ANNUAL REPORT 2019

BRILL

BRILL ANNUAL REPORT 2019

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Catherine Lucet
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MANAGEMENT BOARD

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

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INTRODUCTION BY THE CEO

We are happy to present you with our annual report for 2019, reflecting significant progress from last year. Driven by our renewed mission and strategy, we showed growth above our expectations, resulting in Brill's best year ever in terms of revenue and EBITDA.

Organically, Brill's revenue grew by 2.5% and the total revenue growth was 3.3%. Operating profit increased by 39.5% against 2018. In view of these positive results, but also considering the recent developments around the Covid-19 pandemic, we propose an all-cash ordinary dividend of EUR 0.50 per (certificate of) ordinary share at the General Meeting of Shareholders that will be held on 25 June, 2020.

STRATEGIC PROGRESS IN 2019

During 2019, we continued to make progress in achieving our strategic objectives as laid out in our mission statement and corporate strategy (refer to Mission, Core values and Corporate strategy).

Brill's new mission statement, which underlines the relevance of humanities research in today's world, is being promoted and shared online with all our stakeholders through blogs, podcasts, and interviews, and has been very well received.

Strategic progress is reflected in the further increase of our digital revenue, in the expansion of our Open Access publishing program, and in the launch of a new open source text editions platform developed in-house. Brill expanded its portfolio by acquiring several journals from competitors and by launching a range of new reference works and primary sources. Furthermore, we started a collaboration with *Jus Mundi*, a start-up company that has developed a specialized search engine in the field of international law, which will strengthen our digital capabilities. The German imprints Schöningh & Fink have developed their portfolios to include more English language publications, journals, and Open Access books, and have started to generate increasingly more revenue from digital publications.

OPERATIONAL PROGRESS IN 2019

The migration to the new Brill.com platform was successful and made it possible to fully retire the previous platform, putting an end to the double costs we had to bear in 2018. At the end of the year, we launched a new project to perform a company-wide digital health check. The goal of this project is to ensure that our digital and IT infrastructure is future proof and able to support our strategic objectives. Many improvements have been made to the organization of our finance and accounting processes and reporting. We are thankful for Wim Dikstaal's contribution as interim CFO and we were very happy to see Olivier de Vlam return as full-time CFO in September to continue to lead improvements to Brill's financial workflows. Our gross margin increased yet again, to 70%. Our profit improvement plan, launched in 2018, delivered savings as anticipated, which helped us to restore profitability to our targeted level.

PEOPLE AND SOCIETY

Again in 2019, more valuable content and primary sources were made digitally available 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, we supported various cultural institutions and events.

In the publishing industry, people still make the greatest impact. Therefore, I would like to thank all our employees, authors, editors, freelancers and suppliers for their contribution and dedication throughout the year.

Last year we published an article together with the Annual Report about the relevance of the humanities for today's challenges. This year's article features Joseph Justus Scaliger, one of the pioneers of Oriental Studies in the Netherlands. His carefully curated book collection became the foundation of the great library at Leiden University. The collection not only provided an important impetus to academia in the region and beyond, but also to Brill's publishing program. Even today, Brill remains connected to Scaliger in various ways. We share his curiosity for foreign languages and cultures, and his idea of universal scholarship. And for more than ten years, we have been proud sponsors of the Brill scholarship at the Scaliger Institute, which provides funding for research in the Special Collections of the Leiden University Library.

OUTLOOK

Although we made significant progress in 2019, we currently face material uncertainties concerning the impact of the Covid-19 pandemic. The operational and commercial effects may significantly affect our ability to generate sufficient revenues in this year and we may not be able to decrease costs enough to mitigate the loss of income. Management is addressing the crisis by implementing measures in Publishing, Operations, Financing and Sales and is adjusting its policy as the situation develops (refer to going concern disclosure "The entity's ability to continue as a going concern – Covid-19" in the notes to the consolidated financial statements). Given these uncertainties we do not provide an outlook for 2020. Once the crisis subsides, we will continue to pursue our strategic roadmap in order to achieve our long-term financial objectives and yield sustainable value for all our stakeholders. As always, Pallas Athena and Hermes will be on our side, making sure that, while striving to reach these objectives, we maintain the same balance between them as in the past 336 years.

Leiden, 7 April, 2020

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 within 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 books titles are available in e-book format and some of our much older and long-running book series were digitized and offered to the market as collections. This initiative, together with the emergence of print on demand (POD) 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 centers 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, minor languages, archeology, 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 for 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

	2019	2018	2017	2016	2015
Results					
Revenue	37,128	35,951	36,394	32,177	30,809
Gross profit	25,922	24,383	23,843	21,019	20,412
EBITDA [1]	5,183	3,623	4,156	4,496	3,794
Operating profit	3,291	2,360	3,315	3,712	3,015
Profit for the year	2,162	2,304	2,260	2,797	2,332
Free cash flow [2]	2,164	817	-43	2,329	3,201
Average invested capital [3]	24,390	23,394	22,352	21,659	21,848
Growth compared to previous year					
Revenue	3.3%	-1.2%	13.1%	4.4%	4.1%
Gross profit	6.3%	2.3%	13.4%	3.0%	2.1%
EBITDA [1]	43.0%	-12.8%	-7.6%	18.5%	3.1%
Operating profit	39.5%	-28.8%	-10.7%	23.1%	12.7%
Profit from continued operations	-6.2%	1.9%	-19.2%	20.0%	8.3%
Profitability					
Gross profit as % of revenue	69.8%	67.8%	65.5%	65.3%	66.3%
EBITDA [1] as % of revenue	14.0%	10.1%	11.4%	14.0%	12.3%
Operating profit as % of revenue	8.9%	6.6%	9.1%	11.5%	9.8%
Revenue/average invested capital	1.5	1.5	1.7	1.5	1.4
NOPLAT as percentage of revenue	6.6%	5.0%	6.7%	8.5%	7.2%
ROIC [4]	10.1%	7.6%	11.1%	13.0%	10.1%
Balance sheet ratios					
Shareholders' equity/total assets	40.8%	42.5%	56.0%	58.6%	58.1%
Current assets/current liabilities [5]	0.75	0.78	0.95	1.11	1.73
Personnel					
Average number of employees (FTE)	165	167	161	132	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 25.

[2] Free cash flow = net cash flow adjusted for cash flow from financing activities. See note 25.

[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 25.

[4] Return on Invested Capital = net operating profit less adjusted taxes divided by invested capital. See note 25.

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

DATA PER SHARE

In thousands of euros, based on weighted average number of outstanding shares

	2019	2018	2017	2016	2015
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	11.32	11.09	14.62	14.69	14.49
Increase/decrease in %	2%	-24.2%	-0.5%	1.4%	1.2%
EBITDA per share	2.76	1.93	2.22	2.40	2.02
Increase/decrease in %	43.0%	-12.9%	-7.6%	18.8%	3.1%
Earnings per share	1.15	1.23	1.21	1.49	1.24
Increase/decrease in %	-6.2%	1.6%	-19.1%	20.2%	7.8%
Free cash flow per share	1.16	0.44	-0.02	1.24	1.71
Increase/decrease in %	163.6%	2001%	-101.9%	-27.5%	289.3%
Dividend per share	0.50	0.85	1.32	1.32	1.24
Increase/decrease in %	-41.2%	-35.6%	0%	6.5%	7.8%
Payout ratio	43.4%	70%	109.1%	88.4%	100%
Extraordinary dividend per share	0	0	3.00	0	0

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 0.60 was 1,874,444 on 31 December 2019 (on 31 December, 2018 it was 1,874,444). Of the total number of shares outstanding as of 31 December 2019, 1,834,463 registered depository receipts were issued and 39,981 registered shares were recorded in the share register. The registered depositary 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. (formerly SGG Netherlands N.V.)
Hoogoorddreef 15
1101 BA Amsterdam
T + 31 20 522 25 55
E registers@iqeq.com
www.iqeq.com

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

THE BRILL SHARE

	2019	2018	2017	2016	2015
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	24.60	41.20	37.36	28.00	27.95
Lowest share price during the year	18.20	17.20	27.29	20.95	22.70
Share price at year end	20.40	17.80	35.50	27.73	23.36

Almost 60% of the receipts are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depositary receipts, on 31 December, 2019, 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.	10%	15 April 2019
Axxion S.A.	6%	20 July 2016
J.P. van Slooten	5%	11 April 2017
Brokat Media Support BV	5%	18 December 2012
Stichting Administratiekantoor Arkelhave Capital	5%	16 December 2016
Stichting John en Marine Van Vlissingen Foundation	5%	11 August 2015

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 2020

Annual General Meeting of Shareholders
25 June 2020

Publication of Results First Half Year 2020
27 August 2020 after stock market close

Trading Update Third Quarter 2020
22 October 2020 after stock market close

FINANCIAL AGENDA 2021

Announcements of Results 2020
25 March 2021 after stock market close

Publication Annual Report 2020 on corporate website (Brill.com)
7 April 2021

Trading Update First Quarter 2021
22 April 2021 after stock market close

Annual General Meeting of Shareholders
19 May 2021 (2.00 PM 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: brill.com/page/InvestorRelations/investor-relations.

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

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MISSION, 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."

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, 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 centers around 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 mix 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 that it is capable of achieving the long-term goals set in our mission and corporate strategy.

• *iDevelop 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 new Brill.com platform 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. 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 2018, we launched a profit improvement plan that contains measures to improve efficiency and reduce costs in excess of EUR 0.7 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% (objective adjusted for IFRS 16) and return to 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.

Stakeholder	Indicators of value created	Progress in 2019
Authors	- Number and reputation of authors publishing with Brill - Publishing experience at Brill - Quality of publications - Extent of distribution offered - Publication format range offered	- 1,428 book titles published versus 1,432 in 2018 - 868 journal issues published versus 826 in 2018 - New platform for critical text editions
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 preparation - Added GOBI ordering option for libraries - Open Access billings increased by 30%
Readers	- Quality of publications, print and online - Ease of search, ease of access, usability - Platform usage - Quick availability of print publications	- Platform usage up 80% versus 2018 (pageviews and book downloads) - Opened a printing facility in UK for faster distribution to UK and global markets
Investors	- Growth - Margin - ROIC	- Revenue growth 3.3% - EBITDA margin 14% - ROIC 10.1%
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	- Launched “Humanities Matter” campaign to great acclaim - Refer to sustainability paragraph

PUBLISHING PROGRAM

In 2019, in line with Brill's corporate strategy, we focused our acquisition activities on expanding the portfolio of journals and major online products. We continued to invest in Open Access, which is the most agile publication model in the market.

JOURNALS

Key journal takeovers in 2019 included: *Journal for Religion and Transformation*; *Orbis Idearum*; *European Review of International Studies*; *European Journal for the History of Medicine and Health*; *Journal of East Asian Science, Technology and Medicine*; *Journal of the Society for Armenian Studies*; *International Journal for History, Culture and Modernity*; *Asia-Pacific Science Education* (OA); and *Journal of Belarusian Studies*. In selected fields we set up new subscription and Open Access journals such as the *European Convention of Human Rights Law Review*; *Yearbook of International Disaster Law*; *Studies in World Cinema and Cultural Theory*; *Journal of Material Cultures in the Muslim World* (OA); *Signs & Media* (OA); *Utafiti: Journal of African Perspectives*; and *The African Review*.

BOOKS

New book series, such as *Studies in the Cultural Contexts of the Bible* or *Urban Education, Cultures and Communities*, will support a continuous flow of manuscripts to provide steady growth for our book program. In 2019, we decided to invest in the digitization of large parts of our backlist (copyright year pre-2007), which will increase our e-book offering by at least 20%. This major project, the *Brill Book Archive*, will start in 2020 and will provide sales opportunities for the coming years. In autumn of 2019, we launched our first in-house developed platform for scholarly editions with *Ammianus Marcellinus Online*, a commentary to *Res Gestae*, a major work on the history of Rome. During the course of 2020, our entire program of text editions will move to the new platform and will be complemented by several new publications.

PRIMARY SOURCES

New primary source projects such as *Revista Economía y Desarrollo*, *Japan Year Books*, *Seoul Times*, and *Islamic Manuscripts in Daghestan* were signed and will be digitized in the coming months. In cooperation with the Royal Asiatic Society we will complete the *Storey*, a key reference work on Persian Literature, and make it available in print and online. To further expand our program of key reference works, we acquired an online license for the *World Christian Encyclopedia* from Edinburgh University Press and signed contracts for a *History of Ecumenism*, a new *Commentary on World Trade Law*, and an *Encyclopaedia of Greek Language and Linguistics*. The Stichting Bibliographie Linguistique agreed to fully fund the digitization of its back volumes for publication in Open Access.

PARTNERSHIPS

At the end of 2019, we closed an agreement for the distribution of *Jus Mundi*, an intelligent research tool for international arbitration lawyers. The tool uses artificial and collaborative intelligence to collect and structure global legal data. This agreement not only provides excellent sales opportunities, but also insights into new methods of product development.

OPEN ACCESS

Open Access remains the most intensely discussed topic in scholarly communications. Major funding bodies, national consortia, individual institutions, and researchers want to accelerate the transition to barrier-free access to journal articles and books. Among humanities publishers, Brill has one of the most competitive offerings for publication in Open Access by combining well-known brands with established peer review processes and smooth editorial and production processes. This competitive advantage was confirmed in 2019 when we saw our Open Access billings increase again by more than 30%. Drivers are in particular Open Access books and fully funded Open Access journals.

PUBLICATION ETHICS

Research integrity is one of Brill's key values. In 2019, we reviewed our guidelines on publication ethics for editors, authors, and reviewers. This included compliance with the Committee on Publication Ethics (COPE), revised author and editor contracts, and new internal procedures to deal with violations of our guidelines.

FINANCIAL REPORT

GENERAL – IFRS 16

As reported earlier, our financial statements are impacted by the implementation of IFRS 16: Leasing, which rules that leased assets must be treated as if they were purchased and financed by Brill instead of by the leasing contract partner. This causes significant reclassifications of costs within the statement of profit or loss and the addition of balance sheet items for Right of Use Assets and associated lease debt. For a detailed review of the impact, refer to the notes to the Financial Statements.

KEY FIGURES

(in EUR million)	**2019**	2018*)	Change
Revenue	37,128	35,951	3.3%
EBITDA*)	5,183	4,323	19.9%
Operating profit	3,291	2,360	39.4%
Free cashflow	2,164	817	164.9%
Profit, attributable to shareholders of Koninklijke Brill nv	2,162	2,304	-6.2%
Profit per share in EUR	1.15	1.23	-6.2%
Underlying profit	2,394	1,797	32.2%
Underlying profit per share in EUR	1.28	0.96	32.2%
Dividend (proposed 2019)	0.50	0.85	-41.2%
Key Financial Performance Indicators			
Organic growth	2.5%	-0.1%	
ROIC	10.1%	7.8%	
EBITDA margin*)	14.0%	10.1%	

*) 2018 EBITDA and EBITDA margin restated for comparative reasons to adjust for the impact of IFRS 16.

REVENUE

In 2019, Brill's organic revenue showed a growth of 2.5% which was in excess of our expectations. Total organic book sales grew by 3.6% with growth in e-book sales offsetting the ongoing gradual decline in print book sales. Total organic journal sales grew due to continued growth in subscription value, improved renewal management, new journal contracting, and new internal journal title development.

(EUR million)	**2019**	2018	Organic growth	Growth
Print books	14.1	14.7	-4.4%	-3.9%
E-books	11.1	9.9	11.8%	12.8%
Journals	10.6	10.2	3.6%	4.5%
Primary sources	1.2	1.2	1.7%	2.3%
Total	37.1	36.0	2.5%	3.3%

Revenue generated through digital products was EUR 21 million or 56% of total, versus 19 million or 53% of total in 2018. Subscription income as a percentage of total declined from 41% to 38%, mainly through the recovery of e-book sales results in the US, which were mostly non-subscription products.

Revenue growth originated mostly from North America (+8% organic growth), which showed a full recovery from last year's sales issues. Asia Pacific declined by 6% due to some larger 2018 deals that proved hard to replace. Western Europe showed a steady growth of 3%.

The balance of revenue from major sales deals (i.e. over EUR 100 thousand per order) versus last year was negative. Especially in the second half of the year, compared to 2018, there were no major deals. In 2019, we successfully closed large deals with new and existing clients in the US, Canada, and China. As expected, some of 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 decreased by EUR 0.4 million or 3%, despite the growth in revenues. This positive development resulted from double online platform costs which were incurred in 2018 and not in 2019. Also, we continue to see lower expenses from stock depreciation as our stock value continues to reduce due to our POD policy. Finally, we revised our estimation method of economic use of our title investments, translating into lower cost of content amortization. Combined with the growth in revenue, this resulted in a gross margin of 69.9% versus 67.8% in 2018.

Operating expenses were at a similar level as in 2018. Despite a significant decline in expenses as a result of the reclassification of lease expenses, costs increased due to higher consulting fees related to the quality improvement and staff turnover in Finance and higher costs for audit fees, plus regular salary increases.

In 2019, we recorded EUR 0.1 million in costs related to our profit improvement plan. These exceptional costs are reported outside our EBITDA. The above resulted in EBITDA of EUR 5.2 million in 2019 (2018: EUR 3.6 million). The EBITDA margin came in at 14.0%. Note that EBITDA is increased in 2019, as a result of IFRS 16 implementation, by EUR 0.7 million.

DEPRECIATION AND AMORTIZATION, AND FINANCING REVENUES AND COSTS

Depreciation and amortization, other than recognized in cost of goods sold, were materially higher than in 2018. This increase is attributable to the implementation of IFRS 16 and the full year amortization of assets that were capitalized in the course of 2018 (mainly Brill.com). Financing results amounted to EUR -0.2 million (2018: EUR -0.2 million), with lower foreign exchange expenses countered by higher interest expenses of our long-term loan and the impact of IFRS 16.

PROFIT AND PROFIT PER SHARE

In summary, operating profit and profit before tax increased significantly due to the growth in revenue and the profit improvement plan.

As in 2018, net profit was impacted by corporate income tax movements. Firstly, we 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 0.2 million. Additional amortization charges identified in our tax books resulted in a beneficial effect on the tax charge. Due to advance payments to the tax authorities and the above net positive effect on the tax payable, a tax receivable resulted of 1.1 million. Consequently, in our statement of financial position, our deferred tax liability increases by 0.4 million and the tax charge in our statement of profit or loss reverses from an income of 0.1 million in 2018 to a cost of 0.9 million in 2019.

Underlying net profit, excluding one-off expenses related to the profit improvement plan and one-off tax impact, amounted to EUR 2.4 million in 2019, an increase of 32% compared to 2018 (EUR 1.8 million). This translates into an underlying earnings per share of EUR 1.28 for 2019, which forms the basis for the dividend proposal. Reported net profit for 2019 came in at EUR 2.2 million (2018: EUR 2.3 million).

(in EUR million)	2019	2018	Growth
Profit before tax	**3,107**	**2,181**	**42.5%**
Cost of profit improvement plan	85	216	
Underlying profit before tax	**3,192**	**2,397**	**33.2%**
Tax, at the statutory rate	-798	-599	
Underlying profit	**2,394**	**1,797**	**32.2%**
Profit improvement plan, after tax	-64	-162	
Change in deferred tax liability and other	-169	699	
Profit attributable to shareholders of Koninklijke Brill NV	**2,162**	**2,304**	**-6.2%**
Underlying earnings per share	1.28	0.96	
Earnings per share	1.15	1.23	

OPERATING WORKING CAPITAL AND CASH FLOW

Book inventories declined further due to our POD policy (EUR -0.3 million). Deferred income increased as a result of higher and earlier e-book renewal rates. In sum, working capital improved and consequently, cash flow improved by EUR 0.8 million versus 2018, also as a result of lower capital investments and better operating income.

RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC) improved to 10.1% versus 7.6% (restated) in 2018, driven by an improvement in operating margin and a stable asset turnover. The implementation of IFRS 16 had no net impact on ROIC.

SOLVENCY AND LIQUIDITY

Total assets (EUR 51.8 million) increased versus 2018 (EUR 48.9 million). Solvency (Shareholders' equity divided by total assets) declined to 41.0% in 2019 (2018: 42.5%; target range of 40-60%). The increase in total assets was largely due to the implementation of IFRS 16, which led to capitalized leased assets of EUR 1.9 million. Adjusted for the total impact of IFRS 16, solvency was 43.0%.

Cash flow from both operating and investing activities improved significantly. Gross debt was reduced by EUR 1.1 million to EUR 4.8 million; net debt improved from EUR 3.5 million to EUR 3.1 million.

DIVIDEND

We wish to adhere to our corporate solvency policy of 40-60% and to the covenants agreed upon with our corporate bank. Also, we will continue to pursue our capital management policy where regular investments must be funded within free cash flow. Finally, the emerging Corona virus outbreak prompts us to exert increased caution in preserving liquidity within the company. Consequently, we will propose at the General Meeting of Shareholders that will be held on 25 June, 2020 an all-cash ordinary dividend of EUR 0.50 per (certificate of) ordinary share. Based on our net profit attributable to our shareholders, this is a 43% payout ratio based on net profit and a 39% payout based on underlying net profit.

RISK UPDATE: EXPECTED IMPACT OF COVID-19

In 2020, we face material uncertainties concerning the impact of the Covid-19 pandemic. The operational and commercial effects may significantly affect our ability to generate revenues in this year and we may not be able to decrease costs sufficiently to mitigate the loss of income. Management is addressing the crisis by implementing measures in Publishing, Operations, Financing and Sales and is adjusting its policy as the situation develops (refer to going concern disclosure "The entity's ability to continue as a going concern – Covid-19" in the notes to the consolidated financial statements). For an assessment as per reporting date, refer to going concern disclosure "The entity's ability to continue as a going concern – Covid-19" in the notes to the consolidated financial statements.

LONG-TERM OUTLOOK

Given the current uncertainties, we do not provide an outlook for 2020. Once the situation has normalized, we will continue to focus on the execution of our long-term strategy. Amongst other things, we will invest in expanding our digital and Open Access portfolio and streamline our digital infrastructure to enhance agility and scalability. Consequently, 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% (this is an increased ambition in view of IFRS 16 implementation), 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 acquisition 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 (book) trade partners. Marketing promotes our publications and services with 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 monthly with the Management Board 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 controlling the costs of personnel, optimizing work processes, providing clear job definitions, and offering professional development, is closely monitored by the Management Board and the Supervisory Board.

KEY FIGURES

Average FTE during the year was 165.1 versus 166.7 in 2018. The split of FTE as per year end was as follows:

FTEs	Year end 2019		Year end 2018	
Publishing	68.1	[40.4%]	66.2	[39.6%]
Operations	48.1	[28.6%]	47.7	[28.6%]
Sales & Marketing	36.7	[21.8%]	38.0	[22.7%
Finance, HR, Other	15.5	[9.2%]	15.1	[9.0%]
Total	168.4	[100%]	167.0	[100%]

The split of FTE by country was as follows:

FTEs	Year end 2019	Year end 2018
The Netherlands	113.7	112.3
Germany	24.6	24.7
United States	21.9	21.3
Singapore	2.4	3.0
China	2.8	2.8
Other	3.0	3.0
Total	168.4	167.0
International workforce	54.7	54.7

Workforce split by gender:

	2019	2018
Male	41.8%	40.0%
Female	58.2%	60.0%

The share of part-time workers decreased to 31.3% (2018: 32.8%) of the workforce. Sickness leave showed a change from 3.1% in 2018 to 3.2% in 2019. The age structure of the workforce was as follows:

AGE	2019	2018
20 - 29 years	9.9%	9.4%
30 - 39 years	23.6%	25.6%
40 - 49 years	26.4%	29.4%
50 - 59 years	25.8%	25.6%
Older than 60 years	14.3%	10.0%

The average age was 46.4 at the end of 2019 (2018: 45.1).

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

FTEs outflow	2019	2018
Retirement	0.0	2.5
Brill initiative		
Temporary contracts	4.8	7.8
Other	3.4	3.0
Own initiative		
Employment 0-2 years	3.8	3.9
Employment 2-5 years	5.6	2.7
Employment 5-10 years	3.6	
Employment 10-15 years	1.0	0.8
Employment 15-20 years		0.7
Employment >20 years	0.8	
Total FTE outflow	23.0	21.3
Total outflow in %	13.8%	12.8%

FTEs inflow	2019	2018
Acquisitions/ divestment	0.0	1.8
Temporary contracts		
Permanent contracts		1.8
Other		
Temporary contracts	18.4	15.3
Permanent contracts	6.0	6.3
Total FTE inflow	24.4	23.4
Total inflow in %	14.8%	14.1%

In 2019, Brill'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 was – in close cooperation with the Works Council's Pension Committee – slightly adjusted as a result of the increased pension contribution costs due to which the available pension contribution was no longer sufficient. The pension plan is considered a defined contribution pension plan for accounting and reporting purposes. No additional arrangements have been set up for senior management.

REPORT BY THE WORKS COUNCIL

2019 was an eventful year for the composition of the Works Council as it expanded from five to seven members. This new configuration grants more expertise and more room for dividing tasks. The main topics discussed during 2019 were the expansion of the Management Board and Supervisory Board, the Job Grading system, implementation of GDPR, standards of professional conduct on the work floor and the evaluation of development and launch of the new Brill.com platform. Management provided frequent updates about the profit improvement plans and the Works Council received several requests for advice on various topics including: the adjustment of the protocol for sick leave, the changes in management structure, and the appointment of Jasmin Lange as statutory director, as well as the appointment of additional Supervisory Board member, Theo van der Raadt. As guests to our monthly meetings with Management, we invited several senior managers, the heads of the Emergency Response Team, and the Prevention Team for updates about their departments.

In November, we had an offsite day with a trainer about the possibilities of furthering communication and collaboration between the Works Council and Management.

Our monthly meetings with CEO Peter Coebergh and our bi-annual meetings with the Supervisory Board were all pleasant and collegial. We look forward to continuing our cooperation in the same spirit in 2020.

RISK MANAGEMENT POLICY

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 make proper evaluations regarding 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 of choice, 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.

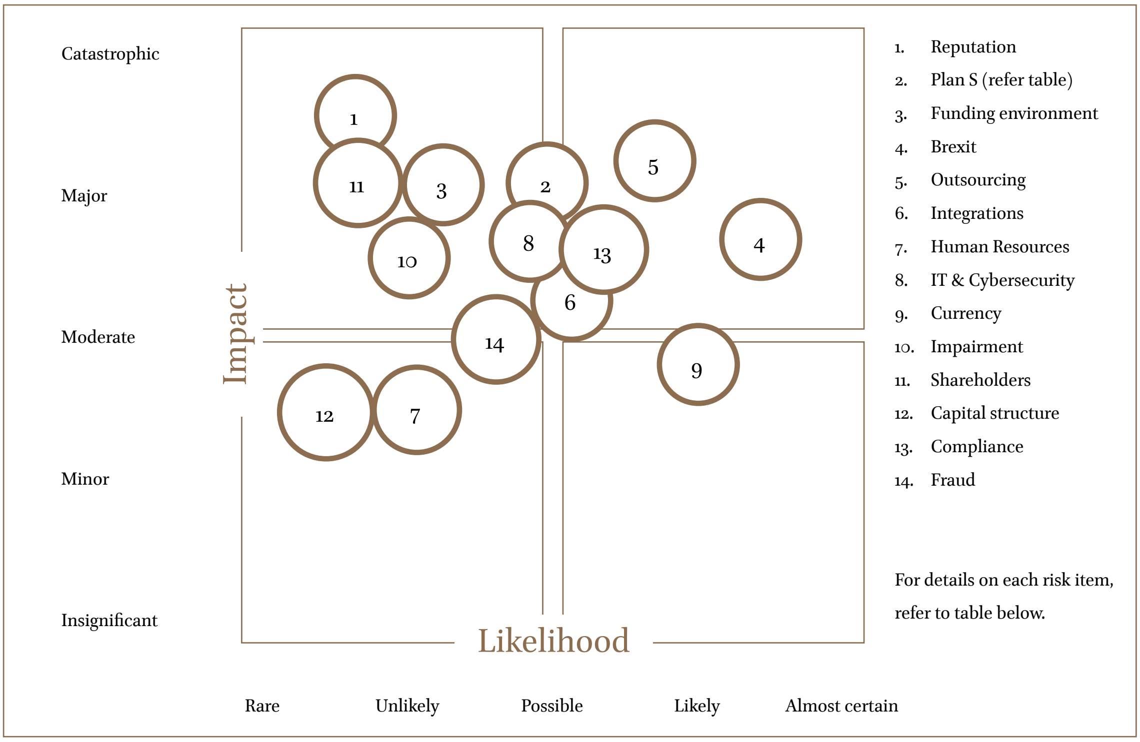
Business Policies – The framework of business policies must ensure that Brill can:
- Seize business opportunities;
- Avoid undue risk of losses to company assets;
- Execute its strategy.

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 of 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 plagiarism; communication policy; investor relations policy; code of conduct (mandatory).
	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 (ERC), and support authors to procure funding for Open Access publication.
	4. *Brexit: N*o-deal Brexit between the EU and the UK as per 1-1-2021, may lead to distribution problems for our distributor Turpin based in the UK.	Profit improvement	2	Plans for this scenario have been developed with Turpin and our POD printers to avoid distribution problems.
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	Plan integration processes carefully. Hire interim staff for specific projects.
	7. *HR risk:* 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 risk: 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 risk: 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	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 2019

In 2019, Brill took steps to enhance the company's internal controls framework based on recommendations made by the external independent auditor and following Management Board and the Supervisory Board discussions. Specific steps were taken in upgrading financial management, enhancing visibility of certain implemented controls, and enhancing reporting systems and accounting processes to support management and external reporting.

As per 1 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. As a consequence of these performance issues, Brill had to undertake mitigating actions in order to ensure customer service levels and prepare reliable financial data.

Following the 2019 audit, further improvement is expected from enhancement of two unresolved key categories of internal control deficiencies in 2020:

- IT General Controls – formalization of change and testing procedures in the core systems affecting financial reporting, as well as further formalization of access management procedures and segregation of duties in applications that are key to the preparation of the financial statements;
- Periodical and visible review and reconciliation of key line items from the financial statements, especially those related to revenue recognition.

The risks and mitigations described above refer to the regular strategic risks present in Brill's business. For an update on the risk review related to the impact of Covid-19, please refer to the going concern disclosure paragraph in the General information note in the Consolidated financial statements.

CORPORATE SUSTAINABILITY

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.*

DEVELOPMENT OF THE GLOBAL SCHOLARLY COMMUNITY

We create value for the global community and specifically the scholarly community by being a reputable publisher that facilitates the scholarly process in selected disciplines. As an independent publisher, Brill strives to make a constructive contribution to the creation of an equally accessible, free, and open information society. The demand for reliable, quality, objective information is very high. Because the company operates at its own risk and expense, it does not have to answer to any government or organization for its decision to publish or refrain from publishing a given work. Publishing practices and products are assessed by actively seeking the opinions of highly esteemed global researchers through peer review and internationally active librarians through our library advisory committees.

We believe that editorial integrity and freedom of press is in full service of the free flow of scholarly information. Creating output while using the minimal required amount of resources is of direct benefit to the scholarly process as well as to society at large, and therefore supportive to sustainability.

- Cooperations and partnerships

Brill does not only actively participate in existing programs, but also takes initiatives that are developed in cooperation with professional publishers and international organizations. Examples in this regard are: Research4Life, INASP, Association of Commonwealth Universities, and Publishers for Development. As part of Research4Life, Brill co-founded and launched in 2018 a new program 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.

- 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 endeavors in this context tie in 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.

- Nurturing and promoting its main heritage Institute: Leiden University

As a well-established international company with a longstanding history, Brill attaches great importance to its historic reputation in the Netherlands and beyond. The city of Leiden and its university deserve 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 manifests its loyalty to the city and its university. Brill also contributes to Leiden's annual VeerStichting symposium and fosters and maintains good relations with Dutch heritage institutes. The company has granted corporate sponsorship to the Siebold Museum (Japan Studies) and the newly re-opened Rijksmuseum Boerhaave (History of Science), both of which are 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.

CORPORATE RESPONSIBILITY

As a reputable company with a long history, Brill takes its responsibilities as a corporation to heart. The company strives to be reliable, honest, predictable, and cooperative. Authors can be sure that their books and articles will be easy to find and will always remain available. Brill uses the services of internationally preferred suppliers selected based on price and quality. 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. Brill's vendor policy contains unequivocal provisions pertaining to social conditions (the exclusion of child labor 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).

To formalize its commitment to sustainability, Brill joined the UN Global Compact in 2016, subscribing to its ten principles of sustainable business in an increasingly changing global world. It is the world's largest corporate sustainability initiative, calling on companies to align their strategies and operations with universal principles of human rights, labor, environment, and anti-corruption.

BUSINESS INTEGRITY

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, also regarding the digital economy.

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 Director's Report, which is included in the Annual Report.

In the Annual Report, the Management Board endeavors to present a true and fair view of the financial position of the Group as per 31 December, 2019 and the development of the Group during 2019. 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 assurance 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 2019 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 2019 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, with regard to the current Covid-19 crisis, we estimate that the impact on the results in 2020 may be significant but will in the long-term not threaten Brill as a going concern. For a detailed assessment on our going concern assumption, please refer to the analysis contained in General Information.

Leiden, 7 April, 2020

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. Nearly 60% of the receipts are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depositary receipts, on 31 December 2019, 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.	10%	15 April 2019
Axxion S.A.	6%	20 July 2016
J.P. van Slooten	5%	11 April 2017
Brokat Media Support BV	5%	18 December 2012
Stichting Administratiekantoor Arkelhave Capital	5%	16 December 2016
Stichting John en Marine Van Vlissingen Foundation	5%	11 August 2015

Brill is a statutory two-tier company (operating under the Dutch 'structuurregime'). The Articles 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 aligns 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. 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 statutory directors and Supervisory Board on the use of registered depository receipts as a defensive instrument.

Secondly, Brill has the possibility of issuing 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, 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. In the November 2019 meeting, the Supervisory Board decided to form an Audit Committee.

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 four persons, of which one is female with French nationality, and three are male with Dutch nationality.

Regarding transparency between the statutory directors 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

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 2019 financial year. For the 2019 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 0.50 per share certificate for 2019.

ACTIVITIES

Six of our Board meetings were held in Leiden, one in Paderborn (Germany), and five telephone conferences took place. At all meetings apart from one conference call (Chairman absent), the entire Board was present.

In 2019, the Supervisory Board met with the Management Board during all seven 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.

Special attention during the meetings with the Management Board was given 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, with special attention to the publishing strategy and priorities and to the recent developments in Open Access publishing.

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 distribution partner. 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 receive special attention. Risk assessment and measures to mitigate risks are always discussed in the context of the annually updated management letter. In 2019, management commenced to address certain significant internal control deficiencies in the area of IT General Controls and in financial controls through a finance improvement plan. This plan is still in execution and will be continued in 2020. In the bi-annual meetings with the Works Council, issues such as corporate culture and the tone in the company have been discussed without the presence of the Management Board.

As per the 2019 AGM, the Supervisory Board has appointed Jasmin Lange, in her role as Chief Publishing Officer, as third statutory director and member of the Management Board.

In 2019, the Supervisory Board concluded that at present, given the size of the company, there is no need to appoint an internal auditor. However, this issue will be reviewed annually.

There were informal consultations between members of the Supervisory Board and the members of the Management Board during the year. The Supervisory Board also continued the practice of beginning each meeting without the presence of the Management Board, with the aim of discussing the functioning of the Supervisory Board, its individual members, and of the Management Board and their teams. The Supervisory Board met with a broad selection of staff invited to its meetings to present their plans, major programs, or investments. This enables the Board to observe internal relationships as well as the tone in the company and the corporate culture in practice.

In its 13 November, 2019 meeting, the Supervisory Board resolved to install an audit committee consisting of Mr. Robin Hoytema van Konijnenburg and Mr. Theo van der Raadt, and a remuneration committee consisting of Mr. Steven Perrick and Mrs. Catherine Lucet.
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 (refer to the chapter on the Remuneration Report).

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.

The evaluation of the Supervisory Board itself took place in 2019, without assistance from external consultancy, but based on a structured list of questions and assessments that each member had filled out and that was subsequently discussed. The outcome of the evaluation was that the Supervisory Board functions properly.

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 fulfill 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 16 May, 2019, the Supervisory Board consists of four persons. Although we strive for a balanced composition, the gender balance after this latest appointment is 75% male versus 25% female. This subject has the Board's continued attention. 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 2019. 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 16 May, 2019, the Annual General Meeting of Shareholders took place at the company's office in Leiden. All resolutions presented were approved, including the proposed ordinary dividend of EUR 0.85 per share.

CONCLUSION

The Supervisory Board would like to thank the Management Board and all staff for their contributions in 2019, which has resulted in a satisfactory performance in 2019.

Leiden, 7 April, 2020

Supervisory Board
Steven Perrick
Catherine Lucet
Robin Hoytema van Konijnenburg
Theo van der Raadt

SUPERVISORY BOARD

Steven Perrick, 1949, Dutch (male), Chairman of the Supervisory Board

Mr. Perrick was appointed Chairman to the Board in August 2016. His current term runs until 2020.
Other positions:

- Attorney at Wakkie+Perrick, Amsterdam
- Professor emeritus 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
- Board Member Stichting Preferente Aandelen ASML
- 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 2021.
Other positions:

- Managing Director of Editis Education & Réference
- Vice President of Cap Digital, the French business cluster for digital contents and services
- Independent Board member and member of the Audit Committee Casino

Robin Hoytema van Konijnenburg, 1957, Dutch (male), Member of the Supervisory Board

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

- Senior Director Pensions Governance of Heineken International B.V.
- Chairman of the Supervisory Board, Roeminck Insurance NV
- Board member Vereniging Effectenuitgevende Ondernemingen (VEUO)
- Board member American Chamber of Commerce in the Netherlands
- Chairman of Stichting Heineken Pensioenfonds
- Chairman of the Scottish & Newcastle Pension Scheme
- Board member of the Heineken Afrika Foundation

Theo van der Raadt, 1953, Dutch (male), Member of the Supervisory Board

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
- Chairman of the Supervisory Board, Shared Stories Group (publishing house), until 15 May 2019
- Vice Chairman Supervisory Board/Chairman audit committee/Chairman remuneration committee, BDR Thermea Group

REMUNERATION POLICY AND REPORT

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 2019.

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, 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 as such, both the short-term and the long-term variable remuneration are directly linked 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/COO 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/COO 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 members was not adjusted in 2019. The total remuneration expense increased due to the appointment of Theo van der Raadt as fourth member of the board during the AGM of May 2019.

Remuneration of the Supervisory Board (in thousands of euros)	**2019**	2018
Steven Perrick	36	36
Robin Hoytema van Konijnenburg	29	29
Catherine Lucet	28	28
Theo van der Raadt*)	18	0
*) Remuneration proportional to period served in 2019	110	93

MANAGEMENT BOARD

The remuneration for the members of the Management Board in 2019 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
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
2018***)					
Herman Pabbruwe (Jan-May)	113		129**)	31	273
Peter Coebergh (full year)	248	30		13	291
Olivier de Vlam (full year)	220	22		13	255
Total	582	52	129	57	819

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

**) Mr. Pabbruwe's final variable remuneration award included both amounts for the short-term and for the then-current long-term incentive plans.

***) Note that 2018 was restated versus the 2018 financial statements to show full year remuneration for Mr. Coebergh and Mr. de Vlam.

In the 2019 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	Annual Total
Peter Coebergh					
Target	20%	20%	40%	40%	80%
Achievement	20%	14%	n.a.	n.a.	34%
Olivier de Vlam					
Target	17.5%	17.5%	35%	35%	70%
Achievement*)	8.8%	7.0%	n.a.	n.a.	15.8%
Jasmin Lange					
Target	16.6%	16.6%	30%	33.2%	66.4%
Achievement	16.6%	16.6%	n.a.	n.a.	33.2%
Accrued in 2019 for variable executive remuneration	83	82	59	37	261

*) The variable income for Mr. de Vlam was adjusted to reflect the period of his sick leave

The short-term variable income awarded to the Management Board is based on performance criteria that in 2019 included increase of revenue, increase of EBITDA, ROIC, and three individual non-financial targets. The increase of revenue, EBITDA, and ROIC were met. The non-financial targets were evaluated based on a self-assessment prepared by the Management Board, which was subsequently evaluated by the Supervisory Board. They concluded that except for Mrs. Lange, the individual targets were partly met.

Summarized description of non-financial targets 2019:

	Target 1	**Target 2**	**Target 3**
Peter Coebergh	Design new variable income structure for middle management	Prepare operations and investment roadmap	Develop acquisition strategy
Achievement	Partly	Partly	Fully
Olivier de Vlam	Finance process improvement	Review and simplify director's report section annual report	Enhance business support by finance
Achievement	Partly	Partly	Partly
Jasmin Lange	Prepare business plan for further back list digitization	Upgrade publishing policies and infrastructure	Develop acquisition strategy
Achievement	Fully	Fully	Fully

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.

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 2020, the Supervisory Board intends to set targets for variable income that are similar to 2019 targets. 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 is as follows:

Total paid executive remuneration (in thousands of euros)	**2019**	2018
Supervisory Board	110	93
Management Board	732	819
Total paid remuneration (amounts per person as per above)	843	912
Variable payout accrued in the prior year	-96	-181
Variable component accrued in the current year	261	62
Net expense for executive remuneration	1,008	793

In 2019, 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 2019, the pay ratio was 3.2 (2018: 4.6). In 2019, the pay ratio decreased mainly due to the one-off component included in Mr. Pabbruwe's 2018 remuneration. The pay ratio is expected to grow slightly again in 2020. 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:

	2019	2018	2017	2016	2015
Total personnel expense, excluding subsidies received	13,049	13,205	12,010	10,526	10,303
Management Board remuneration	732	819	399	394	365
Staff salary expense	12,317	12,386	11,611	10,132	9,938
Average FTE	165.1	166.7	160.5	131.7	131.9
Management Board FTE	3.0	2.4	1	1	1
Staff average FTE	162.1	164.3	159.5	130.7	130.9
Personnel expense / average FTE	76.0	75.4	72.8	77.5	75.9
Pay ratio	3.2	4.5	5.5	5.1	4.8

Information on performance of the Group in the comparable period:

Revenue	37,128	35,950	36,394	32,177	30,809
EBITDA Margin	14.0%	10.1%	11.4%	14.0%	12.3%
ROIC	10.1%	7.6%	11.1%	13.0%	10.1%

JOSEPH SCALIGER

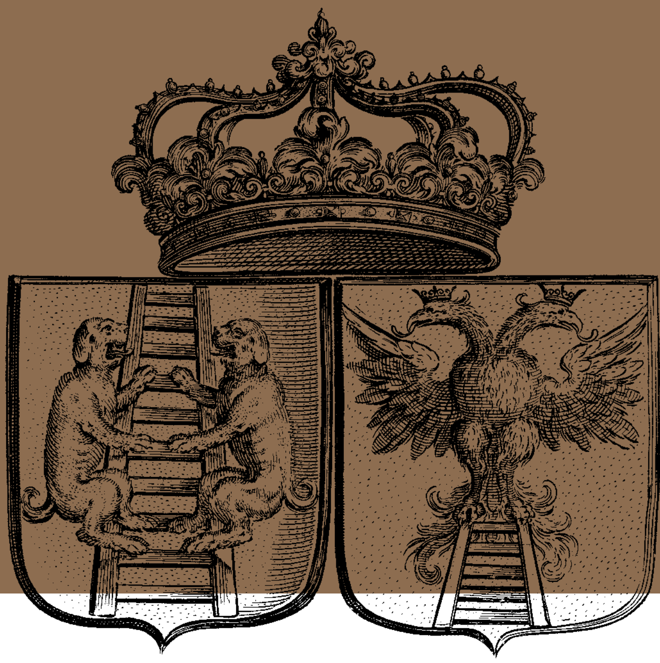
His Oriental library, and the meaning of scholarship

Over three centuries of scholarly publishing

BRILL

Joseph Scaliger

One of the most celebrated scholars in Europe



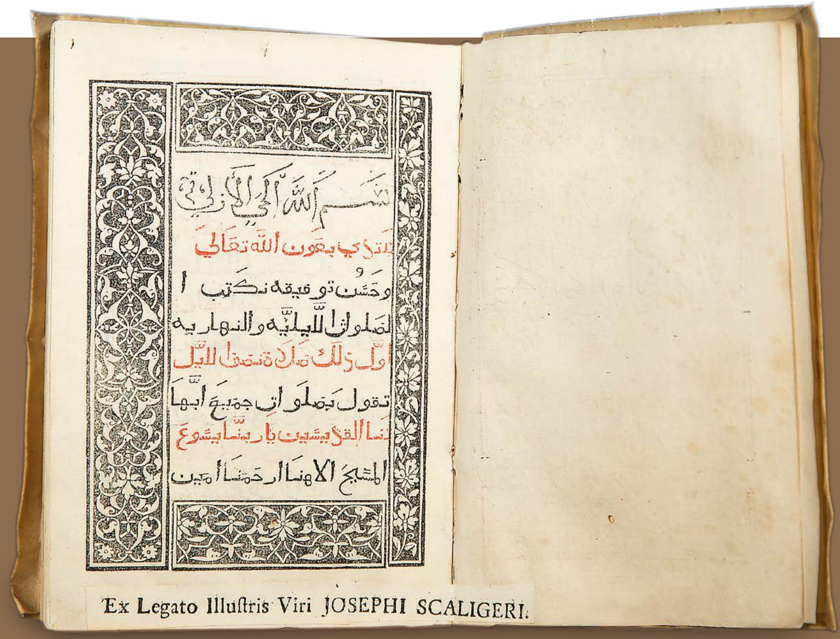
Coat of arms of the Della Scala (Scaliger) family. On the right a double crowned eagle on a ladder ('scala'), in: J. Scaliger, *Epistola de vetustate et splendore gentis Scaligerae* [...]. 1594. [1142 B 49].

As a universal scholar, Scaliger didn't need to be reminded that the Humanities matter. Although his library reflects a broad interest in the fields of mathematics, astronomy, medicine, and law, Scaliger was evenly and sometimes more interested in religion, philology, philosophy, and history. He was one of the first scholars to incorporate archeological evidence and artifacts in the study on calendars and time measurement systems in the West and East. Scaliger's focus on the texts of the ancient Near East – and his desire and perseverance to learn Oriental languages to dig deep into these texts – was revolutionary. By combining the disciplines of philology, history, and astronomy, Scaliger created a new field of research: historical chronology. He then became one of the most celebrated scholars in Europe.

Leiden University's first research professor

Josephus Justus Scaliger (Agen 5 August 1540 - Leiden 21 January 1609) was one of the most learned men of his time. In 1593 the eminent scholar arrived in Leiden to accept the position as honorary professor in Latin language, antiquities, and history at the newly-founded Leiden University, without any formal teaching obligations, but with the promise of a substantial annual salary. This "sixteenth-century Einstein" was the first research professor at Leiden University – the most innovative university in Europe at that time.

Johannes Cornelisz. van 't Woudt (attributed), Portrait of Josephus Justus Scaliger, ca. 1608-1609. Scaliger is studying an Arabic manuscript, probably some leaves of a *Qur'an.* [*Icones Leidenses* 31. Senate Room, Academy Building, Leiden University].



Kitab salat al-sawa'i. [Fano, Gregorio de' Gregori 1514]. On of the first books printed in Arabic using moveable type. It is a book of hours intended for Arabic-speaking Christians. [876 G 27].

Missale Chaldaicum iuxta ritum Ecclesiæ nationis Maronitarum. (Kethābā dhe-ḳurrābhā akh āyādhā dhe-Mārōnāyē). Romæ, In Typographia Medicea, 1592-1594. [876 C 6].

Scaliger had studied Hebrew and Arabic in France. Initially interested in texts in Latin and Greek, he expanded his field of research into other disciplines such as ancient religion, chronology, and Oriental languages in the late 1570s. In this period he began acquiring and collecting books and manuscripts in Arabic and other Oriental languages such as Ethiopic, Syrian, and Armenian. By 1585, Scaliger had already gained some renown as a specialist in Arabic. Scaliger managed to collect a vast number of books in Oriental languages by employing his network of scholarly and secular contacts, amongst whom were a number of high ranking and loyal friends in Paris. The patronage of Louis Chasteigner de la Roche-Posay, seigneur d'Abain (1535-1595) was also crucial in providing financial support for Scaliger to acquire rare and precious books. Scaliger needed these books for his studies on chronology, a field of research he became deeply involved in. At the time that Scaliger decided to accept the position at Leiden University. he probably knew he would not find these rare books in the library of the University, nor amongst the private libraries of the Leiden professors, so he decided to bring a part of his library – including many Oriental books and manuscripts – to Leiden.

The presence of Scaliger in Leiden, and the arrival of his Oriental library, evidently had great meaning for the future course of the University and scholarship in the Low Countries. While staying in Leiden he continued collecting Oriental and Western books by exploiting his network in France, and also with the help of new acquaintances that he met in the Dutch Republic. Amongst them were the Leiden-based scholarly printer Franciscus I Raphelengius (1539-1597) and the wealthy Flemish merchant Daniël van der Meulen (1554-1600), who resided in one of the major houses at the Rapenburg in Leiden.

“By 1585, Scaliger had already gained some renown as a specialist in Arabic”

Untitled Hebrew manuscript on chronology (Worms, 1557) with independently rotating colored discs for the purpose of calendrical intercalation. [Or. 4736 (SCA 19)].

"By 1600, Scaliger had become the center of the University, attracting students and scholars from all over Europe"

Ethiopic prayer book in Ge'ez written on parchment. Scaliger incorporated parts of this manuscript in facsimile wood-cut in his *Opus de emendation temporum*, a study on chronology. [Hebr. 123].

A number of Scaliger's students travelled all over Europe carrying messages, lists of desiderata, and books from and to Scaliger. Scaliger's network reached as far as Cairo and other cities in the Middle East.

Scaliger's significance for scholarship

By 1600, Scaliger had become the center of the University, attracting students and scholars from all over Europe. Among his students were promising scholars such as Daniel Heinsius (1580-1655) and Hugo Grotius (1583-1645).

In 1593 Scaliger (re)published his major scholarly works, such as the second edition of the *Opus de emendatione temporum* (1598), a book containing discussions about, and calculations from, diverse calendars and dates throughout the ancient and medieval world, often based on sources in Oriental languages; the second edition of the *Astronomicon* (1600) by the first-century author Marcus Manilius and his major publication the *Thesaurus temporum* (1606). He incorporated a vast quantity of Oriental material into these publications. Daniel Heinsius, then Leiden University librarian, made the following observation about Scaliger and the latter's domicile on the Breestraat: 'There was a time that the home of one man was a study room of the entire world. Maronites, Arabs, Syrians, Ethiopians, Persians, and even Indians who spent time in Leiden encountered a scholar with whom they could converse in their own language'.

Illuminated opening page of the incunabula with the text of the Hebrew Bible (Brescia, Gershom ben Moshe Soncino, [5]254 [1494]). [1368 G 8].

“In Leiden, Scaliger extended his library to some 2,000 works, including 300 Oriental books and manuscripts”

In Leiden, Scaliger extended his library to some 2,000 works, including 300 Oriental books and manuscripts. It can be regarded as a great achievement that he was able to collect such a vast library of Oriental books, because he never travelled to the Middle East as other Orientalists had done. Instead, the world came to him through letters, books, merchants, travelling scholars and students.

Scaliger’s bequest to Leiden University

On 18 November 1608, Scaliger drew up a final version of his will, bequeathing to Leiden University ‘[…] tous mes livres de langues estrangeres, Hebraics, Syriens, Arabics, Aethiopiens, lesquels livres sont contenus dans le Catalogue que i’ay adiousté a la copie latine de ce mien testament […]’. The books in Latin, Greek, and vernacular in his library were sold in auction in March 1609.

The governors of the University acknowledged the importance of this bequest, immediately recognizing the potential of this collection of rare printed books and manuscripts and realizing that this collection could make a substantial difference in acquiring a prominent position amongst the other European universities that were competing for scholarly supremacy during the seventeenth century. The governors stressed the importance of compiling a catalogue of the bequest, and ordered librarian Daniel Heinsius to start with this task immediately.

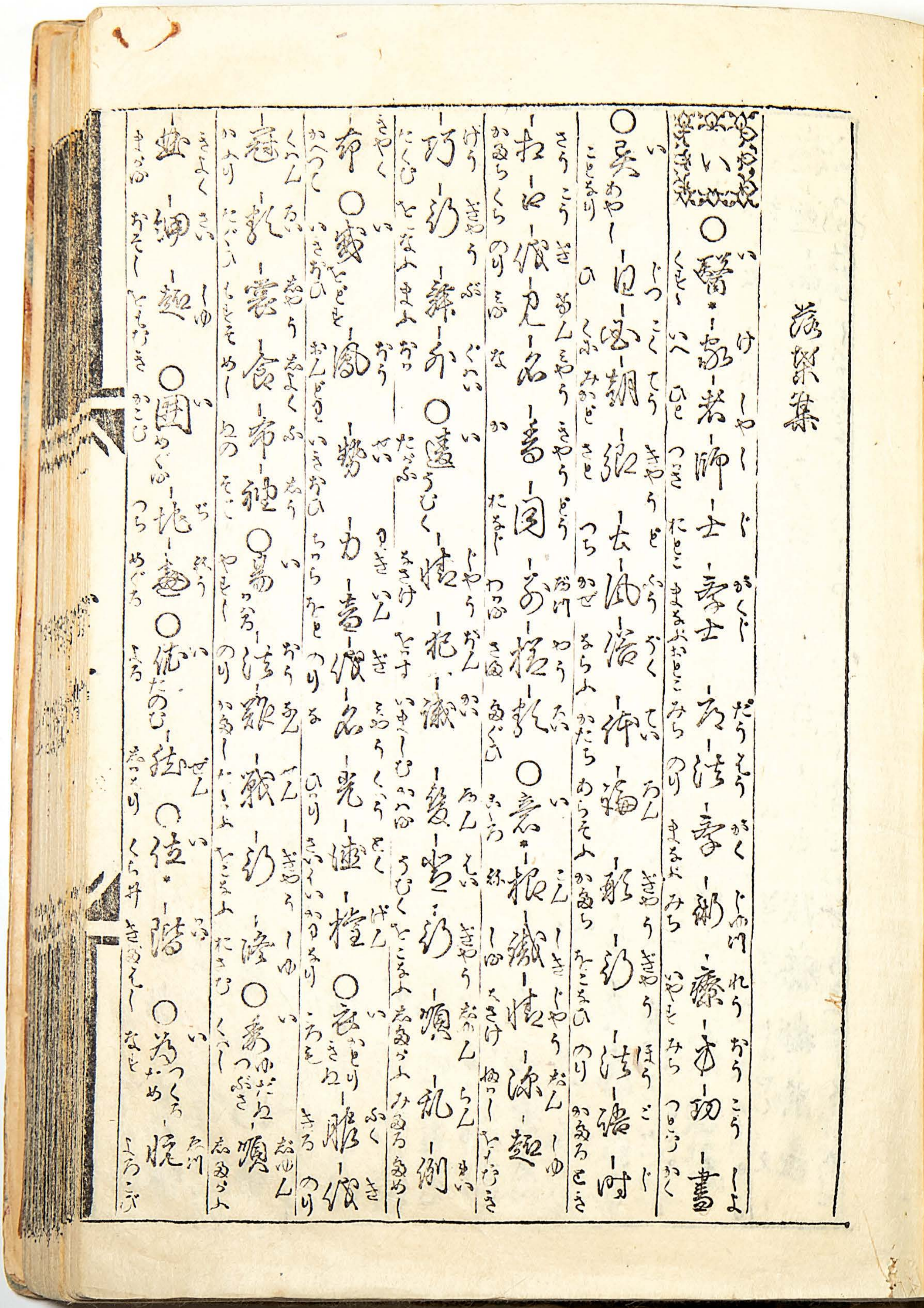
Binding containing the New Testament, translated in Croatian by Stephan Konzul and Antun Dalmatin, printed in Cyrillic type (Tübingen, 1563). The book was a gift of Philippus Cluverius, a student of Scaliger. [1365 F 14].

The Arca Scaligerana

Heinsius, however, seemed to have encountered serious problems in producing accurate title descriptions of the books and was more interested in presenting the collection as a promotional entity in the *Arca Scaligerana*, the ornamental cupboard in which the bequest was kept, standing in the library at the Rapenburg.

Willem van Swanenburgh after Johannes Cornelisz. van 't Woudt, *Leyden University Library*, engraving, 1610. On the right is the ornamental bookcase, the *Arca Scaligeri*, containing Scaliger's bequest. [Scheepvaartmuseum Amsterdam].

Racuyoxu ('Collection of fallen leaves'), a Chinese-Japanese and Japanese-Chinese dictionary printed by the Jesuits in Nagasaki (1598). Particularly important is the presentation of the Chinese characters with kana and in the order of its syllabary. [SER 36].



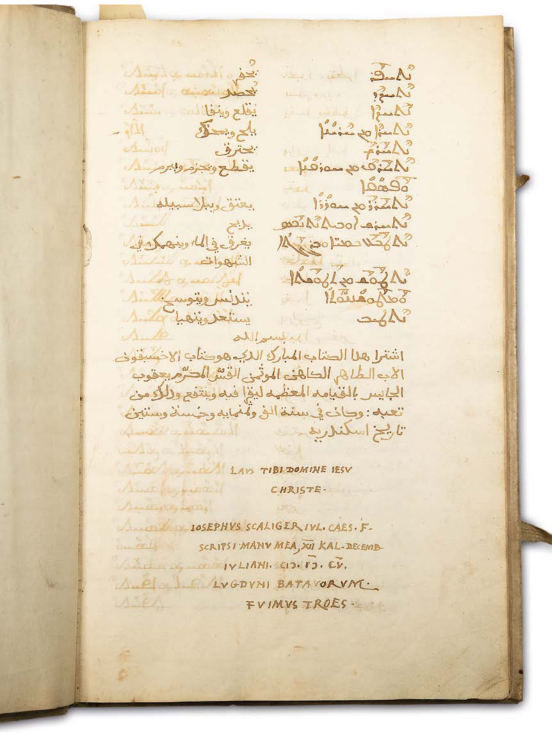
序

色々の字書世にありておほしといへどもいろは字のこゑ
ひらよしてよミあく彼いよミとおかしてしるしと紀ず字色ぶん
ものなしといふべきにや並に先達のりくあらびし文字
五句の落索を捨ひはつめかし冊に毋字をならべさそねず
づくまなたにあへて字の書数を太子紀し讀を花に
して色葉集の名を追ひいろはの次第をまなんでいく字
書とゆくれ仍此一冊を落葉集と号と又此書の終りに
一字くのよミを本とし加かしく三字の世話をとをかく
加へて今一篇にうろしとついづつ書也凡下便蒙之賜歟

“This catalogue provides only basic bibliographic information of 127 printed books and 48 manuscripts from Scaliger’s bequest”

The doors to this *Arca* were kept closed most of the time, and access to the books within was only possible with Heinsius’ personal consent, thus keeping strict control over Scaliger’s bequest. The *Arca* is depicted in the foreground of the famous engraving of Leiden University Library in 1610, published by Andreas Cloucq. The engraving is by Willem van Swanenburg (1581-1612) after a drawing by Jan Cornelisz. van ‘t Woudt (ca. 1570-1615).

Īshōʿ bar ʿAlī, Syriac-Arabic lexicon. Manuscript copied by Scaliger in 1605. f. 184b: last page and colophon in Latin with the date of completion. [Or. 213].



The first catalogue of Scaliger’s bequest

Only in 1612, and after several rebukes by the governors of the University, did Heinsius produce a library catalogue in which Scaliger’s bequest was presented as an entity for the first time: the *Catalogus librorum Bibliothecae Lugdunensis. Praefixa est Danielis Heinsii Bibliothecarii* […] *oratio*, printed in Leiden in 1612. This catalogue holds the first attempt of Heinsius to describe the legacy of Scaliger as a separate collection, and is essentially a work of homage. This catalogue provides only basic bibliographic information of 127 printed books and 48 manuscripts from Scaliger’s bequest. In the introduction to the catalogue. Heinsius praised the library as an important, if not the most important, center of learning in Europe.

In the subsequent library catalogues of 1623 and 1640, both compiled by Heinsius, basically nothing changed in the description of Scaliger’s Oriental legacy.

Johann Albrecht Widmannstetter, *Liber Sacrosancti Evangelii de Iesu Christo Domino & Deo nostro* (1562), the first printed translation of the New Testament in Syriac. [500 E 20: 1].

The total number of 173 printed books and manuscripts had only increased by sixteen new descriptions of manuscripts in the catalogue of 1640, totaling the bequest at 190 items. In the 1674 library catalogue, compiled by librarian Frederik Spanheim jr. (1632-1701), Scaliger's bequest increased to 212 items. After a number of 'duplicates' were sold and some items seemed to be lost, the total of Scaliger's bequest reached 194 items in the 1716 library catalogue.

The footprint of Scaliger on the humanities

Scaliger's collection became the starting point for the Oriental collection in Leiden, and marked the beginning of Leiden University as a major center for Oriental scholarship and learning. Scaliger's bequest still constitutes the core of the Oriental collections of Leiden University Library. In the period that Scaliger lived in Leiden, he continued his study of Oriental languages and made important progress in studying Arabic. To improve his Hebrew, he was tutored for some time by Philippus Ferdinandus (1556–1599), an Ashkenazi Jew who had converted to Christianity. In 1599, at Scaliger's recommendation, Ferdinandus received a temporary appointment to teach Arabic at Leiden University. Unfortunately, he died before he could take up his post. During the last years of his life, Scaliger persuaded the board of the University once more to establish a chair in Arabic, which eventually came to pass in 1613 with the appointment of his former pupil Thomas Erpenius (1584-1624). In 1619 Erpenius was also appointed professor of Hebrew at Leiden University.

A Greek and Arabic lectionary of the Coptic Church, dated 1265 CE. [Or. 243].

καὶ οἱ πρεσβύτεροι
τοῦ λαοῦ κατὰ τοῦ
ἰυ̅, ὥστε θανατῶ
σαι αὐτόν· + καὶ
δήσαντες αὐτὸν ἀπήγα
γον· καὶ παρέδω
καν αὐτὸν ποντί
ω πηλάτω τῷ ἡ
γεμόνι + τότε ἰ
δὼν ἰούδας ὁ πα
ραδιδοὺς αὐτὸν
ὅτι κατεκρίθη +
μεταμεληθεὶς ἀ
πέστρεψεν τὰ τριά
κοντα ἀργύρια τοῖς
ἀρχιερεῦσιν. καὶ
τοῖς πρεσβυτέροις
λέγων + ἥμαρτον

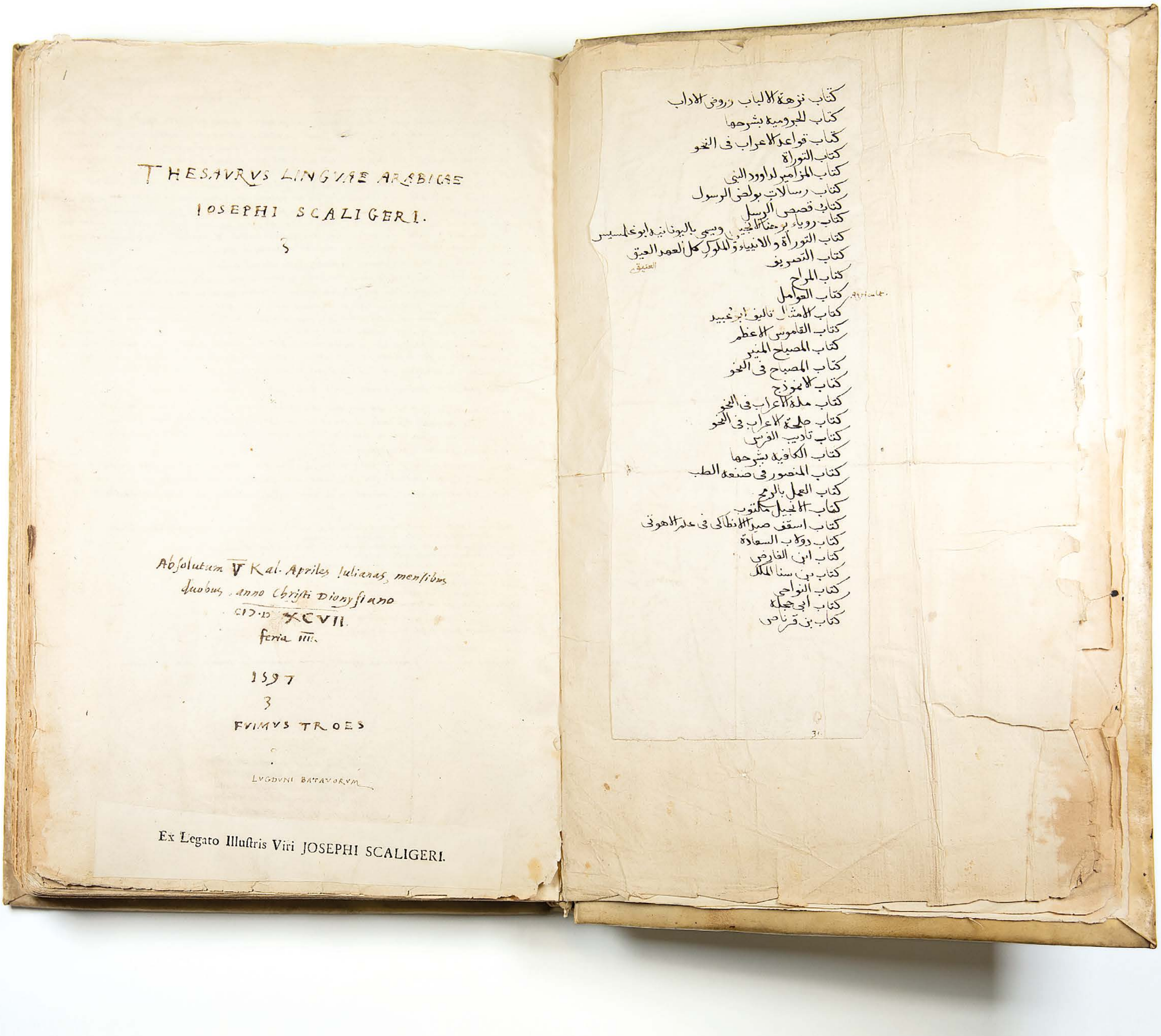
على يسوع ليقتلوه

فربطوه ومضوا به ودفعوه
لبيلاطس القايد

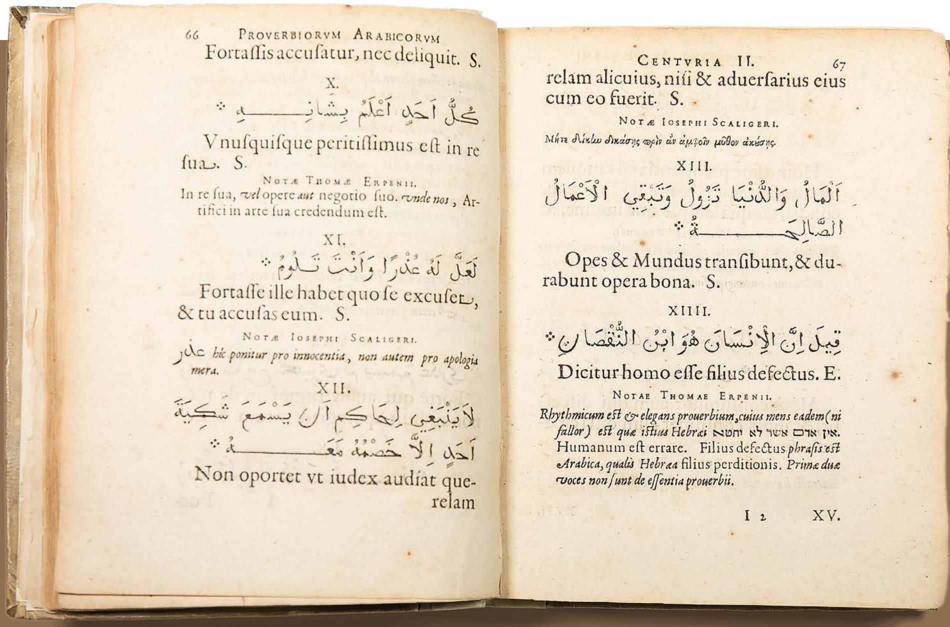
حينيذ لما راى يهوذا
الذي اسلمه انه قد دين

ندم واعاد الثلثين الفضه
الى روسا الكهنه والشيوخ
وقال
اخطات ...

“Scaliger was a pioneer of Oriental studies in Europe, and was the first to break with the tradition of putting Hebrew and Arabic studies at the service of mission and theology”



Scaliger and Thomas Erpenius, *Kitāb al-amthāl* (Leiden 1614), a posthumous edition of 200 proverbs of Abū ‘Ubayd al Qāsim ibn Sallām from Herat. [842 C 26:2].



Erpenius’ first publications were printed by Raphelengius, such as the *Kitāb al-amthāl* (1614), a collection of 200 Arabic proverbs by the Islamic scholar Abū ‘Ubayd al Qāsim ibn Sallām from Herat (c. 768/70-838), with a number of translations into Latin by Scaliger. Each entry contains the Arabic text of a proverb, followed by the translation and separate notes in Latin. Scaliger did not publish anything substantial in the field of Arabic language during his lifetime, but the manuscript of his Arabic-Latin dictionary, the *Thesaurus linguae Arabicae*, became the basis for Raphelengius’ posthumously-published Arabic Lexicon of 1613. In the decades and centuries after Scaliger’s death, several European scholars edited and published a number of the Oriental manuscripts that he had collected.

Scaliger’s *Thesaurus linguae Arabicae*, an Arabic-Latin dictionary. [Or. 212].

Fragment of the *Qur’an*. Large *Maghribi* script, diacritical signs and illumination in coloured ink. Opening page, beginning with sura 33:31 (‘And whoever of you devoutly obeys Allah and His Messenger and does righteousness - We will give her her reward twice’). [Or. 241].


בשם יי אל עולם
אמר שמואל

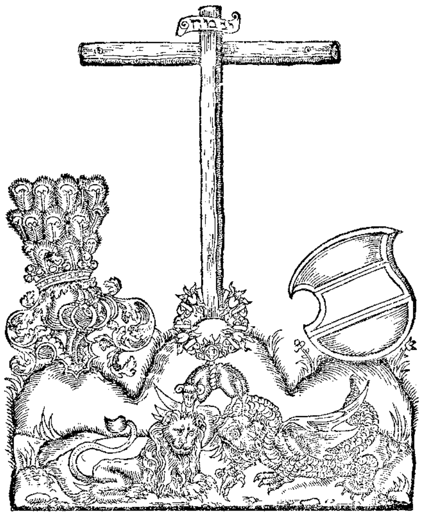
“In Scaliger’s collection we find Hebrew books on history, philosophy, and medicine, among other subjects”

Maimonides, *More ha-nevukhim* (‘The Guide for the Perplexed’). Spanish manuscript, probably from the fifteenth century. [Or. 4723 (SCA. 6)].

Scaliger was a pioneer of Oriental studies in Europe, and was the first to break with the tradition of putting Hebrew and Arabic studies at the service of mission and theology. He stipulated that no scholar would be able to master Arabic if he was not able to read the *Qur’an*, thus stressing the importance of this book as a philological source, rather than as a theological text.

At the end of the sixteenth century the emphasis of the Oriental languages shifted from Hebrew to other languages of the Orient, mainly Arabic. This ‘second wave’ of interest in Arabic was the most significant aspect of early-seventeenth-century scientific and scholarly thought. If we compare Scaliger’s Oriental library with other contemporary Oriental collections, it becomes evident that Scaliger’s library holds a larger number of Arabic books and manuscripts than most of the collections of his European contemporaries. Scaliger’s Oriental holdings also stand out in the number of Hebrew incunabula – reflecting Scaliger’s interest in the original sources – and for the number of Hebrew books on subjects beyond the most commonly-used grammars, dictionaries, bibles and theological commentaries. In his collection we find Hebrew books on history, philosophy, and medicine, among other subjects. This reflects Scaliger’s in-depth interest in, and knowledge of, the history, customs, and languages of the people of the Orient.

A Russian psalter and other texts, mostly from the sixteenth century. Table with a canonical calendar of the Russian Orthodox Church. [SCA 24B].



Illustrations from J.A. Widmanstetter, *Libri Sacrosancti Evangelii de Iesu Christo* [...]. (1562).

The Scaliger Institute, founded in 2000, aims to stimulate and facilitate the use of the special collections of Leiden University in both teaching and research. For this purpose, the Institute offers favorable working conditions and expertise, organizes lectures, symposia, master classes, and special courses, and provides fellowships to junior and senior scholars from the Netherlands and elsewhere who wish to work in Leiden for a longer period. The Brill Fellowship, sponsored by Brill Academic Publishers, is a special fellowship that focusses on a rich variety of disciplines or regions. *library.universiteitleiden.nl/special-collections/scaliger-institute*

Scaliger Fellowship

Founded by Leiden University Library and the Faculty of Humanities on the occasion of the 425th anniversary of Leiden University in June 2000, the Scaliger Institute aims to stimulate and facilitate the use of the Special Collections of Leiden University Library in both teaching and research.

Brill works closely with the Scaliger Institute, and sponsors the Brill Fellowship program. One or two Brill Fellows can be appointed each year to conduct research in the Special Collections of the Leiden University Library within one of the publishing areas of Brill in the humanities.

ѿ м ап

Стефана

Ферапонта

Агафона

Пантелеимона

Прокопїа

Евсевїа

Софронїа

Ѳеофана

Силуана

Ларїона

Maimonides, *More ha-nevukhim*
('The Guide for the Perplexed').
Spanish manuscript, probably from the fifteenth century. [Or. 4723 (SCA. 6)].

About the author

Kasper van Ommen (1964) studied History of Art at Leiden University. He is co-ordinator of the Scaliger Institute, the Special Collections Research Centre of Leiden University Libraries. He has published extensively on the history of the collections of Leiden University Libraries, and on several sixteenth-century humanists, including Scaliger, Justus Lipsius, and Bonaventura Vulcanius. He is currently finishing his thesis on the printed books 'in foreign tongues' collected by Scaliger.

Select Biography

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K. van Ommen, "Je suis pauvre en tout, mesmement en livres'. Reconstructing the Legatum Scaligeri in Leiden University Library' in: R. Kerr, et al. (eds.), *Writing and Writings from another World and Era. Investigations in Islamic Text and Script in honour of Januarius Justus Witkam*. Cambridge 2011, pp. 293-329.

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Colophon

Design and layout
Remco Mulckhuyse, Coördesign, Leiden

Photography
Marta Klement

Author
Kasper van Ommen

Printing and binding
Lenoirschuring, Amsterdam

Cover illustration
Detail of illustration Coat of arms of the Della Scala (Scaliger) family (see first page article).
All books and manuscripts belong to the special collections of Leiden University Libraries (UBL).

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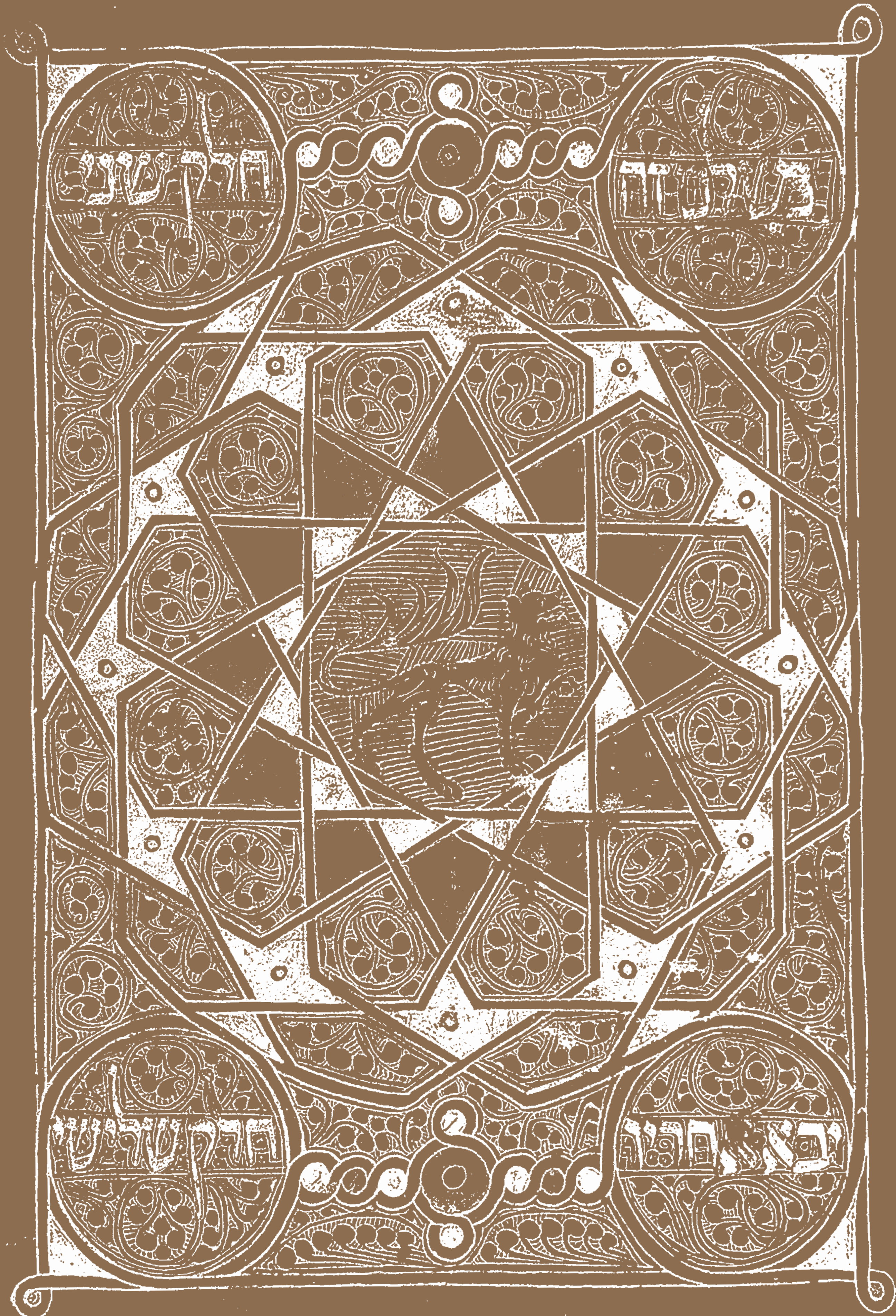

Anni Collecti.	Character nouilunij.			Μετέμπτωσις.			Προέμπτωσις.		
	Feria.	Horæ.	Scrup. 1080	Dies.	Horæ.	Scrup. 1080.	Dies.	Horæ.	Scrup. 1080.
76	3	18	220	0	7	924	0	5	860
152	7	12	440	0	15	768	0	11	640
228	4	6	660	0	23	612	0	17	420
304	1	0	880	1	7	456	0	23	200
380	4	19	20	11	5	300	1	4	1060
456	1	13	240	1	23	144	1	10	840
532	5	7	460	2	6	1068	1	16	620
608	2	1	680	2	14	912	1	22	400
684	5	19	900	2	22	756	2	4	180
760	2	14	40	3	6	600	2	9	1040
836	6	8	260	3	14	444	2	15	820
912	3	2	480	3	22	288	2	21	600
988	6	20	700	4	6	132	3	3	380
1064	3	14	920	4	13	1056	3	9	160
1140	7	0	60	4	21	900	3	14	1020
1216	4	3	280	5	5	744	3	20	800
1292	7	21	500	5	13	588	4	2	580
1368	4	15	720	5	21	432	4	8	360
1444	1	9	920	6	5	276	4	14	140
1520	5	4	80	6	13	120	4	19	1000
1596	1	22	300	6	20	1044	5	1	780
1672	5	16	520	7	4	888	5	7	560
1748	2	10	740	7	12	732	5	13	340
1724	6	4	960	7	20	576	5	19	120
1900	2	23	100	8	4	420	6	0	980
1976	6	17	320	8	12	264	6	6	760
2052	3	11	540	8	20	108	6	12	540
2128	7	5	760	9	3	1032	6	18	320
2204	3	23	980	9	11	676	7	0	100
2280	1	18	120	9	19	720	7	5	960
2356	4	12	134	10	3	564	7	11	740
2432	1	6	560	10	11	408	7	17	520
2508	5	0	780	10	19	252	7	23	300
2584	1	18	1000	11	3	96	8	5	80
2660	5	13	140	11	10	1020	8	10	940
2736	2	7	360	11	18	864	8	16	720
2812	6	1	580	12	2	708	8	22	500
2888	2	19	800	12	10	552	9	4	280
2964	6	13	1020	12	18	396	9	10	60
3040	3	8	160	13	2	240	9	15	920

Anni collecti.	Character nouilunij.			Μετέμπτωσις.			Προέμπτωσις.		
	Feria.	Horæ.	Scrup. 1080.	Dies.	Horæ.	Scrup. 1080.	Dies.	Horæ.	Scrup. 1080.
3116	7	2	380	13	10	84	9	21	700
3192	3	20	600	13	17	1008	10	3	480
3267	7	14	820	14	1	882	10	9	260
3344	4	8	1040	14	9	696	10	15	40
3420	1	3	180	14	17	540	10	20	900
3496	4	21	400	15	1	384	14	2	680
3572	1	15	620	15	9	228	11	8	460
3648	5	9	840	15	17	72	11	14	240
3724	2	3	1060	16	0	996	11	20	20
3800	5	22	200	16	8	840	12	1	880
3876	2	16	420	16	16	684	12	7	660
3952	6	10	640	17	0	528	12	13	440
4028	3	4	860	17	8	372	12	19	220
4104	6	23	0	17	16	216	13	1	0
4180	3	17	220	18	0	60	13	6	860
4256	7	11	440	18	7	984	13	12	640
4332	4	5	660	18	15	828	13	18	420
4408	7	23	880	18	23	672	14	0	200
4484	4	18	20	19	7	516	14	15	1060
4560	1	12	240	19	15	360	14	11	840
4636	5	6	460	19	23	204	14	17	620
4712	2	0	680	20	7	48	14	23	400
4788	5	18	900	20	14	972	15	5	180
4864	2	13	40	20	22	816	15	10	1040
4940	6	7	260	21	6	660	15	16	820
5016	3	1	480	21	14	504	15	22	600
5092	6	19	700	21	22	348	16	4	380
5168	3	13	920	22	6	192	16	10	160
5244	7	8	60	22	14	36	16	15	1020
5320	4	2	280	22	21	960	16	21	800
5396	7	20	500	23	5	804	17	3	580
5472	4	14	720	23	13	648	17	9	360
5548	1	8	940	23	21	492	17	15	140
5624	5	3	80	21	5	336	17	20	100
5700	1	21	300	24	13	180	18	2	780
5776	5	15	520	24	21	24	18	8	560
5852	2	9	740	25	4	948	18	14	340
5928	6	3	960	25	12	792	18	20	120
6004	2	22	100	25	20	636	19	1	980
6080	6	16	320	26	4	480	19	7	760

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

In thousands of euros

	31-12-2019		31-12-2018	
ASSETS				
Non - current assets				
Tangible fixed assets [4]	339		389	
Right of use assets [5]	1,914		0	
Intangible fixed assets [6]	33,366		32,785	
Financial assets	12		12	
		35,631		33,186
Current assets				
Inventories [8]	3,217		3,465	
Trade and other receivables [9]	10,029		9,046	
Income tax to be received [7]	1,110		752	
Cash and cash equivalents [10]	1,788		2,383	
Derivative financial instruments [15]	0		75	
		16,144		15,721
Total assets		51,775		48,906
EQUITY AND LIABILITIES				
Equity attributable to owners of Koninklijke Brill NV				
Share capital [11]	1,125		1,125	
Share premium [11]	343		343	
Retained earnings [11]	20,033		19,520	
Other reserves [11]	-289		-203	
		21,212		20,785
Non-current liabilities				
Interest bearing loans [12]	3,765		4,843	
Lease liabilities [5]	1,757			
Provisions [14]	0		45	
Deferred tax liabilities [7]	3,583		3,093	
		9,105		7,981
Current liabilities				
Interest bearing loans	1,083		1,083	
Trade and other payables [13]	10,785		10,245	
Deferred income	8,851		8,402	
Lease liabilities	684			
Provisions [14]	50		100	
Derivative financial instruments [15]	5		310	
		21,458		20,141
Total equity and liabilities		51,775		48,906

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of euros

	2019	2018
Revenue [17]	37,128	35,951
Cost of goods sold [18]	-11,206	-11,568
Gross Profit	25,922	24,383
Expenses [18]		
Selling and distribution expenses	-7,365	-7,384
General and administrative expenses	-15,266	-14,639
Operating Profit	3,291	2,360
Finance income	64	14
Finance expenses	-248	-193
Profit before income tax	3,107	2,180
Income tax	-945	124
Profit attributable to shareholders of Koninklijke Brill NV	2,162	2,304
Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements		
Exchange differences in translation of foreign operations	131	-56
Cash flow hedges	108	106
	239	50
Income tax relating to these items	-29	-26
	210	23
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill NV	2,372	2,328
Earnings Per Share		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill NV	1.15	1.23

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of euros

	2019	2019	2018	2018
Cash flow from operating activities				
Profit before income tax	3,107		2,180	
Adjustments for				
Amortization and Depreciation fixed assets (incl lease assets 2019) [4, 5, 6]	1,840		1,074	
Amortization Content [6]	2,819		3,153	
Finance income and expense – net	184		68	
Change in operating assets and liabilities				
Change due to implementation of IFRS9 and IFRS15	0		774	
Change in working capital	286		-310	
Change in long-term provisions	-45		0	
Cash generated from operations	8,192		6,939	
Interest paid/received (including lease interest 2019)	-209		-112	
Income tax paid	-717		-682	
Net cash flow from operating activities		7,266		6,145
Cash flows from investing activities				
Investment in tangible fixed assets [4]	-119		-75	
Investment in intangible fixed assets (non-content) [6]	-457		-1,575	
Investment in Content [6]	-3,984		-3,618	
Payments for acquisitions, net of cash acquired [3]	0		-100	
Payments for acquisitions relating to other periods [3]	0		-11	
Net cash flow from investing activities		-4,560		-5,379
Cash flow from financing activities				
Dividend paid to company shareholders [21]	-1,593		-8,097	
Interest bearing loans [12]	0		6,468	
Redemption Interest bearing loans [12]	-1,078		-542	
Redemption lease liabilities	-629			
Net cash flow from financing activities		-3,300		-2,171
		-595		-1,404
Net cash flow				
Cash and cash equivalents as per 1 January		2,383		3,787
Net cash flow		-595		-1,404
Cash and cash equivalents as per 31 December [10]		1,788		2,383

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In thousands of euros for the year ended 31 December 2019

	Share Capital	Share premium	Retained earnings	Currency Translation Reserve [11]	Currency Hedge Reserve [11]	Total equity
Balance as per 1 January, 2018	1,125	343	25,395	-263	36	26,636
Total comprehensive income for the period						
Profit for the year	0	0	2,304	0	0	2,304
Other comprehensive income	0	0	0	-138	79	-59
Total comprehensive income for the period	0	0	2,304	-138	79	2,245
Total contributions by and distribution to owners						
Dividends paid over prior year	0	0	-8,097	0	0	-8,097
Total contributions by and distribution to owners	0	0	-8,097	0	0	-2,474
Balance as per 31 December, 2018	1,125	343	19,602	-401	116	20,785
Change in accounting policies (IFRS 16)			-137			-137
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	0	0	0	108	-112	-4
Total comprehensive income for the period	0	0	2,162	108	-112	2,158
Total contributions by and distribution to owners						
Dividends paid over prior year	0	0	-1,594	0	0	-1,594
Total contributions by and distribution to owners	0	0	-1,594	0	0	-1,594
Balance as per 31 December, 2019	1,125	343	20,033	-293	4	21,212

GENERAL INFORMATION

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), 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, 2020, 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 (IFRS) and the statutory provisions of Part 9, book 2, of the Dutch Civil Code. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The entity's ability to continue as a going concern – Covid-19
These financial statements are prepared on the assumption that the Group is a going concern. However, there is a material uncertainty due to non-adjusting subsequent events caused by the Covid-19 pandemic that may cast significant doubt upon the Group's ability to continue as a going concern.

The key uncertainty caused by the Covid-19 pandemic is the possible long-term impact on Brill's ability to generate income through revenue. If the Covid-19 pandemic, contrary to management's current expectations, extends beyond 2020 and significantly impacts the Group's long-term ability to generate income through revenue, the going concern assumption may be threatened, as cumulative losses over time may lead to a negative equity position. Upon request of the Supervisory Board, the management of Brill has conducted a stress test in which scenarios on liquidity were developed in relation to Brill's current credit facilities at the bank. However, as at 7 April, 2020 we have noted no current observable consequences and therefore believe that a going concern assumption is justified.

Brill's publications are generally purchased for professional use and therefore have an element of 'need to have'. Funding for Brill's activities generally originates from publicly funded sources. Consequently, Brill and the scientific and scholarly publishing industry at large are usually only indirectly, with delay and moderately, impacted by economic recessions. Brill's revenues depend for around 40% on subscription income. This should remain relatively unaffected in 2020 since most subscription income has been paid up at the time of writing. However, in the medium term there may be an impact on Brill's ability to renew subscriptions. Print books represent around 40% of revenues. This part could be affected by lower orders and issues that may occur in the supply chain although at the time of writing, there are no indications of a severe downturn or issues occurring. Also, we see a potential impact on our ability to sell e-book and e-book packages in 2020, although this segment of the business has no physical dependency on the supply chain. It does however depend on the ability of our salesforce to meet with purchasing staff at academic institutions either in person or through digital means.

The second element in our ability to generate income is the continuation of the publishing flow and output of new materials to be sold. This depends on our author's continued ability to produce manuscripts and journal articles and on our staff and outsourcing partners to process them into publication-ready materials. As at 7 April, 2020 there is no indication of a significant bottleneck at authors, staff or outsourcing partners. However, this might change if the situation deteriorates caused by Covid-19. For example, if acquisition editors are not able to attend scholarly conferences anymore (these are an important channel for attracting new material).

Being a media company with digital work processes, the impact of staff working from home in the short-term is limited. Key logistical processes have been outsourced to parties who are currently still in operation. If the pandemic leads to loss of key staff due to illness or worse this may impact our long-term ability to attract, process and sell publications.

If a significant short-term loss of revenue occurs, Brill may not be able to reduce expenses to such an extent that a negative profit (result) can be avoided. This scenario may come in force in case of a revenue loss over 15%. In that case, Brill will be in breach of its debt covenants and contractually, Brill's long-term loan may become payable on demand. However, current conversations with our bank do not indicate that they intend to enforce the covenants under these circumstances. A significant loss of revenue may in the future require the group to revise key assumptions, estimates and judgements made in preparing these financial statements, such as the valuation of intangible assets under IAS 38, Expected Credit Loss on trade debtors under IFRS 9 and return provisions under IFRS 15.

As at 7 April, 2020 it is not possible to make a reliable estimate of the impact of the described events and conditions. Nevertheless, Brill has taken measures to warrant the continuity of the business.

These measures can be divided as follows:
1. Operational – expansion of possibilities for staff to work at home. Regular updates with key vendors on functioning of supply chain related processes;
2. Publishing – seeking alternatives to face to face meetings at conferences;
3. Financial – Brill is in conversation with its key bank in order to ensure continued liquidity in the event of a material impact on liquidity. Furthermore, Brill has taken measures to defer corporate income tax payments and is preparing a broad range of measures that are assistive in further conservation of liquidity which may include the use of facilities provided by governments in the Netherlands and abroad. Also, the developing events were taken in consideration in the determination of the dividend proposal that will be submitted to the AGM. Brill's key financial obligation exists of a long-term loan which amortizes in annual payments. As at 7 April, 2020 there are no indications that Brill will not be able to meet its annual obligations under the loan agreement. Cash is monitored on an ongoing basis in order to prevent unexpected cash outflows;
4. Commercial – Brill is identifying alternative opportunities for sales lead generation and follow up and is increasing social media activity as a measure to counter potential loss of sales.

As at 7 April, 2020, 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 has determined that the use of the going concern assumption is appropriate, but that Covid-19 arouses a material uncertainty that in the longer term may cast significant doubt upon the entity's ability to continue as a going concern.

Based on the circumstances described above, the financial statements are prepared on the assumption that the Group is a going concern.

Basis of consolidation
The consolidated financial statements contain the financial statements of Brill and its subsidiaries per 31 December, 2019. The financial statements of Brill's subsidiaries have been prepared for the same period as Brill's, using consistent standards of accounting. Note 23 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 intragroup 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 functional and 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, 2019
The following standards have become effective as per 1 January but do not have an impact on Brill's operations or financial reporting:

- IAS 28 — Investment in associates and joint ventures - effective for periods beginning on or after 1 January, 2019;
- IFRIC 23 — Uncertainty over income tax treatments - effective for periods beginning on or after 1 January, 2019.

Brill elected for early application of the narrow scope amendment of IAS 1 on classification of liabilities. The following standard became effective as per 1 January and has an impact:

- IFRS 16 — Treatment of leases, effective for periods beginning on or after 1 January, 2019 (details below).

On 1 January 2019, Brill adopted IFRS 16, Leases, as announced previously. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) (see note 2.9 Leases for the accounting policies).

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation impacting key metrics like EBITDA.

Brill adopts IFRS 16 using the 'modified retrospective approach' and has applied the standard at 1 January, 2019 without restatement of comparing amounts of 2018. The effects of the transition to IFRS 16 are applied at 1 January, 2019 and adjusted in the opening balance and equity.

	31-12-2018	IFRS 16	**1-1-2019**
Right of use assets	0	2,652	2,652
Trade and other receivables	9,046	-24	9,022
Equity	20,785	-137	20,648
Non-current lease liabilities	0	2,292	2,292
Current lease liabilities	0	754	754
Trade and other payables	10,245	-199	10,046

Brill depreciates its right of use assets since the inception of the lease contracts, the lease liabilities are based on the present value of the remaining payments of the leases. Brill applies the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4, for example the lease agreements for our offices and for lease cars provided to personnel. Brill has relied on its historical assessment of onerous contracts at 31 December, 2018 for its impairment review. Leases of which the underlying asset is low of value are not recognized at the balance sheet. For certain portfolios of leases, the same discount rates are applied.

The lease liabilities as at 1 January, 2019 can be reconciled to the operating lease commitments as of 31 December, 2018 as follows:

Operating lease commitments as at 31 December, 2018	3,280
Operating lease commitments as at 31 December, 2018 before discounting	3,280
Weighted average incremental borrowing rate as at 1 January, 2019	3.4%
Total Lease liabilities as at 1 January, 2019	3,046

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 notes 3 and 5 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-cancelable 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 functional and 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). Depreciation is linear according the useful life of the assets 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 from the Consolidated statement of financial position 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
Accounting policy applicable from 1 January, 2019 for the Group as a lessee under IFRS 16 – Leases

Right of use assets
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.

Accounting policy applicable before 1 January, 2019
Brill determined whether an arrangement contains a lease based on the contents of the arrangement, weighing whether the execution of the arrangement depends on the usage of an asset or group of assets and whether the arrangement conveys the right to use the asset. Operating lease payments were recorded linearly as cost in the Consolidated statement of profit or loss and other comprehensive income during the lease period.

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 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
The amortization of trademarks, imprints, information systems and licenses is linear, based on 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 receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. Trade and other receivables are financial instruments classified as measured at amortized cost.

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 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.

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.

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.

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, and are disclosed in note 18, Expenses.

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. 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, no remaining performance obligations after year end are disclosed.

(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. 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 during the subscription period (transfer of control). 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 payments from dividend, debt instruments and lease liabilities.

Subsidies

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. At launch of the publication, the net amount of development costs and subsidies is included in the Inventory and expensed accordingly.

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
Brill uses financial derivative instruments such as futures and foreign currency options 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 on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. 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 15. The Group enters into derivatives with a duration of one year or less that are presented as current assets or current liabilities. Derivatives with a positive value are presented as assets and negative values are presented a liability. 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, or 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, resulting in the recognition of a non-financial asset such as inventory. 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.

Cash payments related to business combinations were as follows, compared to the previous year:

	2019	2018
Amounts paid or to be paid	0	232
Paid in prior year	0	-100
Cash and cash equivalents included in target	0	0
Payments related to acquisitions in prior years	0	11
Deferred portion of acquisition payments	0	-32
Net cash payments related to acquisitions	0	111
Payments related to acquisitions next year	0	0
Net cash payments related to acquisitions in the period	0	111

4. TANGIBLE FIXED ASSETS

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	-1,739
Net book amount	123	72	144	339

2018	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2018	193	97	196	486
Investment	0	42	33	75
Depreciation	-41	-28	-105	-174
Exchange rate differences	0	1	1	2
Book value as per 31 December, 2018	152	112	125	389
1 January, 2018				
Cost	842	3,201	513	4,556
Accumulated depreciation	-649	-3,104	-317	-4,070
Net book amount	193	97	196	486
31 December, 2018				
Cost	842	3,243	546	4,631
Accumulated depreciation	-690	-3,131	-421	-4,242
Net book amount	152	112	125	389

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 18).

5. LEASES

A rental agreement is in existence for our office located Plantijnstraat 2 in Leiden with duration until September 2023. Brill USA has a rental agreement for its office located at 2 Liberty Square, Boston, MA with duration until February 2023. On 1 September 2018, Brill Deutschland GmbH entered into a rental agreement for its new office located Wollmarktstrasse, Paderborn with duration until August 2023. Brill's lease agreements in Beijing and Singapore are short-term in nature.

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
Carrying amount at 1 January	2,511	74	2,585
Depreciation	-579	-50	-629
Additions	57	39	96
Sub lease receivable	-138	0	-138
Carrying amount at 31 December	1,851	63	1,914

Lease liabilities

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

At 1 January, 2019 the non-current liabilities are 1,757 thousand and the current lease liabilities 629 thousand.

In the year Brill expensed 101 thousand for low value leases Brill recognized a sub-lease income of 25 thousand. Total cash spent on leases in 2019 was 766 thousand.

6. INTANGIBLE FIXED ASSETS

2019	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
Book value as per 31 December, 2018	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	74,682
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

2018	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
Book value as per 31 December, 2017	15,591	3,224	9,763	2,735	332	31,646
Acquisition	273	166	0	0	6	445
Investment	0	0	3618	1,130	0	4,748
Amortization	-87	0	-3,153	-777	-37	-4,054
Book value as per 31 December, 2018	15,778	3,389	10,228	3,089	301	32,785
1 January, 2018						
Cost	15,634	3,224	39,098	11,135	398	69,489
Accumulated amortization	-43	0	-29,335	-8,399	-66	-37,843
Net book amount	15,591	3,224	9,763	2,735	332	31,646
31 December, 2018						
Cost	15,907	3,389	42,716	12,265	404	74,682
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

*) During the year 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. 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 9.2% (2018: 9.8%) 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	**2019**	2018
Risk free interest rate (in %)	-0.31	0.68
Market debt premium (in %)	1.31	1.86
Market risk premium (in %)	6.50	5.50
Small Firm Premium (in %)	3.67	3.67
Leveraged Beta	0.72	0.70

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 reasonably possible 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%
HIS	0.5%	>5%
LAW	0.5%	>2%
MIA	0.5%	>5%
LLA	0.5%	>3%
S&F	0.5%	>5%

Sensitivity tests applied to the valuations show that the valuations are robust against material (negative) variances in the applied terminal growth rate.

Net book amounts by segment as per 31 December (refer note 17 for details on segmentation and developments in 2019):

Segment	Acquired intangible assets		Goodwill		Total	
	2019	2018	**2019**	2018	**2019**	2018
ARC	886	946	25	405	911	1,351
HIS	1,349	1,091	2,372	345	3,721	1,436
LAW	10,696	10,645	589	788	11,285	11,433
MIA	265	489	0	1,576	265	2,065
LLA	2,700	2,796	127	0	2,827	2,796
S&F	85	74	276	276	361	350
Total	15,981	16,041	3,389	3,389	19,370	19,431

Acquired intangible assets which are currently assumed to have an indefinite useful economic life total 15.6 million (unchanged versus 2018). ARC contains 837 thousand, HIS contains 1,211 thousand, LAW contains 10,560 thousand, and for MIA and LLA all assets are indefinite.

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. At year-end 2019, 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.

	2019	2018
Income tax on continued operations		
- Current	429	575
- Deferred tax	516	-699
Tax recognized in the consolidated statement of profit or loss and other comprehensive income	945	-124

Of the current tax charge of 429 thousand, 236 thousand (2018: 103 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 as per 31 December, 2019 and 2018.

	2019	2018
Income before tax	3,107	2,180
Statutory Dutch income tax rate	20% - 25.0%	20% - 25.0%
Tax, at the nominal rate	740	536
- Effect of different tax rates outside the Netherlands	16	16
- Permanent differences	7	6
- Release from deferred tax liability	0	-699
- Changes in nominal tax rate	182	0
- Miscellaneous	0	17
Tax recognized in the consolidated income statement	945	-124
Effective tax rate	30.4%	-5.7%

Deferred taxation is itemized as follows:

2019	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
Net carrying amount as of 1 January, 2019	-3,153	19	69	-29	-3,094
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	-586	22	49	0	-516
Recognized in other comprehensive income	0	1	0	29	29
Effect of movement in foreign exchange rates	0	-2	-1	0	-3
Net carrying amount as of 31 December, 2019	-3,739	39	117	0	-3,583
2018					
Net carrying amount as of 1 January, 2018	-3,794	16	69	-66	-3,775
Acquired through business combinations	-60	0	0	0	-60
Recognized in profit and loss	701	0	-2	0	699
Recognized in other comprehensive income	0	0	0	37	37
Effect of movement in foreign exchange rates	0	3	2	0	5
Net carrying amount as of 31 December, 2018	-3,153	19	69	-29	-3,093

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

8. INVENTORIES

Inventories	**31-12-2019**	31-12-2018
Publications in development	69	581
Finished goods	2,918	2,588
Book return asset	230	296
	3,217	3,465

The inventory of finished goods includes a provision for obsolescence of 3,465 thousand (2018: 3,764 thousand). During the year, the provision was increased by 299 thousand (2018: 983 thousand). This amount was charged as an expense in the Consolidated Statement of profit or loss and other comprehensive income.

9. TRADE AND OTHER RECEIVABLES

Trade and other receivables	31-12-2019	31-12-2018
Trade receivables	8,764	7,557
Other receivables	1,256	1,489
	10,029	9,046

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	2019	2018
31 December	197	195
Change in accounting policy to expected credit loss	0	9
1 January	197	204
Add to the allowance during the year	109	0
Receivables written off during the year as uncollectible	-193	-7
Amounts recovered during the year	0	0
31 December	112	197

Aging trade receivables	31-12-2019			31-12-2018
	Gross amount	Credit loss allowance	Loss allowance	Total
Payment not due	5,933	-9	0% - 0.1%	5,100
Payment due:				
0- 30 days	1,279	0	0.1%	1,973
30-60 days	698	0	0.1%	183
60-90 days	353	-1	0.1%	90
> 90 days	613	-102	38%	408
Credit loss allowance				-197
Total trade receivables	8,876	-112		7,557

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as per ultimo 2019 were 1,788 thousand (ultimo 2018: 2,383 thousand). Included in this amount is 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 0.60 per share, issued and paid, was 1,874,444 in 2019 (2018: 1,874,444). The number of authorized shares was 2,500,000 in 2019 (2018: 2,500,000). In 2019, shareholder capital was 1,125 thousand (2018: 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 depositary 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 depositary 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	Hedge reserve	Total
1 January, 2018	-263	36	-227
Result revaluation	-139	106	-33
Reclassification to profit and loss	0	0	0
Recognized in other comprehensive income	-139	106	-33
Tax on revaluation result	0	-26	-26
Total mutation	-139	79	-59
31 December, 2018	-401	116	-285
Result revaluation		5	-138
Reclassification to profit and loss	108	-116	135
Recognized in other comprehensive income	108	0	-3
Tax on revaluation result	0	-1	-1
Total mutation	108	-112	-4
31 December, 2019	-293	4	-289

12. INTEREST BEARING LOANS

In May 2018, Brill took a long-term bank loan of 6.5 million, of which at balance date 4.8 million was outstanding. Brill pays a quarterly redemption until the loan is fully paid back mid-2024. The movement of the interest-bearing loans is as follows:

	2019	2018
1 January	5,926	0
Loan drawn	0	6,500
Debt redemption	-1,083	-542
Transaction costs loan expensed over loan term	5	-32
31 December	4,848	5,926
Short-term (< 1 year) reclassed to current liabilities	1,083	1,083
Reported as long-term loan	3,765	4,843

The fair value of the interest-bearing loans is 4.8 million (2018: 6.0 million) based on fair value hierarchy two. On 31 December, 2019 unused credit facilities of 15 million were available (2018: 15 million). The arrangement provides Brill with a facility of 7.5 million current account facility and an additional 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 28.6 million consist of publishing rights (15.9 million), receivables (9.3 million), inventories (3.1 million) and tangible fixed assets (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	2019	2018
Profit before tax	3,107	2,180
Amortization and depreciation (non-product, non IFRS 16)	1,177	1,047
Maximum distribution	4,284	3,227

In addition, the covenants include two financial ratios:

Net debt/EBITDA ratio	2019	2018
Cash and cash equivalents	-1,788	-2,383
Interest bearing loans including lease liabilities (2019)	4,848	5,926
Net debt	3,060	3,544
EBITDA [25]	5,183	3,623
Net debt/EBITDA ratio (must be less than 3.0 as of 2019)	0.59	0.98

Debt service coverage ratio	**2019**	2018
EBITDA [25]	5,183	3,623
Income tax paid	-717	-682
Replacement investments: tangible assets	-113	-85
Replacement investments: intangible assets (non-product, non-acquisition)	-457	-958
Total	3,895	1,898
Interest paid	153	125
Redemption loan	1,078	542
Total	1,231	667
Debt service coverage ratio (must be higher than 1.1)	3.2	2.8

Finally, the loan agreement stipulates that the Group must generate over 80% of its EBITDA through its main entity, Koninklijke Brill NV. In 2019, due to the revenue growth in the US market, this benchmark dropped to 73%. In view of these circumstances, which were unforeseen at the time of signing the loan agreement, 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 December 31, 2018	2,383	-1,083	-4,843	-3,543
Cash flows	-595		+1,078	483
Net debt December 31, 2019	1,788	-1,083	-3,765	-3,060

13. TRADE CREDITORS AND OTHER PAYABLES

Trade creditors and other payables	**31-12-2019**	31-12-2018
Trade creditors	2,632	2,699
Other taxes and social securities	558	540
Refund liability	1,152	1,319
Accruals	2,361	1,791
Pension liability	128	121
Other payables	3,954	3,775
	10,785	10,245

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. PROVISIONS

	31-12-2019	31-12-2018
Provisions		
Short-term provisions	50	100
Long-term provisions	0	45
	50	145

Provision movements	Short-term provisions	Long-term provisions	Total
31-12-2018	100	45	145
Release	-100	-45	-145
New provisions	50	0	50
31-12-2019	50	0	50

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 2018 provisions related to the 2017 acquisition of Schöningh & Fink. Following further evaluation in 2019, the liabilities identified at that time are now considered to be non-existent and the provisions have been released to the statement of profit and loss.

15. FINANCIAL INSTRUMENTS

Hedge accounting for currency hedges
Brill transacts currency forward agreements and other financial instruments exclusively with counterparties with prime credit rating. Credit rating of our counterparties had no material effect on the evaluation of effectiveness of our cash flow hedges.

The fair value of our financial instruments is the amount that would be received when selling the asset or paid when ceding the liability in a regular transaction between market participants at valuation date. The fair value of cash, accounts payable and accounts receivable as well as other current assets and liabilities is near book value, mainly because of the short maturity.

For currency risk hedging, Brill uses currency forward agreements. The purpose of the cash flow hedge is to shield the probable future sale and purchase of our US dollar cash flows against fluctuations in the exchange rate until the moment of occurrence of the cash flow. The future US dollar cash flows will occur within twelve months after the end of the reporting period. Results of sell forwards at 90 days before maturity are recognized in the Consolidated statement of profit or loss and other comprehensive income under the item net revenue. At maturity, the remainder of the results is recognized as financing results (revaluation of receivables). From testing the forward agreements used for the cash flow hedge, the Group has included the ineffective part in the hedge reserve in equity at the end of the reporting period.

Timing differences in the expected US dollar cash flow can be a source of ineffectiveness for these hedges. The notional values of the hedged items are equal to the notional values of the hedging instruments allocated to the cash flow hedges (hedge ratio 1:1).

In 2019, no amounts were recognized in the Consolidated statement of profit or loss and other comprehensive income for non-effectiveness.

At year end, Brill had no hedge instruments in place that were effective for hedge accounting.

Other financial instruments
To mitigate the effect of changes in market interest rates on our financial results, during 2019 Brill entered into an interest rate swap covering our long-term debt. This instrument effectively changes the variable interest rate from the loan agreement into a fixed rate.

At the end of the reporting period the position of our financial instruments was:

Forward and hedging position 2019	31-12-2019				Changes in fair value for effectiveness measurement		
	Currency	Notional amounts	Fair value (in) (hierarchy 2)	Contract rate	Hedging instrument	Hedged item	Ineffectiveness
Purchase forwards (current liabilities)	EUR	0	0		0	0	0
Sell forwards (current assets)	USD	0	0		0	0	
Interest rate swap	EUR	5	4	-0.26%	-5	5	0
Net		5					

Movement in cash flow hedge reserve for financial instruments	**2019**
1 January	116
Changes in fair value derivatives	5
Recycling to Consolidated statement of profit or loss and other comprehensive income – included in General operating expenses	-116
Ineffectiveness – included in Finance expenses	0
Taxes	-1
31 December	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, 2019 and 31 December, 2018. 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, 2019	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	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
31 December, 2018					
Financial Assets					
Derivative financial instruments	346	0	346	-105	241
Total	346	0	346	-105	241
Financial liabilities					
Derivative financial instruments	105	0	105	-105	0
Total	105	0	105	-105	0

* Balance sheet = Consolidated statement of financial position.

Hierarchy in fair value
As per 31 December, 2019, 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.

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 movements between Fair Value levels.

Fair value measurement of assets and liabilities

		31-12-2019	31-12-2018
Level 1		0	0
Level 2			
	Currency forward agreements	0	241
	Interest rate swap	-5	
Level 3		0	0
Total		5	241

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.

16. FINANCIAL RISK MANAGEMENT

Foreign currency exchange risk
Brills functional and reporting currency is the euro. The US dollar is the main other currency relevant to Brill's business. In 2019, around 33% (2018: 35%) of revenues originated from the United States. 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 forward contracts or 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	**2019**	2018
Net revenue	114	7
Gross profit	105	24
Net profit	161	-9
Equity	51	110

Impact of a 5% decrease of the US dollar value versus the euro	**2019**	2018
Net revenue	-133	-1
Gross profit	-123	-5
Net profit	-182	81
Equity	-57	631

In determining the impact, Brill takes the current hedging contracts into account. 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 2019, 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). 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:

Impact of a 5% increase of 3 months EURIBOR	**2019**	2018
Profit before tax	0	-56

Impact of a 5% decrease of 3 months EURIBOR	**2019**	2018
Profit before tax	0	56

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. 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 behavior 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

Brill prepares quarterly evaluations of its liquidity position using a seasonal cash flow pattern in combination with expected major changes in expenditure and income. The below table shows the maturities of the Companies' 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, 2019							
Trade and other payables	10,785	4,918	1,715	4,152	0	0	10,785
Long-term loan	4,849	0	271	813	3,765	0	4,849
Lease liabilities							
Currency forward receipts		0	0	0	0	0	0
Currency forward payments		0	0	0	0	0	0
		4,918	1,986	4,965	3,765	0	15,634
As per 31 December, 2018							
Trade and other payables	10,245	4,532	2,495	3,218	0	0	10,245
Long-term loan	5,926	0	271	813	4,336	506	5,926
Lease liabilities							
Currency forward receipts		0	-2,532	-3,361	0	0	-5,893
Currency forward payments		0	2,285	3,229	0	0	5,514
		4,532	2,519	3,899	4,336	506	15,793

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 25). 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).

17. 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

During 2019 we continued focusing our units on their core markets and provide the best environment for each portfolio to develop further. Also, PU MIA changed management in 2019. Consequently we reallocated the Educational studies list from MIA to HIS (2019 revenue 0,9 million). Note that 2018 was not restated for this change.

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 2019	6,103	4,957	4,234	8,325	10,227	3,282		37,128
Revenue 2018	6,118	5,840	3,688	6,726	10,359	3,218		35,950
Direct EBITDA contribution 2019	3,554	2,548	1,497	4,245	6,055	778	-13,495	5,183
Direct EBITDA contribution 2018	3,463	2,148	1,705	3,160	5,905	337	-13,096	3,623

Product revenue segmentation is as follows:

Revenue by product type	**2019**	2018
Print books	14,144	14,711
E-books	11,139	9,876
Journals	10,611	10,158
Primary Sources	1,234	1,206
Total	37,128	35,950

In 2019, there was one customer that accounted for more than 10% of consolidated revenues: EBSCO International (4.8 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	**2019**	2018
Western Europe	17,488	17,213
North America	13,823	12,587
Asia Pacific	4,045	4,303
Other	1,772	1,848
	37,128	35,950

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 7% of total revenue from its country of domicile, the Netherlands.

18. 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.

Cost of goods sold	**2019**	2018
Technical production costs	7,208	7,306
Amortization of capitalized content costs	2,818	3,156
Royalties	1,180	1,106
	11,206	11,568

Reconciliation Selling, General and administrative with personnel cost and operating expenses	**2019**	2018
Selling and distribution expenses	7,365	6,930
General and administrative expenses	15,266	15,094
Total operating expenses	22,631	22,024
Personnel cost	11,724	11,759
Operational expenses	9,100	9,218
Amortization of intangible assets (non-product related) [5]	1,014	873
Depreciation of tangible assets [4a]	163	174
Depreciation lease assets [4b]	630	
Total operating expenses	22,631	22,024

Breakdown of personnel costs is as follows:

Personnel costs	**2019**	2018
Salaries*)	10,152	10,061
Severance payments	85	216
Social security payments	1,625	1,483
Defined contribution pension arrangement	813	984
Other defined contribution arrangements	173	251
	12,848	12,995
Booked to Work in progress*)	-1,124	-1,237
	11,724	11,758

*) 2018 presentation adjusted to align with 2019 classification

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.

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

FTEs	Year end 2019		Year end 2018	
Publishing	68.1	[40.4%]	66.2	[39.6%]
Operations	48.1	[28.6%]	47.7	[28.6%]
Sales & Marketing	36.7	[21.8%]	38.0	[22.7%]
Finance, HR, Other	15.5	[9.2%]	15.1	[9.0%]
Total	168.4	[100%]	167.0	[100%]

The average workforce amounted to an average of 165.1 FTEs (2018: 166.6 FTEs). The total workforce engaged on a fulltime basis at year end showed an increase of 1.4 FTEs from 167.0 to 168.4 FTEs. At the end of 2019, 54.7 FTEs (2018: 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).

19. FINANCE INCOME AND EXPENSE

The interest rate received on our current account balance was 0% in 2019 (2018: 0%). Since hedge accounting applies for the financial derivatives in use at Brill, the below foreign exchange results all relate to currency-based revaluation effects on current and fixed assets and liabilities.

Finance income	2019	2018
Interest received	39	14
Foreign exchange rate differences	25	0
	64	14

Finance expense	2019	2018
Interest paid on credit facilities	-63	-74
Interest paid on interest bearing loan	-89	-51
Interest expenses on lease liabilities	-96	0
Foreign exchange rate differences		-68
	-248	-193

20. 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	**2019**	2018
Net income	2,162	2,304
Weighted average number of shares issued	1,874,444	1,874,444
Earnings per share attributable to shareholders of Koninklijke Brill NV (in euros)	1.15	1.23

21. DIVIDEND PAID AND PROPOSED

Dividend	**2019**	2018
Dividend paid		
Dividend paid for 2017: 1.32		2,474
Exceptional Dividend paid for 2017: 3.00		5,623
Dividend paid for 2018: 0.85	1,593	
Total paid	1,593	8,097
Proposed dividend for 2019		
(not included as a liability per 31 December 2019)		
Ordinary Dividend to be paid for 2019: 0.50	937	
Profit distribution proposal 2019		
Ordinary dividend on ordinary shares	937	1,593
Added to retained earnings	1,225	711
Net profit	2,162	2,304

22. COMMITMENTS

A bank guarantee of 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 101 thousand.

23. INFORMATION CONCERNING RELATED PARTIES

Remuneration of the Supervisory Board and Management Board

Total paid executive remuneration (in thousands of euros)	2019	2018
Supervisory Board	110	93
Management Board	732	819
Total paid remuneration	842	912
Variable payout accrued in the prior year	-96	-181
Variable component accrued in the current year	261	62
Net expense for executive remuneration	1,007	793

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
- Brill Consulting Beijing Ltd (in Beijing, China) – functional currency CNY

In 2019, as in 2018, 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 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 on 12 December, 2016. Brill Deutschland incorporates the Schöningh & Fink acquisition effective 1 January, 2017 and the mentis Verlag acquisition effective 1 January, 2018.

Other related party transactions and relationships
The company has a related party relationship with its subsidiaries in Germany, the U.S., Singapore and China. The company, through its subsidiary Brill GmbH, also owns 5% 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.

24. EVENTS AFTER BALANCE SHEET DATE

The key significant matter prevailing over all other at the time of writing the report is the developing situation around Covid-19. An extensive description of the impact of the pandemic on Brill's business can be found in the continuity paragraph in the General Information.
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.

25. 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	**2019**	2018
Revenue	37,128	35,951
Cost of goods sold	-11,206	-11,568
Selling and distribution costs	-7,366	-6,930
General and administrative expenses	-13,373	-13,830
EBITDA	5,183	3,623
Depreciation and Amortization	-1,806	-1,047
Restructuring costs	-85	-216
Operating profit	3,292	2,360

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	**31-12-2019**	31-12-2018
Fixed assets	35,631	33,186
Deferred tax liabilities	-3,583	-3,093
Current assets	15,842	15,721
Current liabilities	-21,156	-20,141
Net working capital	-5,314	-4,420
Short-term portion interest bearing loan included in current liabilities	1,083	1,083
Net tax	-1,110	-752
Net derivative financial instruments	5	235
Cash and cash equivalents	-1,788	-2,383
Invested Capital	24,924	23,856

In 2019, the calculation for 2018 was adjusted to correctly reflect the impact of our long-term loan. Fixed assets increased mostly due to the implementation of IFRS 16, adding Right of Use assets with a total value of EUR 1.9 million.

Return on invested capital	2019		2018	
Operating profit	3,292		2,360	
Effective tax (adjusted for exceptional non-cash tax result)	-823	(25%)	-578	(24.5%)
Net operating profit less adjusted tax (NOPLAT)	2,469		1,782	
Invested capital	24,924		23,856	
Average invested capital	24,390		23,394	
Return On Invested Capital	10,1%		7.6%	
Asset turnover (revenue / average invested capital)	1.5		1.5	
NOPLAT margin (NOPLAT / revenue)	6,6%		5.0%	

As a result of the combined effect of higher assets and the inclusion of interest on lease liabilities in financing costs, the effect of IFRS 16 on the Group's ROIC is neutral.

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

Free cash flow	2019	2018
Net cash flow	-595	-1,404
Dividend paid to shareholders	1,593	2,474
Extraordinary dividend		5,623
Proceeds financing		-6,468
Interest and debt redemption	1,166	593
	2,164	817

COMPANY FINANCIAL STATEMENTS


ΒΑΣΙΛΕΥΣ.

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COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

In thousands of euros (before appropriation of profit)

	31-12-2019		31-12-2018	
ASSETS				
Non-current assets				
Tangible fixed assets [3]	246		289	
Lease assets [4]	1,127		0	
Intangible fixed assets [5]	33,005		32,383	
Financial fixed assets [6]	2,613		2,014	
		36,991		34,686
Current assets				
Inventories	2,029		2,295	
Trade and other receivables [7]	9,540		8,186	
Derivative financial instruments			75	
Income tax receivable	1,167		711	
Cash and cash equivalents [8]	1,215		1,810	
		13,951		13,077
Total assets		50,942		47,763
EQUITY AND LIABILITIES				
Equity				
Share capital	1,125		1,125	
Share premium	343		343	
Retained earnings	6,395		6,988	
Legal reserve	11,394		10,228	
Other reserves	-206		203	
Undistributed profit	2,162		2,304	
		21,212		20,785
Non–current liabilities				
Long-term loan	3,765		4,843	
Lease liabilities [4]	971		0	
Provisions for deferred tax liabilities	3,634		3,111	
		8,370		7,954
Current liabilities				
Short-term portion of long-term loan	1,083		1,083	
Lease liabilities [4]	356		0	
Trade and other payables [9]	11,030		9,269	
Deferred income	8,836		8,361	
Provisions	50		0	
Derivative financial instruments	5		310	
		21,360		19,024
Total Liabilities and Equity		50,942		47,763

COMPANY STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of euros

	2019	2018
Gross profit		
Revenue	28,905	28,523
Cost of Goods Sold	-7,626	-8,423
	21,279	20,100
Expenses		
Selling and distribution expenses	-4,213	-4,593
General and administrative expenses	-14,717	-13,525
Operating profit	2,349	1,982
Finance income	38	14
Finance expenses	-158	-177
Profit before income tax	2,229	1,819
Income tax expense	710	199
Results from subsidiaries, net of tax	643	286
Profit from continued operations, attributable to shareholders of Koninklijke Brill NV	2,162	2,304

GENERAL INFORMATION

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, 2020. Koninklijke Brill NV is established as a Naamloze Venootschap (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 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 re-measurement 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.

Intercompany loans are measured at fair value which equals book value.

Leases
The accounting policy for leases changed per 1 January, 2019 (see note 2.4 for the transition and changes to the consolidated financial statements and note 2.9 for the accounting policy). The cumulative effects of the transition to IFRS 16 are retrospectively applied at 1 January, 2019 and adjusted in equity in the opening balance.

	31-12-2018	IFRS 16	**1-1-2019**
Financial fixed assets (subsidiaries)	2,014	0	2,014
Right of use assets	0	1,418	1,418
Trade and other receivables	8,186	0	8,186
Equity	20,785	-137	20,648
Non-current lease liabilities	0	1,321	1,321
Current lease liabilities	0	337	337
Trade and other payables	9,269	0	9,269

The lease liabilities as at 1 January, 2019 can be reconciled to the operating lease commitments as of 31 December, 2018 as follows:

Operating lease commitments as at 31 December, 2018	1,763
Commitments relating to leases of low-value assets	-101
Operating lease commitments as at 31 December, 2018 before discounting	1,763
Weighted average incremental borrowing rate as at 1 January, 2019	3,4%
Lease liabilities as at 1 January, 2019	1,658

Other changes in IFRS standards do not affect the company financial statements.

3. TANGIBLE FIXED ASSETS

2019	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2019	152	26	111	289
Investment	0	0	84	84
Reclass and disposal – at cost	48	-2,600	27	-2,525
Reclass and disposal – accumulated depreciation	-49	2,598	-14	2,535
Depreciation	-41	-8	-88	-137
Book value as per 31 December, 2019	110	15	121	246
1 January, 2019				
Cost	842	3,029	375	4,246
Accumulated depreciation	-690	-3,003	-264	-3,957
Net book amount	152	26	111	289
31 December, 2019				
Cost	890	428	487	1,805
Accumulated depreciation	-780	-412	-367	-1,559
Net book amount	110	16	120	246

2018	Leasehold improvements	Furniture & Fixtures	IT-hardware	Total
Book value as per 1 January, 2018	193	35	180	408
Investment	0	0	28	28
Depreciation	-41	-9	-97	-147
Book value as per 31 December, 2018	152	26	111	289
1 January, 2018				
Cost	842	3,029	347	4,218
Accumulated depreciation	-649	-2,994	-167	-3,810
Net book amount	193	35	180	408
31 December, 2018				
Cost	842	3,029	375	4,246
Accumulated depreciation	-690	-3,003	-264	-3,957
Net book amount	152	26	111	289

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.

4. LEASES

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.

Right of use assets

	Offices	Company cars	Total
Carrying amount at 1 January	1,358	60	1,418
Depreciation	-286	-43	-329
Additions	0	39	39
Carrying amount at 31 December	1,072	56	1,128

Lease liabilities

	2019
Carrying amount at 1 January	1,658
Additions	46
Interest accretion	-40
Redemption lease liabilities	-337
Carrying amount at 31 December	1,327
Non-current lease liabilities	971
Current lease liabilities	356
	1,327

At 1 January, 2019 the non-current liabilities are 1,321 thousand and the current lease liabilities amount 337 thousand.

5. INTANGIBLE FIXED ASSETS

2019	Publishing rights	Goodwill	Content	Information Systems	Other	Total
Book value, 1 January, 2019	15,711	3,113	10,228	3,088	242	32,383
Acquisition						
Investment	0	0	3,984	457	0	4,441
Reclass and Disposal – at cost	267	0	-352	-6,198	0	-6,283
Reclass and Disposal – accumulated amortization	0	0	254	5,931	0	6,184
Amortization	-99	0	-2,720	-867	-34	-3,720
Book value, 31 December, 2019	15,879	3,113	11,394	2,411	208	33,005
1 January, 2019						
Cost	15,802	3,113	42,708	12,265	307	74,196
Accumulated amortization	-91	0	-32,480	-9,176	-65	-41,813
Net book amount	15,711	3,113	10,228	3,088	242	32,383
31 December, 2019						
Cost	16,069	3,113	46,340	6,524	307	72,353
Accumulated amortization	-190	0	-34,946	-4,113	-99	-39,348
Net book amount	15,879	3,113	11,394	2,411	208	33,005

2018	Publishing rights	Goodwill	Content	Information Systems	Other	Total
Book value, 1 January, 2018	15,307	2,858	9,757	2,735	244	30,901
Acquisition	495	256	0	0	36	787
Investment	0	0	3,618	1,130	0	4,748
Amortization	-91	0	-3,146	-777	-38	-4,052
Book value, 31 December, 2018	15,711	3,113	10,228	3,088	242	32,383
1 January, 2018						
Cost	15,307	2,858	39,091	11,135	271	68,662
Accumulated amortization	0	0	-29,334	-8,399	-27	-37,760
Net book amount	15,307	2,858	9,757	2,735	244	30,902
31 December, 2018						
Cost	15,802	3,113	42,708	12,265	307	74,196
Accumulated amortization	-91	0	-32,480	-9,176	-65	-41,813
Net book amount	15,711	3,113	10,228	3,088	242	32,383

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

6. FINANCIAL FIXED ASSETS

	31-12-2019	31-12-2018	ownership
Brill USA, Inc. Boston, USA	1,079	806	100%
Brill Asia Pte Ltd, Singapore	232	95	100%
Brill Deutschland GmbH, Paderborn, Germany	412	222	100%
Loans to consolidated subsidiaries	890	890	
	2,613	2,014	

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

	Brill USA Inc.,(US)	Brill Asia Pte, (SG)	Brill Deutschland GmbH, (GE)	Sense Publishers BV, (NL)	Loans to consolidated subsidiaries	Total
Net carrying amount, 1 January, 2019	806	95	222	0	890	2,013
Profit 2019	314	138	190	0	0	642
Revaluation foreign currency	-41	-1	0	0	0	-42
Net carrying amount, 31 December, 2019	1079	232	412	0	890	2,613
Net carrying amount, 1 January, 2018	808	0	113	649	1,100	2,670
Adjusted opening balance receivable for book right returns	0	0	-92	0	0	-92
Merger Sense BV	0	0	0	-649	0	-649
Short IC loans reclassed	0	0	0	0	-210	-210
Profit 2018	-40	124	201	0	0	286
Revaluation foreign currency	38	-29	0	0	0	9
Net carrying amount, 31 December, 2018	806	95	222	0	890	2,014

On the intercompany loan, Brill Deutschland pays annual interest of 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.

7. 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.

	31-12-2019	31-12-2018
Trade debtors	7,635	6,317
Intercompany receivables	827	668
Other receivables	1,011	1,201
	9,540	8,186

8. CASH AND CASH EQUIVALENTS

As per ultimo 2019, cash and cash equivalents were 1,215 thousand (ultimo 2018: 1,810 thousand). Included in this amount is 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 2019 and ultimo 2018 there were no short-term bank deposits.

9. TRADE AND OTHER PAYABLES

	31-12-2019	31-12-2018
Trade creditors	3,439	3,327
Intercompany liabilities	1,541	693
Accruals	2,164	1,567
Pension liabilities	126	245
Other short-term liabilities	3,760	3,437
	11,030	9,269

For further information, refer to note 13 of the consolidated financial statements.

10. COMMITMENTS

A bank guarantee of 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 100 thousand a year.

11. AUDIT FEES

	2019	2018
Audit of annual financial statements	423	347
Other audit procedures	0	0
Tax services	0	0
Other non – audit services	0	0
	423	347

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. PROFIT APPROPRIATION

The Management Board proposes an ordinary cash dividend of € 0.50 per (certificate of) ordinary share of 0.60 nominally. If the Annual General Meeting accepts the dividend proposal, the 2019 profit of 2,162 thousand will be appropriated as follows:

Profit appropriation proposal	2019
Ordinary dividend on ordinary shares	937
Retained Earnings	1,225
Net profit	2,162

13. REFERENCES TO ADDITIONAL DISCLOSURES

For disclosures regarding the following items, please refer to the notes to the consolidated financial statements as listed below:

- Inventories – Note 8
- Share capital and reserves – Note 11
- Interest bearing loans – Note 12
- Financial instruments – Note 15
- Financial risk management – Note 16
- Information concerning related parties – Note 23
- Events after balance date – Note 24

Leiden, 7 April, 2020

Supervisory Board
Steven Perrick
Catherine Lucet
Robin Hoytema van Konijnenburg
Theo van der Raadt

Management Board
Peter Coebergh
Jasmin Lange
Olivier de Vlam

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 pay-out 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 pay-out 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 with the consent of the Supervisory Board. No further transactions were recorded since.

To: the general meeting and the supervisory board of Koninklijke Brill N.V.

Report on the financial statements 2019

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 2019 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' or 'Brill') give a true and fair view of the financial position of the Company as at 31 December 2019 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 2019 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 2019;
- consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019;
- consolidated statement of cash flows for the year ended 31 December 2019;
- consolidated statement of changes in total equity for the year ended 31 December 2019; and
- the notes to the consolidated financial statements.

The company financial statements comprise the:

- company statement of financial position as at 31 December 2019;
- company statement of profit or loss for the year ended 31 December 2019;
- notes to the company financial statements.

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 requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, in which the management has described the possible impact and consequences of the coronavirus (COVID-19), as well as the measures taken and planned to deal with these events and circumstances. This note also indicates that significant uncertainties remain and that currently it is not reasonably possible to estimate the impact and consequences of the coronavirus (COVID-19) on the going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview and context

Brill is listed on the Amsterdam Stock Exchange and is an international academic publisher in the humanities and social sciences, international law, biology and natural history. Sales are generated mainly from books, journals and primary sources, in both print and digital formats. Brill makes use of an external service organization that globally provides fulfilment and distribution services for the Group. The Group consists 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. Additionally, we performed audit procedures on the potential effects of COVID-19.

Brill continued improving its internal control environment in 2019. We assessed the progress made by Brill in addressing previously reported internal control deficiencies. The progress led to an increase in audit readiness. Brill's internal control environment still requires further enhancement. Based on our assessment of Brill's internal controls we concluded that a substantive audit approach, rather than a controls-based approach, is the most appropriate approach under the given circumstances. Therefore, as in prior year, we considered the internal control deficiencies as a key audit matter as set out in the section 'Key audit matters' in this report.

Brill heavily relies on third parties. In particular a third-party service organization plays a crucial role in the revenue recognition process. In 2019, we have devoted significant attention to this third-party service organization and included this as a key audit matter.

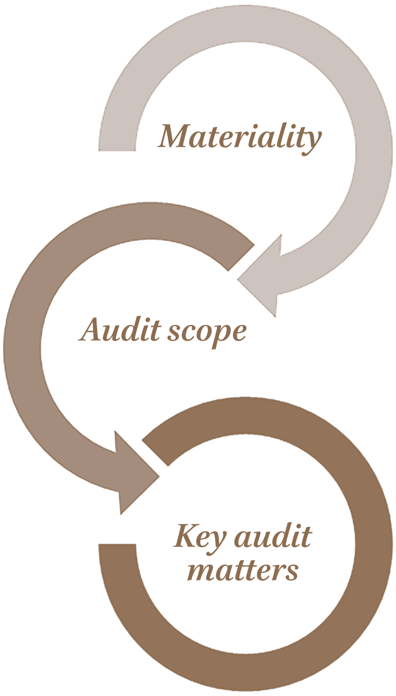
Brill adopted IFRS 16 *Leases* in 2019 and now accounts for operating leases on-balance. This change in IFRS led to an increase in assets, liabilities, interest expenses and depreciation, with general and administrative expenses declining. We included the new lease accounting standard as an audit focus area in 2019.

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 Company describes key areas of judgement in applying significant accounting estimates, judgements and assumptions. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of goodwill, the publishing rights and capitalized content-related costs, we particularly considered this as a key audit matter as set out in the section 'Key audit matters' of this report.

As in all of our audits, we also addressed the risk of management override of internal 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 both at group and component level possessed the appropriate skills and competences that are needed for the audit of an internationally operating publisher. In our team, we included staff that specialises in valuation of intangibles, IT audit and hedge accounting.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: € 145,000.

Audit scope

The Group consists of the components Koninklijke Brill N.V. (Brill the Netherlands), Brill USA, Inc (Brill USA), Brill Germany GmbH (Brill Germany), 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 attended the inventory counts at the location of a third party in the United Kingdom and reviewed the ISAE 3402 type 2 report.
- Audit coverage: 95% of consolidated revenue, 94% of consolidated total assets and 87% of consolidated profit before tax.

Key audit matters

- Deficiencies in internal control environment.
- Significant assumptions in the valuation of intangible assets.
- Reliance on third-party service organization.

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.

Overall group materiality	€ 145,000 (2018: € 151,900).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the 3-year average of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Company. To account for the swings in profit we used a three-year average of profit before tax.
Component materiality	The component materiality used for the financially significant component Brill the Netherlands equals € 144,000.

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 €7,200 (2018: €7,500) 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 performed sufficient work 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 the component level by the group engagement team or the component auditor. In our scoping of the group audit, we considered the activities carried out under direction of the Company including the activities carried out by external service organizations.

The group audit primarily focussed on the component Brill the Netherlands, as this component is individually financially significant to the Group. 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 and Brill Asia in order to achieve appropriate coverage on the corresponding financial line items in the consolidated financial statements. 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 line items:

Revenue	95%
Total assets	94%
Profit before tax	87%

For non-significant components, we performed analytical procedures to corroborate our assessment that there were no remaining significant risks of material misstatements within the components. In instances where we relied on the work of other auditors, we determined the level of involvement we needed to have in their audit work in order to obtain sufficient appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

In line with prior years, Brill engages an external service organization in both the UK and the USA, providing 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 organization, and of the controls operated at the service organization. Prior to obtaining an ISAE 3402 type 2 report, we assessed the professional competence, objectivity and independence of the auditor of the service organization. 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 organization. The group engagement team visited the service organization and performed a review of the file of its 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 by the service organization.

Along with the other audit procedures, the group engagement team audited the group consolidation, financial statement disclosures, impairment assessments of intangible fixed assets with indefinite useful life and the amortization of capitalized content costs at the head office in Leiden.

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

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit in respect to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect of non-compliance with laws and regulations, the objectives of our audit are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the management board with the oversight of the supervisory board.

Our risk assessment
According to the International Standards of Auditing, fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Fraud risk factors might warrant a fraud risk for the financial statements. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated risks of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework, GDPR, tax and pension laws and regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matter on significant assumptions in the valuation of intangible assets for our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Our response to the risks identified
We performed the following audit procedures to respond to the assessed risks:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks;
- We performed data analyses of high-risk journal entries. We searched for unusual account combinations and for journal entries posted by unexpected users. We performed a key word search in the journal entry data and corroborated the identified journal entries with supporting documentation. We evaluated key estimates and judgements for bias by management, including retrospective reviews of prior year's estimates and critically assessing management's assumptions, especially when using forward-looking financial information. We performed additional audit procedures to address the above matters. These procedures also included testing of transactions back to source information;
- With respect to the risk of fraud in revenue recognition, we evaluated the design and the implementation of internal controls. During our audit we identified internal control deficiencies related to this business process. We refer to the key audit matter 'Deficiencies in internal control environment'. We substantively tested a sample of revenue transactions throughout the year by reconciling transactions to source documentation. We focussed on transactions close to year-end in order to mitigate the risk of cut-off in revenue recognition. A significant part of Brill's revenue recognition is dependent on information provided by third parties. We described our audit procedures in further detail in the key audit matter 'reliance on third parties';
- With respect to the risk of bribery and corruption across various countries, we performed a detailed risk assessment on contracts that Brill enters into with sales agents. We considered the possibility of fraudulent or bribery-related payments made through sales agents;
- We incorporated an element of unpredictability in our audit;
- We considered the outcome of our other audit procedures and evaluated, while using our professional judgement and scepticism, whether any findings or misstatements were indicative of fraud;
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;
- As to the other laws and regulations, we inquired of the management board and/or the supervisory board as to whether the entity is in compliance with such laws and regulations.

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 first two key audit matters are similar in nature to the key audit matters we reported in 2018. In 2018, we included a key audit matter relating to the completeness of third-party sales. In 2019, management took action to resolve this matter and therefore it did not require significant time and attention in the audit. In 2019, a change in the IT environment by a third-party service organization had a direct impact on Brill's financial reporting process. We considered this matter to be a key audit matter in 2019, because a significant part of the Group's revenue is dependent on information provided by that third party.

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.

Key audit matter	*Our audit work and observations*
Deficiencies in internal control environment *The internal control deficiencies and related impact are included in the section 'Risk management' in the management board's report and in the supervisory board's report of the annual report.*	***Deficiencies in internal control environment***
During the last two years, the Company followed up on internal control deficiencies reported by us in prior years. As part of our examination of internal controls, we noted that (significant) control deficiencies were not yet resolved during 2019 and that the internal control environment, in particular in the areas of information technology and revenue, was not sufficiently improved to mitigate the risks of a material misstatement to an acceptable level. Therefore, the identified internal control deficiencies impacted the design of our audit. Consequently, we performed a substantive, rather than a controls-based audit on the related areas of the financial statements. We therefore consider this matter as a key audit matter.	We evaluated internal controls in key business processes and assessed the actions taken by the Company in 2019. We communicated the deficiencies that are still applicable. Based on the deficiencies noted, we planned a substantive audit approach rather than a controls-based approach. We designed and performed our substantive audit procedures to address the identified control deficiencies and to obtain sufficient appropriate audit evidence. These procedures included, amongst other procedures, testing significant samples of revenue transactions, substantive testing of inventories, substantive testing of paid advances, look-back testing of significant accounting estimates, review of logging files from the main financial IT systems and tracing standing data changes to source documents.

Key audit matter	*Our audit work and observations*
Significant assumptions in the valuation of intangible assets *Management's assumptions are included in 'Significant accounting estimates, judgements and assumptions' (note 2) and 'Intangible fixed assets' (note 6) in the financial statements.* As of 31 December 2019, the intangible assets include balances related to goodwill (€3.4 million), publishing rights (€15.9 million) and capitalized content costs (€11.4 million). 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.	
Goodwill and indefinite-lived publishing rights Goodwill and indefinite-lived assets are tested for impairment at least annually. The recoverable amounts of the cash-generating units (CGUs) have been determined based on value-in-use calculations based on the expected future cash flows from those CGUs. As explained in the financial statements, the cash generating units correspond to the six (2018: six) operating segments ARC, HIS, LAW, MIA, LLA and S&F. The operating segments are described in the segment information in note 17. The impairment tests included discounted future cash flows that contain significant estimates made by the Company. The most important assumptions included in the estimates related to the discount rate used, growth rates, market developments, development of cost of goods sold and personnel costs. Given their sensitivity, any change in the important assumptions would have a significant effect on the financial statements. Due to the highly specialized nature of Brill's portfolio, not all assumptions can be based on observable sector-wide market data. This especially complicated our assessment of the future sales growth rate used by the management board.	*Impairment assessment intangibles* We obtained the impairment tests prepared by the Company. We challenged the assumptions and estimates used in the impairment tests, including the determination of CGUs and the allocation of assets to CGUs. In challenging management's judgements and assumptions, we evaluated whether or not 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 2019 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 terminal growth rates. The potential effects of COVID-19 have not been considered, since it is a non-adjusting event.

Key audit matter	*Our audit work and observations*
Capitalized content costs As explained in note 6, content costs of internally developed publications, primary sources and information systems are recognized as intangible fixed assets. Content is recognized at cost and amortized over the lifetime based on the estimated pattern of consumption of the expected future economic benefits. The used method results in a non-linear amortization charge. Due to the high amount of capitalized content in the balance sheet, changes in the estimated pattern of consumption would have a significant impact on the annual amortization charge.	*Capitalized content costs* We evaluated the consistency and appropriateness of the accounting policy with respect to content and amortization of content. We tested capitalized content costs on a sample basis by agreeing selected capitalized content costs to supporting documents. We recalculated the amortization of content and agreed the inputs of the calculation to the underlying estimated consumption pattern. We assessed the quality of the estimated patterns by critically challenging management's assessment based on inquiry, reconciliation of estimates to available source documentation and by performing look-back procedures. More precisely, we challenged management on assumptions made regarding the useful life of content and the pattern of economic benefits.
Reliance on third-party service organization *Reliance on the third-party service organization is included in the section 'Risk management' (outsourcing risk).* In line with prior years, Brill engages an external service organization in both the UK and the USA, providing significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting. Brill heavily relies on a third-party service organization in its revenue process. In 2019, the Company was impacted by performance issues after the implementation of a new IT system at the service organization. The performance issues significantly affected Brill's operations and financial reporting. Together with the service organization, Brill's management was able to resolve these issues.	*Reliance on third-party service organization* We considered the potential effects on the preparation of the financial statements of the Company because of the performance issues after the implementation of the new IT system at the service organization. The service organization's auditor issued an ISAE 3402 type 2 report to Brill concluding on the internal controls of the service organization during the year. The group engagement team visited the service organization and performed a review of the file of its auditor to evaluate the sufficiency and appropriateness of the evidence provided by the report. We substantively followed up on the new control deficiencies reported in the service organization's controls report. In addition, we observed inventory counts close to the balance sheet date. And we tested revenue transactions in detail around year-end including subsequent receipts of payments by trade debtors.

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:

- Management Board's Report for the Year 2019;
- Supervisory Board's Report regarding the year 2019;
- Remuneration Policy and Report;
- Other information;
- Supplemental 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 of the Dutch Civil Code and the sections 135b and 145 subsection 2 of Book 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 135b subsection 7 of Book 2 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' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 135b and 145 subsection 2 of Book 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. In 2019, our appointment has been renewed by the general meeting of shareholders for one year, representing a total period of uninterrupted engagement appointment of 5 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

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.

Other matter – changes to the auditor's report

After we issued our original auditor's report dated 7 April 2020, we noted that the auditor's report was not in line with the applicable auditing standard, even though our unqualified opinion as included in our auditor's report remains appropriate. We previously issued an auditor's report including an emphasis of matter regarding COVID-19, which was positioned after the 'Key audit matters' section. This emphasis of matter referred to note 2 of the accompanying financial statements where material uncertainties are described indicating that the impact of COVID-19 creates a material uncertainty that may cast significant doubt upon the entity's ability to continue as a going concern.

However, the relevant auditing standard requires a separate section under the heading 'Material uncertainty related to going concern' with predefined wording and that this section is positioned after 'The basis for our opinion' section. The required changes are corrected in this auditor's report by inclusion of the appropriate section after 'The basis for our opinion', reiterating the reference to the material uncertainty related to going concern as disclosed in the financial statements. Consequently, our previously issued auditor's report is declared invalid and should not be relied upon. Our audit work was completed on 7 April 2020 and, in forming our auditor's opinion at that time, we considered the effect of events and transactions of which we became aware and that occurred up to that date. We have not performed further audit procedures regarding the financial statements after that date.

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 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 2020, except in relation to changes to the auditor's report as explained in the section 'Other matter – changes to the auditor's report', which is as of 12 June 2020

PricewaterhouseCoopers Accountants N.V.
Original has been signed by drs. J.W. Middelweerd RA

Appendix to our auditor's report on the financial statements 2019 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 safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

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

ACTIVITIES

Of the total number of outstanding shares as of 31 December, 2019 (nominal value of 0.60), 1,834,463 registered depositary receipts were issued and 39,981 registered shares were included in the shareholders' register. The registered depositary 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. (formerly SGG Netherlands N.V.) (Hoogoorddreef 15, 1101 BA Amsterdam), the trust office's administrator. The costs of administration amounted to 59.5 thousand in 2019 (47.0 thousand in 2018). The trust office's chairman receives a remuneration of 9 thousand on an annual basis and the other two board members each receive a remuneration of 7.5 thousand on an annual basis.

In the year under review, the Board met physically on 11 April, 2019. During this Board meeting, the 2018 Annual Report and financial statements, the company's strategy and its implementation and the general course of events within the company were discussed. In addition, the agenda for the General Meeting of Shareholders was discussed. The decision was made to refrain from voting in relation to all motions tabled. Further, the Board discussed the proposed appointment of Mr. Theo van der Raadt as supervisory director of the company. In addition and in connection with the entry into force on 1 July, 2019 of the Law on the Conversion of Bearer Shares, the Board resolved on 22 August,2019 to amend the administration conditions of Stichting Administratiekantoor Koninklijke Brill. On 29 August, 2019 after close of stock market, the conditions have been changed and the bearer depositary receipts have been converted into registered depositary receipts.

In the company's General Meeting of Shareholders which took place on 16 May, 2019, 98.2% of the company's issued capital was represented. The trust office granted authorization to holders of 58.6% of all depositary receipts to vote independently on the shares for which they held the depositary receipts. The trust office refrained from exercising the right to vote on the shares for which no voting instruction was issued. For the depositary receipts of shares for which the trust office received a voting instruction, the trust office casted a vote in the meeting.

BOARD COMPOSITION

At 31 December, 2019, the composition of the trust office's Board was as follows:

Name	Appointed	In office until	Position
Marco P. Nieuwe Weme, Prof. LL.M.	2016	2020	Chairman
Joost C. Kuiper, LL.M.	2018	2022	Member
Yvonne C.M.T. van Rooy, LL.M.	2016	2020	Member

Ms. Van Rooy will step down in 2020, because she will then have held position for the maximum term of appointment. The Board intends to appoint as her successor Ms. Pauline van der Meer Mohr, among others, chairman of the Dutch Monitoring Committee Corporate Governance Code, deputy chairman of the Supervisory Board of Royal DSM N.V. and chairman of the Supervisory Board of EY Nederland, for a term of four years. Ms. Pauline van der Meer Mohr complies with the requirements of the profile of the trust office's Board, in particular as to her extensive knowledge of and experience in corporate governance matters. Further. The Board intends to reappoint Mr. Marco Nieuwe Weme as chairman in 2020 for a term of four years.

CORPORATE GOVERNANCE

The trust office's Board does not adhere to the principle of the current Dutch Corporate Governance Code regarding the protective nature of the depositary 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 in terms of size and special position.

The trust office will always issue voting proxies to depositary 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 depositary 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 depositary 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 depositary 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 depositary receipts for shares means that the interest of depositary 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 depositary 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 behavior. Except in the event of special circumstances, the Board does not intend to convene meetings of depositary 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, 2020

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 and those of companies affiliated with it in a group, as well as those of businesses maintained by the company and/or by companies affiliated with it in a group, in such a way as to ensure that the interests of the company and the group companies and businesses referred to, as well as the interests of all parties involved, are safeguarded to the greatest extent possible and factors that could adversely affect the independence and/or the continuity and/or the identity of the company and the group companies and businesses referred to are resisted to the greatest extent possible. Stichting Luchtmans endeavors 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, particularly the right to vote conferred by those shares.

Stichting Luchtmans has been granted a call option that gives it the right, in the event of hostile action or imminent hostile action against the company, to take a number of cumulative preference shares equal to, at most, 100% of the shares and depositary 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 depositary receipts are listed on the Euronext Amsterdam NV exchange.

At the end of 2019, the composition of the foundation's Board was 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
Joris P. Backer, LL.M.	2008	2020	Secretary/treasurer
Tanja Bender, Prof. LL.M	2017	2020	Member

The Board of the foundation aims to meet at least once a year. Two meetings in person took place in 2019 (30 January and 17 April). In these meetings, the company's 2018 results, the implementation of the strategy, financing, acquisitions, market developments, and the general course of events within the company were discussed. The reappointment of Mr. Spruijt was discussed. Because of his ample expertise in the field of (international) publishing, Mr. Spruijt has proven to be of great value to the Board. Therefore, the Board has decided to reappoint him for another 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, 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, 2020

Stichting Luchtmans
The Board

ABOUT THIS ANNUAL REPORT

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

COLOPHON

Design and layout
Remco Mulckhuyse
Coördesign, Leiden

Cover illustration
Detail of illustration Coat of arms of the Della Scala (Scaliger) family.

Printing and binding
Lenoirschuring, Wormeveer

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BRILL