence obtained, including both corroborative as well as contradictory evidence.
Reliance on third-party service organisation *Reliance on the third-party service organisation is included in the section 'Introduction by the CEO' and 'Financial Report' of Management Board's Report.* In line with prior years, Brill engages an external UK based service organisation, that globally provides significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting. Brill heavily relies on this third-party service organisation in its revenue process. In 2020, the Company was impacted by performance issues after the implementation of a new IT system at the service organisation in 2019. The performance issues significantly affected Brill's operations and financial reporting. Together with the service organisation, Brill's management board was able to partially resolve these issues.	We considered the potential effects of the performance issues at the service organisation on the preparation of the financial statements of the Company. The service organisation's auditor issued an ISAE 3402 type 2 report to Brill concluding on the internal controls of the service organisation during the year. The group engagement team reviewed the ISAE 3402 type 2 report. Furthermore, the group engagement team performed a review of the file of the service organisation's auditor to evaluate the sufficiency and appropriateness of the evidence provided by the report. We substantively followed up on the control deficiencies reported in the service organisation's controls report.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Management Board's Report for the year 2020;
- the Supervisory Board's Report for the year 2020;
- the Remuneration Policy and Report for the year 2020;
- the Other Information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- other information.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the Management Board's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Remuneration Policy and Report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Koninklijke Brill N.V. on 13 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of six years.

No prohibited non-audit services

We have not provided any services in addition to the audit to the Company and its controlled entities, for the period to which our statutory audit relates.

Services rendered

We have not provided any services in addition to the audit to the Company and its controlled entities, for the period to which our statutory audit relates.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Utrecht, 7 April 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.F.J. Vermeulen RA

Appendix to our auditor's report on the financial statements 2020 of Koninklijke Brill N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

REPORT OF STICHTING ADMINISTRATIEKANTOOR KONINKLIJKE BRILL (BRILL'S TRUST OFFICE)

ACTIVITIES

Of the total number of outstanding shares as of 31 December 2020 (nominal value of EUR 0.60), 1,834,463 registered depository receipts were issued and 39,981 registered shares were included in the shareholders' register. The registered depository receipts have been registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Nederland). The work associated with the administration of the shares is performed by IQ EQ Netherlands N.V. (Hoogoorddreef 15, 1101 BA Amsterdam), the trust office's administrator. The costs of administration amounted to EUR 70.6 thousand in 2020 (EUR 59.5 thousand in 2019). The trust office's chairman receives a remuneration of EUR 9 thousand on an annual basis and the other two board members each receive a remuneration of EUR 7.5 thousand on an annual basis.

In the year under review, the Board met three times through telephone conference as meeting in person was not possible due to COVID-19. On 9 April 2020, the 2019 Annual Report and financial statements, the company's strategy and its implementation and the general course of events within the company were discussed. Further, the Board unanimously resolved to appoint Ms. Van der Meer Mohr as member of the Board, thereby succeeding Ms. Van Rooy, and resolved to re-appoint Mr. Nieuwe Weme as chairman of the Board, both of them for a term of four years. Ms. Van Rooy stepped down in 2020 because of the maximum term of appointment. The Board would like to thank Ms. Van Rooy for her valuable contribution and dedication to the trust office. Prior to this Board meeting, a meeting took place with the management board of the company. During that meeting, the company's management board gave an explanation about Brill's strategy and operational and financial performance.

During the 29 May 2020 telephone meeting, the agenda for the General Meeting of Shareholders was discussed. The decision was made to refrain from voting in relation to all motions tabled, such in accordance with the trust office's voting policy as set out in the following section. Further, the Board discussed the proposed reappointment of Mr. Perrick as chairman of the Supervisory Board.

During the meeting on 22 June 2020, which was also held through telephone conference, Ms. Van der Meer Mohr stepped down as a Board member due to conflicting commitments. Following a public announcement of the vacancy in the Board on 24 June 2020, the Board appointed Ms. Boeren as a Board member on 2 September 2020 for a term of four years.

In the company's General Meeting of Shareholders which took place on 25 June 2020, 97.8% of the company's issued capital was represented. The trust office granted authorization to holders of 63.7% of all depository receipts to vote independently on the shares for which they held the depository receipts. The trust office refrained from exercising the right to vote on the shares for which no voting instruction was issued, in accordance with its earlier decision. For the depository receipts of shares for which the trust office received a voting instruction, the trust office has cast a vote in the meeting.

BOARD COMPOSITION

On 31 December 2020, the composition of the trust office's Board was as follows:

Name	Appointed	In office until	Position
Marco P. Nieuwe Weme, Prof. LL.M.	2020	2024	Chairman
Joost C. Kuiper, LL.M.	2018	2022	Member
Leni M.T. Boeren, MSc	2020	2024	Member

CORPORATE GOVERNANCE; VOTING POLICY

The trust office's Board does not adhere to the principle of the current Dutch Corporate Governance Code regarding the protective nature of the depository receipts. The trust office's Board adopts this stance, because it believes proper protection against any hostility is of vital importance to a company like Brill, which is a relatively small and profitable publisher active in an industry that is in consolidation.

The trust office will always issue voting proxies to depository receipt holders or accept binding voting instructions from them for meetings of shareholders, except in the situations referred to in Section 118a, subsection 2, of Book 2 of the Dutch Civil Code. The same procedure will apply to any revocation of a proxy that has already been issued. In accordance with its voting policy, the trust office refrains from voting, unless explicitly mandated to do so by holders of depository receipts of shares. This policy applies to ordinary voting situations and may be adapted in the case of special situations.

The Board is prepared to give depository receipt holders the opportunity to make recommendations in the event of board vacancies. The Board will take such recommendations into account when making decisions, unless, if, in the opinion of the Board, a nominated candidate does not believe in the importance of the protective function of the depository receipts as described above. Further, the Board will use the most practical working procedure possible with respect to any recommendations. This means that, each year, the trust office's report will give notice of any vacancy that will arise in the subsequent year so that depository receipt holders can make any recommendations known outside meetings.

The Board observes the current Dutch Corporate Governance Code with the exception, however, of the way in which it exercises its right to vote. Contrary to the Dutch Corporate Governance Code, the following provision is observed: 'The trust office shall exercise the rights attached to the shares in such a manner as to ensure that the interests of the company and its business and all parties involved are safeguarded to the greatest extent possible.' The Board believes that its position with respect to maintaining the protective nature of the depository receipts for shares means that the interest of depository receipt holders cannot be the sole or dominant interest when votes are cast. In normal circumstances, the Board is of course always prepared to listen to depository receipt holders and take the opinions that they have expressed into account. This also means that the Board will attend the company's shareholders' meetings and, if required and applicable, make a statement regarding intended voting behaviour. Except in the event of special circumstances, the Board does not intend to convene meetings of depository receipt holders.

DECLARATION OF INDEPENDENCE

The Board of Stichting Administratiekantoor Koninklijke Brill hereby declares that, in its opinion, the requirements that apply to the independence of the trust office as referred to in Section 5:71, subsection 1 under d, of the Financial Supervision Act have been met.

Leiden, 7 April, 2021

Stichting Administratiekantoor Koninklijke Brill
The Board

REPORT OF STICHTING LUCHTMANS

The purpose of Stichting Luchtmans, a foundation named after the founder of the Company, is to serve the interests of the company, the businesses it maintains, as well as affiliated companies, and the businesses they maintain all within a group (together referred to as the 'Company'), in such a way as to ensure that their interests, including the interests of all related parties, are safeguarded against circumstances that could adversely affect the independence and/or the continuity and/or the identity of the Company. Stichting Luchtmans endeavours to achieve its objectives by acquiring and managing cumulative preference shares in the capital of the company and by exercising the rights attached to those shares, in particular the voting rights.

In the event of hostile action or imminent hostile action against the company, Stichting Luchtmans can exercise the call option granted to it, to take a number of cumulative preference shares equal to, at most, 100% of the shares and depository receipts issued at the time at which the option is exercised less one share. When the option is exercised, only 25% of the total nominal amount has to be paid up. The exercise price is equal to the nominal value. Stichting Luchtmans and the company have agreed that the option may be exercised up to 100% of the issued capital if and as long as shares and depository receipts are listed on the Euronext Amsterdam N.V. exchange.

At the end of 2020, the composition of the foundation's Board was composed as follows:

Name	Appointed	Current term until	Position
Hélène Vletter-van Dort, Prof. LL.M	2018	2021	Chair
Herman P. Spruijt, Drs. Ing.	2014	2022	Vice chair
Tanja Bender, Prof. LL.M	2017	2023	Member
Nico Schrijver, Prof. LL.M	2020	2023	Member

The Board of the foundation aims to meet at least once a year. Due to COVID-19 the Board was not able to meet in person, but held a virtual meeting which took place on 17 April 2020. At this meeting, the following topics were discussed: the company's 2019 results, the implementation of the strategy, financing, acquisitions, market developments, and the general course of business.

Mr. Joris Backer stepped down in 2020 after having served the statutory maximum term of appointment. The Board would like to thank Mr. Backer for his invaluable and constructive contribution and the pleasant cooperation during his long membership. The Board appointed Mr. Nico Schrijver as his successor.

Mr. Schrijver is professor emeritus of Public International Law at Leiden University and State Councillor at the Council of State of the Netherlands with special responsibilities for legislation in the fields of fundamental human rights including labour rights, constitutional law, administrative law, EU law, international law, treaty law, international organizations, and international economic law. Furthermore, he has widely published with Brill. His extensive experience in international law and dispute resolution, and his close involvement with the Dutch legislature make Mr. Schrijver a valuable new member of the Board.

The Board also reappointed Mrs. Bender for a second term of three years.

Other items discussed were: how to secure the Foundation's (financial) independence, compensation of the Board in the event of a crisis, potential appointment of independent legal counsel, and the switch of the standby facility arrangement from ABN AMRO to Rabobank.

DECLARATION OF INDEPENDENCE

The Board of Stichting Luchtmans hereby declares that, in its opinion, the requirements applicable to the independence of the directors of Stichting Luchtmans as referred to in Section 5:71, subsection 1 under c, of the Financial Supervision Act, have been met.

Leiden, 7 April, 2021

Stichting Luchtmans, The Board

ABOUT THIS ANNUAL REPORT

This annual report is available in PDF format under
brill.com/page/InvestorRelations/investor-relations.

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BRILL