



BRILL

ANNUAL REPORT 2021

KONINKLIJKE BRILL N.V.

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Supervisory Board

Members

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice Chairman)

Management Board

Members

Peter Coebergh

Jasmin Lange

Wim Dikstaal

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

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Management Board's Report for the Year 2021

Introduction by the CEO

During the second year of the COVID-19 pandemic, Brill continued not only to successfully manage its business as usual, but also to make significant progress on two key strategic objectives: increase of scale and become a digitally driven publishing house. The acquisition of the publishing houses Vandenhoeck & Ruprecht and Böhlau (together referred to as V&R) in Germany and Austria was yet another important development in Brill's 339 years as a leading independent academic publisher.

Total revenue grew by 23.8%, primarily due to the above-mentioned acquisition, and by 2.1% organically. For the first time, Brill's EBITDA surpassed euro 7 million. Gross margin, operating profit and net profit all improved as well, despite the costs incurred associated with the integration of V&R.

Based on the 2021 financial results, but also taking into account our ongoing interest in expanding Brill's footprint both organically and through acquisitions, an all-cash ordinary dividend of euro 0.90 per (certificate of) ordinary share will be proposed at the Annual General Meeting (AGM) of Shareholders.

Strategic Progress in 2021

Strategically, 2021 was an important year. During the first year of the pandemic, Brill already perceived an increasing number of opportunities to acquire independent publishing houses for which COVID-19 might pose one challenge too many. On 28 February 2021 we came to an agreement with the Ruprecht family to acquire the assets of their publishing houses Vandenhoeck & Ruprecht and Böhlau (V&R), founded in 1735 in Göttingen (Germany). In terms of additional revenue V&R represents the largest acquisition in Brill's history. The acquisition of V&R strengthens our international market position as well as our standing in the important Humanities market in Germany. V&R's business profile is nearly identical to Brill's, thereby offering ample opportunities to realize operational savings and revenue growth by bundling our offerings to the market. We are proud to be able to state that in 2021, V&R performed well above expectations in terms of profitability.

Important progress was also made in Brill's second key strategic objective: becoming a digitally driven publishing house. In April 2021 we strengthened our management by appointing a VP Technology, bringing key operational and strategic IT and digitalization knowledge in-house. Under his leadership the Brill's digital infrastructure will be further developed and improved.

In 2021, Brill launched the first part of the Brill Book Archive. This project aims to digitize nearly the complete archive of books published during Brill's rich history. The product was launched at the end of 2021 and made a significant contribution to the important Q4 sales period. Despite the continued cancellation of in-person academic conferences, we continued to acquire high-quality content. Twenty journals, more than 30 book series and several online reference works and primary sources were added to our programs. One of the highlights is the journal *Folio Primatologica*, which was founded in 1963 and will publish its first issue at Brill in 2022.

Operational Progress in 2021

In order to focus on improving the company's IT infrastructure, the Operations department was reorganized and a new Technology department created. Several new IT staff members with profiles crucial for our future digital development were recruited. Numerous projects were launched and implemented, including an upgrade of the ERP system and the introduction of a new digital workplace environment.

Our UK-based global distributor continued to suffer performance issues. For Brill, the repercussions were particularly impactful on 2021 journal revenue. Disappointing journal renewal results were revealed only toward the end of summer leaving limited opportunities to recoup non-renewed subscriptions. As a result, our journal revenue shows a small decline compared to 2020. Measures have been implemented to improve the renewal process and resume our positive journal growth trend of the past few years.

Distribution channels, especially in the US, were also hampered by a shortage in personnel due to COVID-19 and the associated changes in the labour market, leading to delays in book deliveries and sales at the end of 2021.

The integration with V&R was a key operational process in 2021. Immediately following the acquisition, integration teams were created and a global matrix organization was introduced and implemented. The integration process, which will continue for another year, achieved the planned timeline, within budget.

People and Society

On 6 April 2021 our CFO Olivier de Vlam passed away after a period of illness. Today, we continue to miss his spirit and knowledge and remain grateful for his contributions during his too short tenure as our CFO. Wim Dikstaal replaced Olivier de Vlam as CFO, and the Supervisory Board has the intention to appoint him during the AGM on 25 May 2022 as statutory director.

In 2021, Brill updated its Corporate Social Responsibility (CSR) policies and Environmental, Social and Governance (ESG) ambitions (refer to Corporate Sustainability section). Brill's Corporate Sustainability program is driven by our membership of the UN Global Compact and our commitment to contribute to the 17 Sustainable Development Goals. These goals play a central role in our publishing program, as they represent core themes in the research we publish, but they also shape the way we do business. Key elements include reducing Brill's CO2 footprint, inclusivity and gender equality.

Our Open Access and Open Science business once again grew significantly and several Open Access transformative agreements were reached with large university consortia and individual universities.

The year 2021 was again a departure from traditional routines due to the ongoing impact of COVID-19. Brill and V&R staff continued to conduct their work primarily from home, while also balancing family concerns. I would like to thank the entire staff and all other members of the Brill family - authors, editors, freelancers and suppliers - for their continuous support and commitment.

Future developments

The outbreak of the war in Ukraine has shocked the Brill community. The arguments being used to justify this war demonstrate once again the importance of understanding academic research in the humanities, social sciences and international law, and making such research accessible. Brill will continue to do our utmost to support these objectives, which are also laid down in our mission statement. While our business interests in the countries affected by the war are negligible, we continue to support free academic speech for all our authors and editorial board members. In 2022 we will continue working to realize our vision for 2025 (refer to Mission, Vision, Core Values and Corporate Strategy section): achieving by 2025 revenues of euro 60 million with an EBITDA margin of at least 17% and positioned as a digitally driven publishing house. Together with the ongoing V&R integration, this will require investments in people and tools that will make Brill even more future proof. We do not provide a detailed financial outlook for 2022 at this point.

As I will be leaving Brill following the AGM on 25 May 2022, I wish to use this opportunity to express that it has been a privilege to work with so many extraordinary colleagues and together build at the 'never finished' but always 'relevant and innovative' Brill.

I wish my future successor all the best and advise him/her to continue to follow the guidance provided by Brill's guardian angels: Pallas Athene and Hermes.

Leiden, 11 April, 2022

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 | Fink, Brill | Hotei, Brill | mentis, Brill | Nijhoff, Brill | Schöningh, Böhlau Vandenhoeck & Ruprecht and V&R unipress.

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

Due to the long-term value of scholarly information in the humanities, the lifespan of and demand for our products is generally long. All book titles published after the year 2000 are available in e-book format and several of our much older and long-running book series have been digitized and offered to the market as collections. This initiative, together with the emergence of print on demand (POD) technology, has extended our product lifecycles even further. In this way, too, we assure our authors that books from Brill will remain permanently available.

Publishing Rights and Distribution

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

International Authors and Clients

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

Marketing and Sales

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

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

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

Organization

Brill is a centrally managed company with several corporate and delegated functions and with its headquarters in Leiden, the Netherlands. Furthermore, Brill has offices in Boston (US), Paderborn, Göttingen and Cologne (Germany), Vienna (Austria), Singapore, and Beijing (China).

KEY FIGURES

All amounts in EUR 1,000

	2021	2020	2019	2018	2017
Results					
Revenue	46,865	37,859	37,128	35,951	36,394
Gross profit	33,838	26,372	25,922	24,383	23,843
EBITDA ^[1]	7,203	6,600	5,183	3,623	4,156
Operating profit	4,453	4,502	3,291	2,360	3,315
Profit for the year	3,036	2,896	2,162	2,304	2,260
Free cash flow ^[2]	3,402	4,515	2,164	817	-43
Average invested capital ^[3]	25,093	24,539	24,390	23,394	22,352
Growth compared to previous year					
Revenue	23.8%	2.0%	3.3%	-1.2%	13.1%
Gross profit	28.3%	1.7%	6.3%	2.3%	13.4%
EBITDA ^[1]	9.1%	27.3%	43.0%	-12.8%	-7.6%
Operating profit	-1.1%	36.8%	39.5%	-28.8%	-10.7%
Profit from continued operations	4.9%	34.0%	-6.2%	1.9%	-19.2%
Profitability					
Gross profit as % of revenue	72.2%	69.7%	69.8%	67.8%	65.5%
EBITDA ^[1] as % of revenue	15.4%	17.4%	14.0%	10.1%	11.4%
Operating profit as % of revenue	9.5%	11.9%	8.9%	6.6%	9.1%
Revenue/average invested capital	1.9	1.5	1.5	1.5	1.7
NOPLAT ^[4] as % of revenue	7.1%	8.9%	6.6%	5.0%	6.7%
ROIC ^[5]	13.3%	13.8%	10.1%	7.6%	11.1%
Balance sheet ratios					
Shareholders' equity/total assets	41.4%	44.6%	40.9%	42.5%	56.0%
Current assets/current liabilities ^[6]	0.88	0.92	0.75	0.75	0.95
Personnel					
Average number of employees (FTE)	227	161	165	167	161

^[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 17.

^[2] Free cash flow = net cash flow adjusted for cash flow from financing activities. See note 12.

^[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 16.

^[4] Net operating profit less adjusted tax. See note 16.

^[5] Return on Invested Capital = NOPLAT divided by invested capital. See note 16.

^[6] 2017 impacted by reclassification of content to fixed assets.

DATA PER SHARE

In euros, based on weighted average number of outstanding shares

	2021	2020	2019	2018	2017
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	13.22	12.76	11.32	11.09	14.62
Increase/(decrease) in %	3.6%	12.7%	2.0%	-24.2%	-0.5%
EBITDA per share	3.84	3.52	2.76	1.93	2.22
Increase/(decrease) in %	9.1%	27.5%	43.0%	-12.9%	-7.6%
Earnings per share	1.62	1.54	1.15	1.23	1.21
Increase/(decrease) in %	5.2%	33.9%	-6.2%	1.6%	-19.1%
Free cash flow per share	1.81	2.41	1.16	0.44	-0.02
Increase/(decrease) in %	-24.9%	107.8%	163.6%	2,001.0%	-101.9%
Dividend per share (for 2021 proposed)	0.90	1.25	0.00	0.85	1.32
Increase/(decrease) in %	-28.0%	n.a.	-100.0%	-35.6%	0.00%
Payout ratio	55.6%	81.2%	0.0%	70.0%	109.1%
Extraordinary dividend per share	0	0	0	0	3.00

SHAREHOLDER INFORMATION

The Share Listing

Koninklijke Brill N.V. has been listed on Euronext Amsterdam since July 1997. The number of shares outstanding with a nominal value of EUR 0.60 was 1,874,444 on 31 December 2021 (on 31 December, 2020, it was 1,874,444). Of the total number of shares outstanding as of 31 December 2021, 1,834,463 registered depository receipts were issued and 39,981 registered shares were recorded in the share register. The registered depository receipts were issued in denominations of 1X EUR 0.60, 10X EUR 0.60, 100X EUR 0.60 and 1,000X EUR 0.60 nominal. Only registered depository receipts are listed on Euronext Amsterdam.

The register of shareholders of Koninklijke Brill N.V. is managed by:

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IQ EQ also acts as administrator of the Stichting Administratiekantoor Koninklijke Brill N.V.

The Brill Share

	2021	2020	2019	2018	2017
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	26.00	23.00	24.60	41.20	37.36
Lowest share price during the year	17.60	13.20	18.20	17.20	27.29
Share price at year end	24.80	18.30	20.40	17.80	35.50

Of the receipts, 65% are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depository receipts, on 31 December 2021, have reported an interest of 3% or more to the Dutch Authority Financial Markets:

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

Dividend Policy

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

Financial Agenda 2022

Announcements of Results 2021

7 April 2022 after stock market close

Publication Annual Report 2021 on Corporate Website (Brill.com)

13 April 2022

Trading Update First Quarter 2022

14 April 2022 after stock market close

Annual General Meeting of Shareholders

25 May 2022 (at Brill premises)

Publication of Results First Half Year 2022

30 August 2022 after stock market close

Trading Update Third Quarter 2022

27 October 2022 after stock market close

Investor Relations

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

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

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MISSION, Vision, CORE VALUES, AND CORPORATE STRATEGY

Mission

“We operate from a strong belief that the Humanities, Social Sciences, International Law and Biology are areas of scholarship vital for addressing today’s global challenges. This belief motivates us to offer authors and editors the best possible service and infrastructure to disseminate research. The relevance and high quality of the works we publish are key to the sustainability of our business.”

Vision

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

Core Values

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

Value Creation

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

Strategy

Based on our mission and core values, Brill’s corporate strategy centres on four long-term goals of which the first two are key focus points in our three year rolling strategic plan:

- *Expand scale*

We build on our leading position as the publisher of choice for many academic researchers in the humanities, social sciences, international law and selected fields of science. Additionally, we aim to enter adjacent segments where Brill’s key assets (reputation, service, distribution, infrastructure) can be leveraged. Expanding our position can be achieved organically or through acquisition, such as our recent acquisition of Vandenhoeck & Ruprecht in Germany. Brill actively explores acquisition opportunities based on clearly established priorities for areas where social, natural, and life sciences converge on subjects in which we are traditionally strong, such as language, philosophy and ethics, religion, history and biology. Furthermore, we are expanding our publishing formats for our library customers and are more actively managing and developing our traditional subscription-based business models towards new Open Access and evidence-based models. For our authors, we are developing additional services to help guide the publishing process.

- *Become a digitally driven publishing house*
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. With the appointment of a VP Technology in 2021 we introduced key digital and IT knowledge in our senior management. Creating a more balanced and efficient digital infrastructure will help us achieve the long-term goals set in our mission and corporate strategy. The implementation of a completely digital and cybersecure workplace to support this change began in 2021.
- *Publishing excellence*
A reputation for publishing excellence is key to the sustainability of our business. Brill's publishing strategy is to continually seek differentiation and competitive advantage by building on key strengths:
 - **Highly relevant content:** We aim to publish relevant research in the humanities, social sciences, and international law. The focus is on high-quality studies at a faculty level from upcoming as well as established authors. We communicate the relevance of our books and journals by highlighting not only the quality but also the societal impact of the research we publish.
 - **Strict quality control:** To remain relevant we must maintain and improve the quality of our peer review. This includes guidelines for the selection of editorial board members, training and recognition of peer reviewers, and investment in peer review systems (e.g. submission systems and anti-plagiarism software).
 - **Community building:** We work closely and collaboratively with the entire research community: authors, readers, editors, peer reviewers, librarians, institutional partners, funding bodies, societies, and new players such as research collaboration platforms.
 - **Best-in-class author service:** Brill's editorial department offers the best possible service to book authors, series editors, and journal editors. Having a stable editorial team with a combination of experienced and new in-house editors is key to offering such service. Editors must be well-trained and supported by efficient workflows to focus on relationship management and publishing services.
 - **Improved access:** The research we publish has an impact only if it is accessible. Apart from selling our content to specialized libraries around the globe, we believe that financially sustainable Open Access models are the best way to improve access to our authors' research.

- *Develop market presence*

We invest in our marketing and sales execution capabilities and operate from numerous 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 mission statement, author services, and the Brill platforms will be actively promoted as well.

VALUE CREATION PROCESS AT BRILL

Stakeholder	Indicators of value created	Progress in 2021
Authors	<ul style="list-style-type: none"> - Number and reputation of authors publishing with Brill - Publishing experience at Brill - Quality of publications - Extent of distribution offered - Publication format range offered 	<ul style="list-style-type: none"> - Brill excluding V&R: 1,471 book titles published versus 1,435 in 2020. V&R published 596 book titles - Brill excluding V&R: 926 journal issues published versus 905 in 2020. V&R published 145 journal issues - Brill Book Archive launched, two full sets and several sub-sets sold
Librarians and funders	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - New national transformative agreements, one in Australia and one in New Zealand - Further increase of EBA (Evidence Based Acquisition) deals in 2021
Readers	<ul style="list-style-type: none"> - Quality of publications, print and online - Ease of search, ease of access, usability - Platform usage - Quick availability of print publications 	<ul style="list-style-type: none"> - In 2021, Brill started with a new measuring method for E-book usage, which makes the comparison difficult, but overall there is a significant increase. E-book usage in 2020 was 993.381 full text downloads (old measuring method), E-book usage in 2021 was 2.753.370 full text downloads (new measuring method). At V&R E-Book usage increased by 21%
Investors	<ul style="list-style-type: none"> - Growth - Margin - ROIC 	<ul style="list-style-type: none"> - Revenue growth 23.8% - EBITDA margin 15.4% - ROIC 13.2%

Staff	<ul style="list-style-type: none"> - Inclusivity - Turnover 	<ul style="list-style-type: none"> - Female vs male 65%/35% - Offboarded 21 FTE, onboarded 110 FTE (including 72 from V&R acquisition)
Global community	<ul style="list-style-type: none"> - Active support for the global cause of humanities - Corporate initiatives tied to core capabilities - Overall corporate citizenship 	<ul style="list-style-type: none"> - Humanities Matter campaign via blogs and podcasts - Continued sponsorships for local museums and initiatives - Embedded UN Global Compact strategy, see paragraph on CSR

PUBLISHING PROGRAM

In 2021 Brill realized one of its long-term strategic goals of developing a second home market by significantly growing our market presence in Germany. The acquisition of Vandenhoeck & Ruprecht Verlage is an important historical step for our global publishing team which strengthens our program both in the humanities and social sciences. With their distinct profiles, the imprints Vandenhoeck & Ruprecht, Böhlau and V&R Unipress fit seamlessly in Brill's family of imprints as we share common core values and strategic focus on publishing excellence. Next to nationally and internationally renowned book series and journals in History, Theology, Religion, Classics, Literature Studies, Cultural Studies and Art History, Vandenhoeck & Ruprecht has a strong list in Psychology, Psychotherapy, Pedagogy and Social Work. Titles in this portfolio are developed for the academic as well as practitioner market. The acquisition represents an expansion into a highly attractive adjacent field and we expect further growth opportunities in this area for Brill globally.

In the summer of 2021 the journal *Folia Primatologica*, founded in 1963, was acquired from Swiss-based publisher Karger. The first issue of the journal is set to publish at Brill in April 2022. *Folia Primatologica* fits well into our program in Behavioural Biology and Primatology and will strengthen the entire list, making our Biology journal collection stronger and more competitive. Biology is the only natural science in Brill's portfolio. We will continue to grow this program as it has strong ties to selected fields in the humanities and social sciences, and conforms with our mission statement to publish in areas of scholarship vital for addressing today's global challenges. Our focus will remain on Behavioural Biology, Entomology, Zoology, Ecology, Botany, Environmental Studies and Nematology – research fields which all seek to understand life on earth and how the diversity of life relates to us as human beings.

After nearly all academic in-person conferences were cancelled in the first year of the pandemic, a modest number of smaller and medium-sized in-person or hybrid events returned in 2021. The highlight was the annual meeting of the American Academy of Religion and the Society of Biblical Literature in San Antonio, Texas, which is traditionally Brill's largest event. It was a huge pleasure and an energizing experience to welcome back our highly valued authors and editors at our conference booth.

Journals

The publishing team continued to acquire most new projects virtually, in the absence of opportunities to meet in person. The following journals were added to the program in 2021: *Journal of Black Religious Thought*, *Journal of Religious Minorities under Muslim Rule*, *Religion and Development* (OA), *The Vatican Library Review*, *Counseling and Values*, *Contemporary Arab Affairs*, *Journal of Arabic Studies* (OA), *Folia Primatologica*, *International Journal of Social Imaginaries*, *Innovation in the Social Sciences* (OA), *Journal of Pacifism and Nonviolence*, *Research in STEM Education*, *Scottish Educational Review* (OA), *The Italian Review of International and Comparative Law*, *Journal of Central Asian History*, *Caucasus Survey*, *TRANSPOSITIONES. Journal for Interdisciplinary and Intermedial Cultural Studies* (OA), and *ARTES Zeitschrift für Literatur und Künste der frühmodernen Welt*.

Books

Brill's major publication of the year was the first part of the *Brill Book Archive* (BBA) which was launched in mid-October during the Frankfurt Book Fair. The product contains 3,900 eBooks published between the years 2000 and 2006 and 4,800 titles published in 43 flagship book series. The interest of libraries in the product exceeded our expectations. Already in the first two months after publication several sales were realized and promising leads for the next year generated. In 2022 we will prepare the launch of the second part of the BBA which will contain several thousand books published before the year 2000.

In order to further grow our book list and e-book collections, we added more than 30 new book series to the program such as *Eastern and Central European Voices in Theology and Religion*, *Death in History, Culture, and Society*, *Studies in Peace History*, *Queer Studies in Education*, *Arctic Humanities*, *Contact Languages*, *Endangered and Lesser Studied Languages (OA)*, *Agriculture and the Making of Science 1100 – 1700 (OA)*, *Perspectives of Medical History*, *Legal Unity and Pluralism*, *Medienakteure der Moderne*, *Comparative Law in Global Perspective*, *Studienkommentare zu lateinischen und griechischen Texten*, *Culture – Environment – Society: Humanities and Beyond*, *Plutarchs Moralia*, *Eric Voegelin Studies: Yearbook*, *Aesthetic Practice*, and *Bochumer Schriften zur Unternehmensgeschichte*. When setting up and acquiring a new book series, we focus on filling gaps in upcoming and growing research fields which promise a steady flow of high-quality manuscripts.

Reference Works and Primary Sources

Major reference works are a stable source of income for Brill while in 2021 primary source collections outperformed our expectations. New titles include *Brill's Online Encyclopedia of the Dead Sea Scrolls*, completing one of our most successful product lines, the *Encyclopedia of Public International Law in Asia*, and *Schlegel Online*, an edition of the works of the German poet and philologist Friedrich Schlegel. Several handbooks and handbook series were acquired in International Law, Language and Linguistics, History, Literature and Cultural Studies as well as Asian Studies. New primary source collections will be added in Latin American Studies and Asian Studies.

Open Access

The focus for Open Access was on generating recurrent revenue from multi-year agreements in order to add a reliable stream of revenue to individual Open Access book and article revenues. We reached a third national Open Access journal deal in Sweden, and closed two journal deals with individual universities in Austria. This has resulted in steady growth of Open Access articles and ensures that we remain competitive for authors in our key research fields. In addition, we reached several multi-year publishing partnerships for Open Access book series and journals. Our new partners include the Max Planck Institute, the National Institute for Japanese Language and Linguistics, the University of Bayreuth, the Abu Dhabi Arabic Language Center, among others; as well as a prestigious research project funded by the European Research Council.

Publication Ethics

After being confronted with a flurry of publication ethics violations in 2018 and 2019, Brill responded decisively by implementing solutions and strategies to ensure the integrity of our practices and publications. Measures undertaken included the review of our policies, contracts, procedures and the introduction of a Publication Ethics Committee. In 2021 we further strengthened our publication ethics by implementing an efficient and consistent framework for retractions, expanding the use of anti-plagiarism software, formulating an HSS-appropriate data sharing policy, and preparing the launch of a book series on research integrity. In the coming years Brill aspires to become a leader in publication ethics for the humanities and social sciences by serving as an interpretive liaison between STM and larger publishers and our mid-size counterparts.

FINANCIAL REPORT

Key Figures

in thousands of euros	2021	2020	Change
Revenue	46,865	37,859	23.8%
EBITDA	7,203	6,600	9.1%
Operating profit	4,453	4,502	-1.1%
Free cashflow	3,402	4,515	-24.7 %
Profit, attributable to shareholders of Koninklijke Brill N.V.	3,036	2,896	4.9%
Profit per share in euro	1.62	1.54	4.9%
Underlying profit	3,764	3,525	6.8%
Underlying profit per share in euro	2.01	1.88	6.8%
Dividend (proposed 2021) in euro	0.90	1.25	
Key Financial Performance Indicators			
Organic revenue growth	2.1%	2.2%	
ROIC	13.3%	13.8%	
EBITDA margin	15.4%	17.4%	

Revenue

Brill's revenue increased by 23.8% in 2021, mainly driven by the acquisition of Vandenhoeck&Ruprecht (V&R). Excluding V&R, revenue grew organically by 2.1%. See the table below for growth by product type excluding V&R.

(In thousands of euro)	2021	2020	Organic growth	Growth
Print books	16,865	13,511	-15.6%	24.8%
eBooks	16,278	12,196	22.2%	33.5%
Journals	12,322	11,075	-1.3%	11.3%
Primary sources	1,400	1,078	31.8%	29.9%
Total	46,865	37,859	2.1%	23.8%

The decline in print book sales continued, accelerated by the COVID-19 pandemic. The sale of eBooks more than compensated for this trend, driven by new business models such as Evidence Based Acquisitions and the Brill Book Archive. Total book revenue increased organically by 2.4%.

Our UK-based global distributor continued to experience performance issues, which particularly affected 2021 journal revenue. A disappointing journal renewal result was noted only at the end of the summer, providing little time to recoup non-renewed subscriptions. As a result, journal revenue shows a small organic decline compared to 2020. Measures have been taken to improve renewal processes and to resume the trend in journal growth of the past few years.

Revenues of primary source products are driven mainly by larger, non-subscription based deals. In 2021 an increased number of such deals were realized, resulting in substantial growth in revenue for this product type.

(In thousands of euro)		% of total growth	Year on year growth
Revenue 2020	37,859	100.0 %	
Print books	-2,101	-5.6%	-13.5%
eBooks	2,707	7.2%	20.0%
Journals	-147	-0.4%	-2.9%
Primary sources	345	0.9%	31.8%
Organic revenue 2021	38,663	102.1 %	2.1%
Acquisitions	8,516	22.5 %	
Currency	-314	-0.8%	
Total revenue 2021	46,865	123.8 %	23.8%

Our 2021 revenue was negatively impacted by the movement in the exchange rate of the US dollar, causing a -0.8% decline.

Vandenhoeck&Ruprecht, acquired in Q1 and included in our numbers as from March, performed above expectations. The consolidated revenue of the Group by product type, reporting V&R separately, was as follows:

(In thousands of euro)	Brill excluding V&R	V&R	Total
Print books	11,292	5,573	16,865
eBooks	14,744	1,534	16,278
Journals	10,913	1,409	12,322
Primary sources	1,400	0	1,400
Revenue 2021	38,349	8,516	46,865

Revenue generated through digital products was EUR 25.7 million or 55% of total, versus EUR 21.2 million or 56% of total in 2020. The percentage of digital revenue declined slightly due to the acquisition of V&R; organically the percentage of digital revenue increased to 63%.

Cost of Goods Sold and Operating Expenses, EBITDA

Gross margin improved to 72.2% from 69.7% in 2020, due to the acquisition of V&R, continuous efforts for cost savings and the change in revenue mix from print to digital. V&R has a relatively high gross margin due to a high number of print book grants.

Total operating expenses increased by around EUR 1 million (excluding the impact of the acquisition of V&R) compared to 2020. Personnel costs (excluding V&R) increased by around EUR 800 thousand, caused by the hiring of additional FTEs as we invested in Technology staff, and filled vacancies remaining open from 2020 when a hiring freeze as part of the COVID-19 measures was introduced. Other operating expenses (excluding V&R) increased by approximately EUR 200

thousand, primarily because 2020 results included one off benefits from a COVID-19 relief funding in the US (PPP subsidy) and the benefit of a claim against our distribution partner. As in 2020, costs for travel and visiting academic conferences were lower than usual due to COVID-19 related restrictions. It is estimated that approximately EUR 750 thousand would have been spent on travel and conferences without such restrictions in place.

In 2021, costs of EUR 993 thousand were recorded related to the acquisition and integration of V&R, EUR 168 thousand in revaluation result on financial assets and EUR 124 thousand from the release of accrued costs for our profit improvement plan, which began in 2018 and was finalized in December 2020. These three exceptional cost items are reported outside our EBITDA.

There are no special events that should be taken into account for the financial statements.

Depreciation and Amortization, and Financing Income and Costs

Depreciation and amortization, other than recognized in cost of goods sold, developed in line with expectations.

Profit and Profit per Share

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

In 2021, the Dutch government increased the corporate income tax rate from 25% to 25.8%. Consequently, in our statement of financial position, the deferred tax liability increased by EUR 160 thousand and the same amount was added to the tax charge in the statement of profit or loss. Underlying net profit, excluding one-off expenses and benefits related to the acquisition of V&R, revaluation of financial assets, the release of a restructuring provision and a one-off tax impact, amounted to EUR 3.8 million in 2021, an increase of 7.0% compared to 2020 (EUR 3.5 million). This translates into an underlying earnings per share of EUR 2.01 for 2021, which forms the basis for the dividend proposal. Reported net profit for 2021 came in at EUR 3.0 million (2020: EUR 2.9 million).

In thousands of euro)	2021	2020	Growth
Profit before tax	4,317	4,427	-2.5%
Costs for the acquisition of V&R	993	262	
Costs of the 2018-2020 profit improvement plan	-124	308	
Revaluation of financial fixed assets and other	-168	0	
PPP Subsidy US (COVID-19 related)	0	-296	
Underlying profit before tax	5,018	4,701	6.8%
Tax, at the statutory rate	-1,255	-1,175	
Underlying net profit	3,763	3,526	6.8%
Non-benchmark items, after tax	-525	-206	
Change in deferred tax liability and other	-202	-424	
Profit attributable to shareholders of Koninklijke Brill N.V.	3,036	2,896	4.9%
Underlying earnings per share in EUR	2.01	1.88	
Earnings per share in EUR	1.62	1.54	

Operating Working Capital and Cash Flow`

Operating working capital excluding the effect of the V&R acquisition increased by EUR 1.5 million, mainly due to timing differences in payables related to corporate tax and VAT. Despite this, our cash

flow ended up EUR -0.5 million negative, mainly due to the acquisition of V&R for which EUR 0.8 million was used from our cash position (net of acquisition price EUR 3.7 million and proceeds from new interest bearing loan of EUR 2.9 million) and 1.0 was spent on advice and integration costs.

Return on Invested Capital

Return on Invested Capital (ROIC) decreased slightly to 13.3% compared to 13.8% in 2020.

Solvency and Liquidity

Total assets (EUR 59.9 million) increased versus 2020 (EUR 53.6 million), mainly due to the acquisition of V&R. Solvency (Shareholders' equity divided by total assets) consequently declined in 2021 to 41.4% (2020: 44.6%; target range of 40–60%). Our expectation is that this ratio will improve towards the middle of the range in the next three years.

Dividend

We adhere to our corporate solvency policy of 40–60% and to the covenants agreed upon with our main bank. Also, Brill will continue to pursue its capital management policy whereby strategic investments and add-on acquisitions must be funded within free cash flow. We therefore will propose at the Annual General Meeting of Shareholders, to be held on 25 May 2022, an all-cash ordinary dividend of EUR 0.90 per (certificate of) ordinary share. This is 55.6% of 2021 Earnings Per Share of EUR 1.62

Future developments

We continue to focus on the execution of our long-term strategy. A significant step in that strategy was taken by the acquisition of Vandenhoeck & Ruprecht on 1 March 2021. We remain committed to our long-term objective to be a digitally driven publishing house, with an average organic revenue growth of 2 to 3% and an EBITDA margin of more than 17%, with a return on invested capital showing material headroom to our weighted average cost of capital. Together with the ongoing V&R integration, this will require ongoing investments in people and tools that will make Brill even further future proof. Brill does not expect any extraordinary investments in IT or changes in personnel. In August 2021, the Group entered into a new the financing agreement that continues to support our strategy.

HUMAN RESOURCES

Organization

Brill is centrally managed with several corporate and delegated functions. The three statutory directors (CEO, CFO, CPO) form the Management Board. The primary business activities rest with the publishing units, which focus on the key subject areas in which Brill operates. The acquisitions editors within the publishing units are responsible for publication development and contact with editors and authors. Our sales teams are responsible for relationship building with academic libraries and trade partners. Marketing promotes our publications and services to authors and customers. They are all supported by three departments: Finance, Operations (including Technology) and HR. The Management Team consists of the VP Sales, VP Technology, the VP Marketing and the HR Manager. During the integration process of V&R, the Management Team has been extended to include the two German statutory directors. The Management teams meet once per month. Our local legal entities in Boston, Singapore, Paderborn and Vienna are managed by local statutory directors who meet regularly individually with the CEO.

The key internal factor determining the success of the company is its personnel. It is therefore important to recruit, develop, and retain skilled and motivated professionals. Brill's policy, which seeks to achieve this goal by offering a pleasant and motivating working environment, professional development and controlling the costs of personnel, is closely monitored by the Management Board and the Supervisory Board.

Key Figures

Average FTEs during the year 2021 was 226.9 versus 160.6 in 2020. The split of FTE as per year end was as follows:

FTEs	Year end 2021	Year end 2020
Publishing	102.3 [41,4%]	63.1 [39.8%]
Operations & Technology	75.7 [30,7%]	46.1 [29.1%]
Sales & Marketing	45.4 [18,4%]	34.5 [21.8%]
Finance, HR, Other	23.5 [9.5%]	14.7 [9.3%]
Total	246.9 [100%]	158.4 [100%]

The split of FTE by country was as follows:

FTEs	Year end 2021	Year end 2020
The Netherlands	126.5	107.7
Germany	86.9	22.6
United States	19.9	20.9
Austria	9.6	0.0
Singapore	1.0	1.4
China	1.0	2.0
Other	2.0	3.8
Total	246.9	158.4
International workforce	120.4	50.7

Workforce split by gender on headcount:

	2021	2020
Male	35.3%	41.9%
Female	64.7%	58.1%

The share of part-time workers decreased to 30.1% (2020: 33.3%) of the workforce.

Workforce split by full-time/part-time

	2021	2020
Part-time	30.1% [81]	33.2% [57]
Full-time	69.9% [188]	66.8 % [115]
headcount	100% [269]	100 % [172]

The age structure of the workforce was as follows:

AGE	2021	2020
20 - 29 years	14.0%	8.1%
30 - 39 years	25.0%	25.6%
40 - 49 years	24.0%	27.9%
50 - 59 years	23.0%	21.5%
Older than 60 years	14.0%	16.9%

The average age was 44.4 years old at the end of 2021 (2020: 46.6).

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

FTEs outflow	2021	2020
Retirement + passing away	3.4	4.0
Brill initiative		
Temporary contracts	3.0	4.3
Other	3.0	2.0
Own initiative		
Employment 0-2 years	5.7	1.0
Employment 2-5 years	4.0	0.7
Employment 5-10 years	1.0	0.0
Employment 10-15 years	1.0	1.0
Employment 15-20 years	0.0	1.0
Employment >20 years	0.0	0.0
Total FTE outflow	21.1	14.0
Total outflow in %	9.3%	8.7%

FTEs inflow	2021	2020
Acquisitions/divestment	72.0	0.0
Temporary contracts	3.5	0.0
Permanent contracts	68.5	0.0
Other	37.7	5.7
Temporary contracts	30.7	4.7
Permanent contracts	7.0	1.0
Total FTE inflow	109.7	5.7
Total inflow in %	40.8%	3.4%

In 2021, Brill N.V.'s pension plan changed from a Collective Defined Contribution (CDC) plan including a conditional indexation scheme to a Defined Contribution (DC) scheme, in compliance with the revised Dutch Pension System. In close cooperation and on the initiative of the Works Council's Pension Committee, preparations to redefine Brill's pension plan and change to an individually defined contribution (DC) were conducted and implemented. The scheme continues to be operated by Pensioenfonds PGB. No additional pension arrangements have been established for senior management.

RISK MANAGEMENT

Risk Management Policy

The risks and mitigations described below refer to the regular strategic risks present in Brill's business.

For details on financial risk management, please refer to note 16 of the Consolidated Financial Statements.

Brill's risk management policy is updated in the context of the corporate strategy. The company adopted an approach consistent with its scale, ambitions, and organizational structure.

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

Risk Classification

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

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

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

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



Risk Management Toolbox

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

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

Internal Control Framework – The framework of internal controls must provide reasonable assurance that:

- Business processes are carried out effectively and efficiently;
- Financial statements adequately reflect the business' financial position and development.

Business Policies – The framework of business policies must ensure that Brill can:

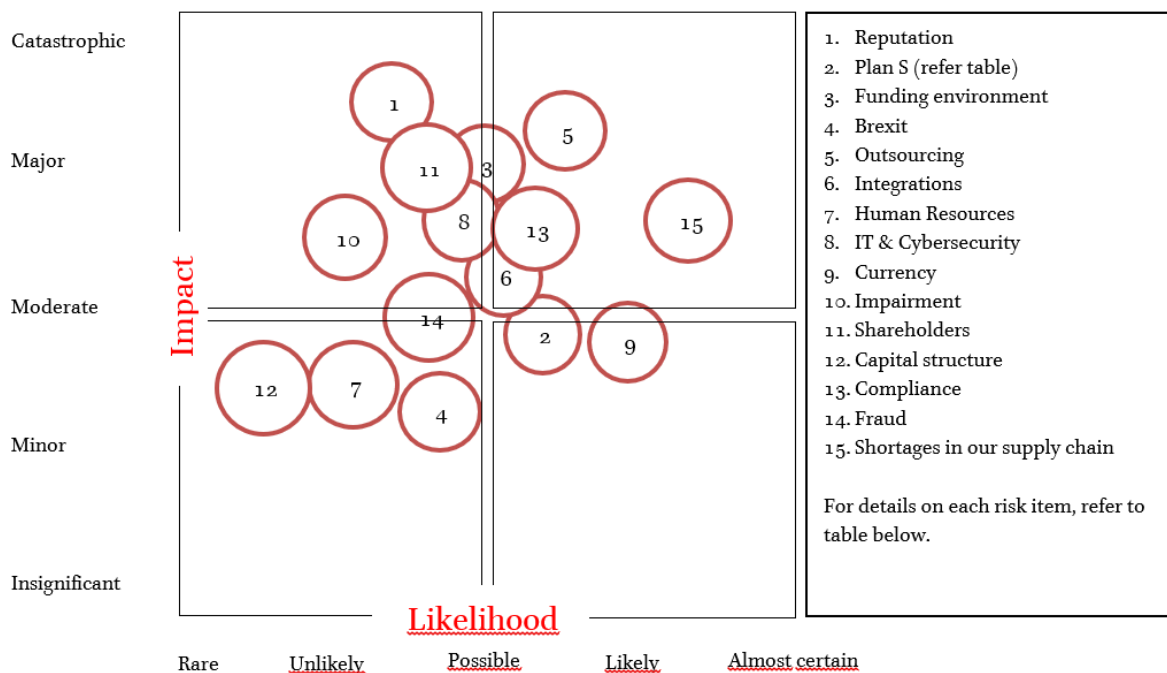
- Seize business opportunities;
- Avoid undue risk of losses to company assets;
- Execute its strategy.

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

Discussion of Specific Risks with Impact at the Strategic Level

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

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



The risk appetite ratings below should be interpreted as ranking measures rather than as an absolute, proportional measure of the net risk after mitigating actions. Risk appetite per category is based on an annual management assessment and discussed with the Supervisory Board.

Nature of the risk	Description of the risk	Objective threatened	Risk appetite (1=low & 5=high)	(Type of) mitigation
Market	1. <i>Reputation</i> : 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	<i>Organizational</i> : Organizational structure that enables the company to react and adapt flexibly to changing market circumstances. <i>Business policies</i> : Editorial policies including diligent peer review and checks on violation of publication ethics; communication policy; investor relations policy; code of conduct
	2. <i>Plan S</i> : Changing Open Access policies of major funding bodies like the ERC, UKRI, DFG, NWO.	Maintaining a sustainable journal program	3	Dedicated Program Manager Open Access. Active participation in Open Access discussions with relevant actors within the global science community.
	3. <i>Funding environment</i> : 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	2	<i>Business policies</i> : Increased focus on repeatable business, expansion into adjacent market segments, tap alternative funding sources, and support authors to procure funding for Open Access publication.
	4. <i>Brexit</i> : The impact of Brexit per January 1 2021 is still developing and may lead to distribution problems for our distributor based in the UK.	Profit improvement	2	POD printing is now possible at our distributor in the UK. Procedures have been adapted.

Operations	<i>5. Outsourcing:</i> Failed outsourcing may impact business continuity or quality and the pricing of services used leading to reduced competitiveness.	Enhance operating capacity	2	<i>Organizational:</i> Quality of Brill staff. <i>Control measures:</i> SLAs, vendor selection process, enhanced monitoring of SLA compliance. <i>Business policies:</i> Insurance, contingency, and back-up measures.
	<i>6. Integrations:</i> Limited capacity to integrate acquisitions.	Realizing benefits of new acquisitions	2	For the acquisition of Vandenhoeck & Ruprecht we are following a detailed integration plan and execution is monitored in bi-weekly meetings with the integration team and senior management.
	<i>7. Human Resources:</i> We may not be able to attract and retain the desired personnel.	Achievement of corporate strategy	2	<i>Business policy:</i> Develop Brill's employer reputation and culture as an attraction and retention mechanism.
	<i>8. IT and Cybersecurity:</i> 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	<i>Control measures:</i> IT general controls such as (software-enforced) segregation of duties and IT user and access management policies. <i>Business policies:</i> Contingency and back-up measures, security measures, communication on IT and cybersecurity risks.
Financing and other	<i>9. Currency:</i> Significant swings in the USD/exchange rate may impact our results	Improve financial performance	3	<i>Business policies:</i> Hedging policy (refer to financial statements).

	<p><i>10. Impairment:</i> 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.</p>	Improve financial performance	2	<p><i>Controls:</i> Review of material investments including acquisitions according to Chart of Authorization.</p> <p><i>Business policies:</i> Conservative valuation calculations for acquisitions, reduction of assets required to run the business, regular review of asset value in impairment tests.</p>
	<p><i>11. Shareholders:</i> Investors may not be willing to fund Brill's corporate strategy.</p>	Expand in current and adjacent subject fields and markets	2	<p><i>Business policies:</i> Investor relations policy, dividend policy, focus on financial performance improvement.</p> <p><i>Internal Controls:</i> Framework of controls aimed at financial reporting reliability.</p>
	<p><i>12. Capital structure:</i> Rabobank loan. Covenants are part of the loan agreement. Significantly lower results may lead to breaching the covenants.</p>	Financial stability	2	<p><i>Business policy:</i> Managing debt and equity, following financing policies, and monitoring ratios. Profit improvement plan and cost-saving initiative.</p>
Regulatory	<p><i>13. Compliance:</i> High audit costs due to increased IFRS and other regulations for listed companies.</p>	Improve financial performance	1	<p><i>Business policies:</i> Further training of staff and automation of processes in Finance. Increase efficiency in accounting and implement more auditable workflows.</p>

	14. <i>Fraud</i> : 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	<i>Business policies</i> : Further training of staff and automation of processes in Finance. Increase efficiency in accounting and implement more auditable workflows.
	15. Shortages in supply chain	Delays in production and sales	3	Forward planning with our key suppliers, adding additional suppliers, increase Printing On Demand

Fraud risk

The Management Board has the primary responsibility for the prevention and detection of fraud, including designing and implementing appropriate processes and controls to identify, assess and mitigate inherent fraud risks and the creation of proper awareness and attitude towards fraud incentives and corresponding fraud risks.

In the annual assessment and discussion with the Supervisory Board, special attention is given to the risk of fraud. First we identify circumstances or events that are a fraud risk factor. Second, we assessed these factors based on among other things the significance and the likelihood to conclude whether or not there is a fraud risk. Based on this assessment no specific fraud risks were noted.

Brill faces three main types of fraud:

- Asset misappropriation.
- Bribery and corruption.
- Financial statement deception.

Asset misappropriation: Management identified several fraud risk factors, but assessed these to be low risk. Our products in general are not sensitive to theft, there is proper asset management in place regarding physical items such as laptop computers and smartphones and there is very little cash on hand in offices. Controls within our procure-to-pay processes limited the risk of fraud by removing the opportunity factor to a great extent. There were no reported thefts in 2021 within the Group.

Bribery and corruption: We identified the use of agents as a fraud risk factor and assessed this as low risk. Brill does business in certain countries with a higher risk of bribery and corruption and we do use sales agents, but risk is limited by not providing advance payments to agents. When contracting new agents, a background check is performed by the VP Global Sales that is reviewed and approved by the CFO. Agent contracts include anti-bribery stipulations and Brill has a company code of conduct relating to fraud. Exceptional transactions that have a higher fraud risk profile, such as sponsorship and donations are reviewed and approved by the Management Board. There were no reports on bribery or corruption in 2021 within the Group.

Financial statement deception: Management identified several fraud risk factors, but assessed these to be low to medium risk. The Management Board and certain other employees do have financial targets in their bonus schemes, and there is a certain level of performance pressure related to being a publicly listed company. Brill also needs to comply with covenants agreed with our main bank related to interest bearing loans.

In addition to setting realistic targets and the overall company culture, the risk of manipulating results is mitigated by appropriate oversight and business performance reviews.

Brill does not do aggressive tax planning so management does not identify any risk factors related to tax.

The Management Board recognizes that the assessment of and reporting on fraud risk is still relatively informal and will address this further in 2022.

Risk Management and Internal Control in 2021

In 2021, Brill again made further improvements to the company's internal control environment based on recommendations made by the external independent auditor:

- A data protection policy and a cyber security policy was established. These policies outline Brill's guidelines for preserving the security of data and technology infrastructure and ensures that Brill gathers, stores and handles data fairly, transparently and with respect towards individual rights;
- A test environment for Brill's accounts payable software was created;
- A Multi Factor Authentication (MFA) login requirement to the network was implemented.

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, and 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.

At Brill, responsibility for ESG lies with the VP Marketing who is part of the Management Team and reports directly to the CEO. On a regular basis, ESG is discussed with the Supervisory Board. In 2021, we have also had discussions with one of our largest shareholders on this subject and we have used their input to improve our reporting and further develop our CSR strategy.

UN Global Compact



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

We actively seek to expand the research we publish on the SDGs. In addition, we strive to disseminate this research as widely as possible. Of course this is done through our regular distribution channels, but we also focus on this research on our Humanities Matter blog at www.blog.brill.com as well as in our Humanities Matter podcast series on Spotify, Apple Podcasts and Google Podcasts. Examples of this in 2021 were the campaigns around *In Chains*, which focused on slavery, both historically and in modern times, *Across the Rainbow*, a campaign around gender diversity, *Survival by Degrees* on climate change and *Quality Education*. An overview of these campaigns can be found at www.brill.com/podcasts.

In Chains

There's more to slavery than a boxed view of chains and transatlantic ships; it's happening right now, in the form of human trafficking. The world has more enslaved people today than ever before. UN's International Labour Organization (ILO) estimates that one in 200 people is in some form of slavery, comprised of a majority of women and children. The series *In Chains* discusses and tackles issues related to slavery and human trafficking— from ancient to medieval to modern times.

Across the Rainbow

Gender is complex, nuanced, a cultural identity, a meeting point of personality and society, a way for people to reconcile their bodies and experiences with those of others. In the themed podcast series *Across the Rainbow*, scholars from the field explore gender equality: its past, present, and future.

Survival by Degrees

As one of the most serious threats to life on our planet, the climate crisis is no longer something we can address in the future, we must act on it now. In the podcast series *Survival by Degrees*, our authors reflect on climate change and global warming.

Quality Education

Quality education contributes to a healthier, more stable and prosperous society. The podcast series *Quality Education* features experts in learning and education, who have published with Brill.

Brill also participated in an industry-wide initiative to make content around climate change more accessible with summaries for a broad audience and combining content from different publishers in one portal. This initiative can be accessed at <https://info.growkudos.com/climate-change-knowledge-cooperative>.

We embed the SDGs in our business decisions and monitor our progress. Below we outline key developments in 2021. As we are preparing for ESG reporting our ambitions are not always concrete yet. We will finalize the preparations in 2022.

SDG 3 Good Health And Well-Being

Unfortunately, 2021 continued to be an especially challenging year in terms of health and well-being. We continued to see the effects of COVID-19 and the lockdowns in our communities and Brill offices continued to experience lockdowns. Some of our staff members were affected by illness themselves, or in their immediate environments. Others struggled with the combination of taking care of family and home-schooling children while working from home. Yet others suffered from isolation and missed direct contact with colleagues. In our wider community of authors and editors we saw the same struggles. Brill created an overview of publications related to COVID-19, which were made freely available during the entire year. The COVID-19 collection was the most viewed campaign of 2021. Research on topics such as isolation, loneliness and human connection is vital to

societal well-being. Similarly, research in education and home-schooling, and the history and social effects of pandemics, all being areas of study in which the humanities contribute significantly to our coping mechanisms in times of crisis.

The health and well-being of our staff, both physically and mentally, is of the utmost importance to Brill. We have witnessed the significant ways in which COVID-19 impacted our staff and are committed to supporting our employees in the best possible ways. Measures to assist in navigating these challenging times were introduced, including possibility to work from home (mandatory when required by lockdown regulations), flexible hours, and paid short care leave. In the US, a unique scheme of an employee sharing pool of paid time off was introduced.

SDG 4 Quality Education

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

Open Access

In order to support a wide dissemination of the research we publish, we invest in Open Access (OA), our fastest growing business model. In 2021, we published 154 books in OA, 34 full OA journals and +650 OA articles. We signed four new Open Access agreements and offered OA waivers and discounts in 38 countries under the EIFL agreement. More information on this can be found at www.brill.com/EIFL. In addition, two Open Access agreements that will take effect in 2022 were concluded.

- 154 OA books
- 34 full OA journals
- +650 OA articles
- 4 Institutional Open Access agreements, two new agreements signed for 2022

Research Integrity

To offer quality education, we also require research integrity. Brill has a Publication Ethics Committee that oversees our policies in this area and addresses any cases of a breach of those policies. Brill's revised publication ethics conform to the standards of ethical behaviour promulgated by the Committee on Publication Ethics (COPE). Brill's staff and publishing partners are expected to promote adherence to the core principles of publication ethics as articulated in this document. The policy can be read in full on brill.com. Milestones in 2021 around research integrity included the enabling of iThenticate for all Brill journals and an added submission step for peer reviewers that requires disclosure of any actual or potential conflicts of interest.

SDG 5 Gender Equality

For gender equality, we look both at the division across gender throughout the organization and at the gender pay gap. In recent years, we have noted increased attention towards the gender pay gap in the industry, with several publishers publishing data on average pay across gender. There is a distinction between the gender pay gap and the principle of equal pay, which is important to define. The gender pay gap is based on the difference between the average hourly pay rate between men

and women. In contrast, the equal pay issue is one of discrimination: paying men and women different amounts for performing the same job. The UK government has made it mandatory for employers with more than 250 FTE to publish data comparing men and women's average pay across the organization. The data is publicly available: <https://gender-pay-gap.service.gov.uk/>. Data from our industry showed pay gaps in favour of men, particularly in bonus payments, and women under-represented in the upper quartile. The industry has committed to improvements.

In 2021, Brill staff and management has the following division across gender:

Supervisory Board: 33% female, 67% male
 Management Board: 33% female, 67% male
 Management Team 33% female, 67% male
 All staff: 65% female, 35% male

In 2021, Brill's gender pay gap is as follows:

Management Board: 19% in favour of men
 Management Team: 34% in favour of men
 All staff: 16% in favour of men

It is clear that there is a discrepancy between the number of female staff across the company and the percentage of women in management positions. In addition, we note a gender pay gap in line with the publishing industry at large. In order to improve this, we need to examine and address the root causes and will do so from three aspects: transparency, flexibility, and discrimination.

A first step in the process is transparency. Reporting on these figures annually will assist the company in monitoring improvement and in taking additional measures if improvements do not take place quickly enough. In 2021, a project describing all job functions and weighing them according to a standard model set by the AAVN (General Employers Association of the Netherlands) was finalized in the Leiden office. The weighting process itself was, conducted by the AAVN as an external party. Brill employees were involved and their input on their job function descriptions was incorporated. As a result, a new function grid, including transparent salary scales, was created and made available to all employees.

In addition to transparency, we consider providing flexibility to our employees part of the solution to the gender pay gap. A key aspect in the gender division in management roles (and therefore also salaries) is the larger percentage of women in part-time positions. During COVID, many of our employees - across gender - struggled with combining family care and working from home. We have tried to support the staff by offering flexible working hours, with no negative consequences resulting for the company. On the contrary, it was observed that employees took responsibility for key deadlines and managed to combine their different roles in an improved way. Brill would like to facilitate flexible hours also in the long term in order to foster an improved work-life balance. Additionally, Brill will continue to provide the option to work from home. Our standard policy for full-time employees is to work three days from the office and two days from home. Employee preferences beyond this standard will be facilitated if possible.

Finally, in order to ensure that a safe working space is provided and that discrimination is avoided at all times, Brill has several policies already embedded in Brill's HR framework. Confidential advisors are assigned within the company, to whom employees can (anonymously if desired) report incidents and seek support as necessary. The safe work environment will be a point of renewed attention in 2022.

SDG 10 Reducing Inequality

Diversity and Inclusion

We value diversity and inclusion among our staff, authors, and editors. To this end, we have joined the initiative from the Royal Society of Chemistry (RSC) to take action to reduce bias across all stages of the publishing process. This initiative brings together 32 publishing organizations to set a new standard aimed at ensuring a more inclusive and diverse culture within scholarly publishing. As a group, we acknowledge that biases exist in scholarly publishing and commit to examining our own processes to minimize them. Through the RSC initiative, publishers are pooling resources, expertise, and insight to accelerate change in research culture.

Collectively we will:

1. **Understand our research community**

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

2. **Reflect the diversity of our community**

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

3. **Share success to achieve impact**

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

4. **Set minimum standards on which to build**

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

Accessibility

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

Developing Countries

Brill's sustainability policy also manifests itself in the company's Developing Countries Program. As part of its research capacity building strategy, Brill has an Adopt-a-Library program in place through which it annually donates collections of books to libraries and universities in developing countries. These donations are supported by workshops for academics and librarians that focus on

how faculty can increase the impact of their research by publishing nationally and internationally and how to make the best use of limited resources. Such workshops are given throughout the year by Brill publishers as part of research capacity building. Brill's 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.

Partnerships that Support Research Communities

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

Sponsorships

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

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

SDG 12 Responsible Consumption and Production

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

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

Employees must avoid conflicts of interest between their private activities and conducting company business. Employees must also declare potential conflicts of interest. All business transactions on

behalf of a Brill company must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and are subject to audit and disclosure.

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

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

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

SDG 13 Climate Action

For several years, Brill has compensated the CO₂ usage of marketing materials. In 2020, we investigated how we can expand CO₂ compensation to other areas and extended the policy to include business travel. All flights taken in 2020 and 2021 were compensated retrospectively. Although offset compensation is a positive step, less frequent travel is preferable. In 2020 and 2021, Brill travelled much less frequently due to COVID-19. During this period, we successfully transitioned to working from home, attending conferences virtually, and communicating with our communities via video calls. Personal relations and in-person contact are vital in providing our service level for authors and editors, but video meetings will remain mainstream in our overall communications. We will return to meeting our authors and editors at live events once possible, but will be mindful of the necessity to travel, especially by plane. We have devised a travel policy that promotes the use of trains whenever possible, and focuses on using local staff to attend conferences, thereby avoiding long distance travel when possible.

The effects of COVID-19 accelerated the move from print to digital promotion that was already underway in Brill's marketing strategy. Print materials are kept to a minimum and are printed locally to avoid long distance shipments. Linen bags have been created to replace the use of plastic at conferences.

The number of gratis journal issues printed and shipped has been significantly reduced in favour of digital access, and the use of plastic wrappings on our print books was similarly reduced by changing our cover materials.

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.

In order to take further action in reducing and compensating CO₂, in 2021 Brill partnered with Regreener to chart our CO₂ usage, reduce hotspots, and compensate where necessary. In 2022, we will begin to chart scopes 1 and 2 for reporting in our next annual report. Scope 3 will follow in 2023. The reduction of CO₂ is viewed as objective within Brill globally and the company intends to involve staff across all locations in this project, as set forth in a strategy presentation in 2021 to all staff by management. In 2022, a working group on this topic to work with our external partners on

the initiative will be launched. In addition, we initiated the compensation of the personal CO2 footprint of our employees through Regreener in 2021.

SDG 16 Peace, Justice and Strong Institutions

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

POLICIES

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

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

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

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

RESPONSIBILITY STATEMENT

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

In the Annual Report, the Management Board presents a true and fair view of the financial position of the Group as per 31 December 2021 and the development of the Group during 2021. In the section Risk Management, the Management Board identified the main risks currently known that could affect the achievement of Brill's strategic objectives or that could lead to misstatements in the financial statements, as well as the measures implemented to manage these risks. These measures can provide reasonable but not absolute security against material losses or material errors.

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

(Statement according to the Corporate Governance Code)

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

(Statement according to 5.25c par 2c)

- the 2021 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 2021 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.

Leiden, 11 April 2022

Management Board

CORPORATE GOVERNANCE

Koninklijke Brill N.V. ('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 N.V. (the Trust Office). Only registered depository receipts are listed on Euronext Amsterdam. Of the receipts 65% are held in tranches of 3% or more. In the context of the Financial Supervision Act, the following holders of registered depository receipts, on 31 December 2021, have reported an interest of 3% or more to the Dutch Authority Financial Markets:

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

Holdings Members of the Supervisory Board and Management Board

Name	Number of registered depository receipts
Peter Coebergh	600
Jasmin Lange	500

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

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

The proceedings of the Annual General Meeting of Shareholders follow the stipulations of the DCC and are detailed in the Articles of Association. Brill's most notable deviation from the Code is the policy regarding use of certification as a possible method of protection. Brill is a relatively small, profitable publisher, active in an industry that is in consolidation. Also, the sensitive nature of Brill's

relationships with its stakeholders—including authors, librarians, and scholars whose continued trust is the cornerstone of our business' value—requires careful weighing of each major strategic change. Therefore, the Management Board deems protection against uninvited external influence necessary. Accordingly, the company has implemented defensive structures.

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

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

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

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

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

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

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

Diversity and inclusiveness are important aspects of the corporate management culture, as expressed in Brill's Core Values. Consequently, it is Brill's objective to achieve a balanced composition of all its governance bodies. As of May 2019, the company's management body, the Management Board, consists of two male statutory directors with Dutch nationality and one female statutory director with German nationality. After the passing of Olivier de Vlam in April 2021, Wim Dikstaal replaced him as (interim) CFO. It is the intention of the Supervisory Board to appoint him right after the AGM of 25 May 2022 as statutory director. The extended Management Team (which includes the Management Board) consists of seven members, three of which are female. Because of

the importance of the integration of V&R, the two statutory directors of Brill GmbH have joined all extended Management Team meetings. Given the composition of the management layers below the Management Board, Brill believes that maintaining this balanced distribution is sustainable.

The company has a Supervisory Board consisting of three persons, of whom one is female with Dutch nationality, and two are male with Dutch nationality.

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

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

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

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

Our main business policies are outlined in the list below:

1. Brill Core Values and Business Principles
2. Corporate Governance (refer to separate chapter)
3. Brill Code of Conduct
4. Vendor Policy
5. Remuneration Policy (refer to separate chapter)
6. Corporate Sustainability (refer to separate chapter)
7. Risk Management Policy (refer to separate chapter)
8. Whistleblower Policy
9. Code of Conduct on Insider Trading

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

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

Supervisory Board
Management Board

SUPERVISORY BOARD'S REPORT FOR THE YEAR 2021

ANNUAL FINANCIAL STATEMENTS

Based on the ongoing appointment by the AGM of PricewaterhouseCoopers Accountants N.V. as the company's independent auditor, the Supervisory Board instructed PricewaterhouseCoopers Accountants N.V. to audit the financial statements of Koninklijke Brill N.V. for the 2021 financial year. For the 2021 financial statements, an unqualified independent auditor's report were issued. We therefore recommend that shareholders approve these annual financial statements. We propose distributing an ordinary all-cash dividend of EUR 0.90 per share (certificate) for 2021.

ACTIVITIES

Due to the COVID-19 pandemic, only the meetings in June, August and October were held at Brill's headquarters in Leiden. All other meetings were held virtually because of COVID-19 restrictions. In total eleven meetings took place, of which seven regular meetings and four on special topics like the V&R acquisition. At all meetings, the entire Board was present.

During 2021, similar to 2020, the Supervisory Board closely followed the effect of the COVID-19 pandemic on Brill, especially during its early stages when it was unclear how significant the impact would be. The Management Board took effective action and the Supervisory Board received regular updates on the developments concerning and impact of the COVID-19 measures on the business and Brill staff.

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

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

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

On March 1, 2021, Brill announced the acquisition of all assets of the German publishing house Vandenhoeck & Ruprecht, which represents an important step in realizing the growth strategy of Brill. In the period prior to the acquisition, the Supervisory Board discussed the opportunity itself, the strategic fit, and the valuation with the Management Board at multiple occasions, as well as the risk profile and the integration plan of the various activities. After the acquisition, the management

of the integration plan received regular attention in the Board meetings. We are happy to observe that the implementation of the various plans is taking place as planned. Vandenhoeck & Ruprecht is already proving itself to be a valuable and positive step for Brill.

Reports from the external independent auditor are received and discussed on a regular basis. Progress on issues from the management letter issued by the external independent auditor received special attention. Risk assessment and measures to mitigate risks are always discussed in the context of the annually updated management letter. In 2018, management commenced addressing certain significant internal control deficiencies in the area of IT General Controls and in financial controls through a finance improvement plan. Significant progress was made, but some elements of this plan are still in execution and will be finalized in 2022.

The Supervisory Board has discussed the risk of fraud with the Management Board at various occasions, including observations and recommendations made by the external independent auditor. The Board is in support of the Managements' intention to further formalize the assessment of fraud risks in 2022, and will discuss the progress made.

In the biannual meetings with the Works Council, issues such as corporate culture, work pressure, and the tone in the company have been discussed without the presence of the Management Board. In addition, the profile for the succession of Mrs. Catherine Lucet in 2021 was reviewed, appropriate candidates were discussed and the process was concluded satisfactorily with the appointment of Mrs. Anneke Blok in the Annual General Meeting.

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

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

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

A formal evaluation of the Supervisory Board itself took place in December 2021, based on a structured list of questions and assessments that each member had completed and that was subsequently discussed. The outcome of the evaluation was that the Supervisory Board functions properly. However, some suggestions for process improvements were noted and followed up.

AUDIT COMMITTEE

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

PROFILE OF BOARD MEMBERS

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

The members of the Supervisory Board need to have sufficient time to perform their duties; in particular this applies to the chairman of the Supervisory Board. The Supervisory Board and its chairman met this requirement. As of 25 June 2021 (after closing of the AGM), the Supervisory Board consists of three persons. The gender balance is now 67% male versus 33% female. The members of the Supervisory Board are independent within the context of the Dutch Corporate Governance Code.

CORPORATE GOVERNANCE

The annual report describes how the company dealt with the implementation of the Dutch Corporate Governance Code that was in force during 2021. 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 May 19, 2021 the Annual General Meeting of Shareholders was organized by means of a webinar. The chairman of the Supervisory Board, the Management Board, and the external independent auditor were present at a studio location, while the other Supervisory Board members were present via a video connection. Also, a notary from Allen & Overy was present to oversee the live voting protocol. Shareholders were given the opportunity to submit questions in advance and were also able to ask their questions via live chat during the meeting itself. All resolutions presented were approved. Being at the end of her regular eight year term, Mrs. Catherine Lucet stepped down effective the close of the AGM, The shareholders present expressed their appreciation for her significant contribution made to the Company during her term. Likewise, the Board wishes to express its gratitude to Mrs. Lucet for her great commitment and highly valuable contribution to the strategic and operational development of Brill. As her successor, the AGM has accepted and approved the proposal to appoint Mrs. Anneke Blok, whose background and experience will undoubtedly contribute to the further healthy development of the Company. Her appointment was also supported by the Brill Works Council.

The Supervisory Board would like to thank the Management Board and all staff for their great dedication and contributions in 2021, which has resulted in a satisfactory performance despite an often difficult working environment, travel restrictions, and many uncertainties.

Leiden, 11 April 2022

Supervisory Board

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice-Chairman)

SUPERVISORY BOARD

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

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

Other positions:

- Board member Stichting Administratiekantoor Roeminck Insurance (as of 2 April 2020)
- Board member Vereniging Effectenuitgevende Ondernemingen (VEUO)
- Board member of the Heineken Africa Foundation (until 20 April 2021)

Anneke Blok, 1971, Dutch (female), Member of the Supervisory Board (as of 19 May 2021)

Mrs. Blok was appointed to the Board in 2021. Her current term runs until 2025.

Other positions:

- Chairperson Board of Directors Stichting Cito
- Director of Cito BV (a 100% subsidiary of Stichting Cito)
- Director of Woots BV (a 51% subsidiary of Cito BV)

Catherine Lucet, 1959, French (female), Member of the Supervisory Board (until end of the AGM on 19 May 2021)

Mrs. Lucet was appointed to the Board in 2013.

Other positions:

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

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

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

Other positions:

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

REMUNERATION POLICY AND REPORT FOR THE YEAR 2021

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

As per 1 December 2019, the new EU shareholder rights directive (SRD) was recorded into legislation in the Netherlands (art 2:135 Dutch Civil Code). Pursuant to this legislation, Brill's remuneration policy will henceforth be a voting point in Brill's Annual General Meeting. Prior to the AGM, the Works Council of Brill will be requested to prepare its position on the remuneration policy. In setting the remuneration policy for 2022, 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 unchanged versus the prior year and there were no deviations from the policy in 2021.

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 scenarios and our corporate culture and be reasonable from the perspective of our key stakeholders in order to support Brill's mission. The Supervisory Board, if necessary, with the aid of an external expert, conducts regular reviews to establish whether the Management Board's remuneration is in line with market development. The Supervisory Board evaluates the fixed salary levels of the statutory directors annually in accordance with their responsibilities and performance.

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

Variable Income, Link to Long-term Value Creation

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

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

REMUNERATION REPORT ON THE YEAR 2021

Supervisory Board

The members of the Supervisory Board received a fixed annual remuneration. They did not receive cash or other deferred incentive payments, such as stock options or shares, nor did they accumulate pension entitlements with Brill. The remuneration for the members of the Supervisory Board was not adjusted in 2021.

Remuneration of the Supervisory Board (in thousands of euros)	<u>2021</u>	<u>2020</u>
Steven Perrick*)	0	18
Anneke Blok*)	18	0
Robin Hoytema van Konijnenburg	35	32
Catherine Lucet*)	9	28
Theo van der Raadt	<u>28</u>	<u>28</u>
*) Remuneration proportional to period served	90	106

Management Board

The remuneration for the members of the Management Board in 2021 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)							
	Fixed Short-term employee benefits	Variable compensation Short-term incentive plan	Long-term incentive plan	Fixed Post- employment benefits	Fixed Interim fee	Total	Proportion fixed : variable
2021							
Peter Coebergh	279	73	78	14	0	444	66:34
Olivier de Vlam	115	54	85	4	0	258	46:54
Jasmin Lange	188	38	40	14	0	280	72:28
Wim Dikstaal	34	0	0	2	215	251	100:00
Total	616	165	203	34	215	1,233	70:30
2020							
Peter Coebergh	272	73	0	13	0	358	80:20
Olivier de Vlam	221	31	0	13	0	265	88:12
Jasmin Lange	163	40	0	12	0	215	81:19
Total	656	144	0	38	0	838	83:17

Wim Dikstaal charged Brill a fee for the period January to October when he acted as interim CFO, and was paid employee benefits for November - December after being appointed as CFO.

After the passing away of Olivier de Vlam, Brill settled outstanding LT incentive plans with his next of kin.

In the 2021 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 2019–2021	Long-term 2020–2022	Long-term 2021–2023	Annual Total
Peter Coebergh						
Maximum	20%	20%	40%	40%	40%	80.0%
Achievement	10.3%	12.5%	15.0%	n.a.	n.a.	37.8%
Wim Dikstaal						
Maximum	17.5%	17.5%	35.0%	35.0%	35.0%	70.0%
Achievement	9.0%	13.1%	13.1%	n.a.	n.a.	35.2%
Jasmin Lange						
Maximum	17.5%	17.5%	35.0%	35.0%	35.0%	70.0%
Achievement	9.0%	17.5%	13.1%	n.a.	n.a.	39.6%
Accrued in 2021 for	48	72	-14	37	42	185
Accrued in 2020 for	90	76	42	40	0	248

The short-term variable income awarded to the Management Board is based on three financial targets that in 2021 included increase of revenue, increase of EBITDA, and ROIC. The increase of revenue, EBITDA, and ROIC were met in 2020. Due to the COVID-19 related uncertainty, no useful targets could be set in advance for the Management Board, therefore it was decided not to set specific individual non-financial targets for 2020. Instead it was agreed that the Supervisory Board would use its discretion to award a certain bonus percentage for the non-financial targets based on the results of 2020.

The long-term (3-year) variable income to the Management Board will be granted according to performance criteria which are linked to long-term value creation:

- The criteria in the 2019–2021 plan focus on new business creation, EBITDA margin, and TSR;
- The criteria in the 2020–2022 plan focus on new-business creation, EBITDA margin, and TSR.
- The criteria in the 2021–2023 plan focus on acquisitions, 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 2022, the Supervisory Board intends to set targets for variable income that are similar to the 2021 targets. The full list will be published as an annex to the AGM materials that are posted on Brill.com.

Remuneration Expenses

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

Total paid executive remuneration (in thousands of euros)	<u>2021</u>	<u>2020</u>
Supervisory Board	90	106
Management Board	<u>1,233</u>	<u>838</u>
Total paid remuneration (amounts per person as per above)	1,323	944
Variable payout accrued in the prior year	-368	-144
Variable component accrued in the current year	<u>204</u>	<u>314</u>
Net expense for executive remuneration	1,159	1,114

In 2021, no payments were made to former Supervisory Board or Management Board members, except that after the passing away of Olivier de Vlam, Brill settled future LT incentive plans pro rata temporis with his next of kin. 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 2021, the pay ratio was 5.2 (2020: 3.5). The increase of this ratio is due to the fact that 2021 is the first year in which a long term incentive plan pay out was made to the Management Board. Brill deems the 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:

	2021	2020	2019	2018	2017
Total salary expense, excluding subsidies received (in thousands of euros)	17,488	13,391	13,049	13,205	12,010
Management Board remuneration (in thousands of euros)	1,233	838	732	819	399
Staff salary expense (in thousands of euros)	16,255	12,553	12,317	12,386	11,611
Average FTE	226.9	160.6	165.1	166.7	160.5
Management Board average FTE	3.3	3.0	3.0	2.4	1.0
Staff average FTE	223.7	157.6	162.1	164.3	159.5
Staff salary expense / average FTE (in thousands of euros)	72.7	79.7	76.0	75.4	72.8
Pay ratio	5.2	3.5	3.2	4.5	5.5
Information on performance of the Group in the comparable period:					
Revenue (in thousands of euros)	46,865	37,859	37,128	35,950	36,394
EBITDA Margin	15.4%	17.4%	14.0%	10.1%	11.4%
ROIC	13.3%	13.8%	10.1%	7.6%	11.1%

Leiden, 11 April 2022

Supervisory Board

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice-Chairman)

Management Board

Peter Coebergh

Jasmin Lange

Wim Dikstaal

Financial Statements for the Year 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

In thousands of euros

	<u>31-12-2021</u>	<u>31-12-2020</u>	
ASSETS			
Non - current assets			
Property, plant and equipment [4]	273	223	
Right of use assets [5]	1,322	1,458	
Intangible assets [6]	36,163	32,562	
Financial assets	283	112	
Deferred tax assets [7]	81	38	
	<u>38,122</u>	<u>34,393</u>	
Current assets			
Inventories [8]	4,815	3,069	
Trade and other receivables [9]	11,373	10,073	
Income tax	185	49	
Cash and cash equivalents [10]	5,439	5,899	
Derivative financial instruments [16]	0	158	
	<u>21,812</u>	<u>19,247</u>	
Total assets	<u>59,934</u>	<u>53,640</u>	
EQUITY AND LIABILITIES			
Equity attributable to owners of Koninklijke Brill NV (11)			
Share capital	1,125	1,125	
Share premium	343	343	
Retained earnings	23,622	22,929	
Other reserves	-307	-479	
	<u>24,783</u>	<u>23,918</u>	
Non-current liabilities			
Interest bearing loans [12]	4,566	3,500	
Lease liabilities [5]	612	1,106	
Deferred tax liabilities [7]	5,160	4,226	
	<u>10,338</u>	<u>8,832</u>	
Current liabilities			
Interest bearing loans [12]	1,588	1,083	
Trade and other payables [13]	13,159	9,459	
Deferred income [14]	9,030	8,967	
Lease liabilities [5]	928	728	
Derivative financial instruments [16]	6	21	
Income tax	102	632	
	<u>24,813</u>	<u>20,889</u>	
Total equity and liabilities	<u>59,934</u>	<u>53,640</u>	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

In thousands of euros

	2021	2020
Revenue [17]	46,865	37,859
Cost of goods sold [18]	-13,027	-11,487
Gross Profit	33,838	26,372
Expenses [18]		
Selling and distribution expenses	-7,306	-6,766
General and administrative expenses	-22,079	-15,104
Operating Profit	4,453	4,502
Finance income [19]	72	112
Finance expenses [19]	-208	-187
Profit before income tax	4,317	4,427
Income tax [7]	-1,281	-1,531
Profit for the period attributable to shareholders of Koninklijke Brill N.V.	3,036	2,896
Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements		
Exchange differences in translation of foreign operations	160	-170
Net gain or loss on cash flow hedges	16	-25
	176	-195
Income tax relating to these items	-4	5
Other comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V.	172	-190
Total comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V.	3,208	2,706
Earnings per share [20] (in euros)		
Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill N.V.	1.62	1.54

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In thousands of euros

	2021	2020	
Cash flows from operating activities			
Profit before income tax	4,317	4,427	
<i>Adjustments for</i>			
Amortization and Depreciation fixed assets [4, 5, 6]	2,047	1,790	
Amortization Content [6]	3,067	2,856	
Finance income and expense – net	137	133	
<i>Change in operating assets and liabilities</i>			
Change in working capital	1,533	-1,366	
Cash generated from operations	11,101	7,840	
Interest paid/received	-185	-133	
Income tax paid/received	-936	1,077	
Net cash flows from operating activities	9,980	8,784	
Cash flows from investing activities			
Investment in property, plant and equipment [4]	-104	-46	
Investment in intangible assets (non-content) [6]	-1,414	-448	
Investment in content [6]	-3,552	-2,845	
Investment in non-current financial assets	0	-100	
Payments for acquisitions, net of cash acquired	-3,671	-120	
Net cash flow from investing activities	-8,741	-3,559	
Cash flows from financing activities			
Dividend paid to company shareholders [21]	-2,343	0	
Interest bearing loan	2,900	0	
Redemption Interest bearing loans [12]	-1,334	-270	
Redemption lease liabilities [5]	-922	-843	
Net cash flows from financing activities	-1,699	-1,113	
Net cash flow	-460	4,111	
Cash and cash equivalents as per 1 January	5,899	1,788	
Net cash flow	-460	4,111	
Cash and cash equivalents as per 31 December [10]	5,439	5,899	

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

For the year ended 31 December

In thousands of euros

	Share capital [11]	Share premium [11]	Retained earnings [11]	Currency translation reserve [11]	Cash flow hedge reserve [11]	Total equity
Balance as at 1 January, 2021	1,125	343	22,929	-463	-16	23,918
Total comprehensive income for the year						
Profit for the year	0	0	3,036	0	0	3,036
Other comprehensive income	0	0	0	160	12	172
Total comprehensive income for the period	0	0	3,036	160	12	3,208
Transactions with owners of the company						
Dividends paid over 2020 [21]	0	0	-2,343	0	0	-2,343
Total transactions with owners of the company	0	0	-2,343	0	0	-2,343
Balance as per 31 December, 2021	1,125	343	23,622	-303	-4	24,783
Balance as per 1 January, 2020	1,125	343	20,033	-293	4	21,212
Total comprehensive income for the period						
Profit for the year	0	0	2,896	0	0	2,896
Other comprehensive expense	0	0	0	-170	-20	-190
Total comprehensive income for the period	0	0	2,896	-170	-20	2,706
Transactions with owners of the company						
Dividends paid over 2019 [21]	0	0	0	0	0	0
Total transactions with owners of the company	0	0	0	0	0	0
Balance as per 31 December, 2020	1,125	343	22,929	-463	-16	23,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Koninklijke Brill N.V. (together with its subsidiaries referred to as 'Brill' or the 'Group') is established as a Naamloze Venootschap (Public Limited Company incorporated in the Netherlands), based at Plantijnstraat 2 in Leiden, the Netherlands and registered at the chamber of commerce under number 28000012. Its registered depository receipts are traded publicly at Euronext in Amsterdam. The main activities are academic publications with a focus on the humanities and social sciences, international law and selected areas in the Sciences. These financial statements were authorized for issue by decision made on 11 April, 2022, by Brill's Supervisory Board and Management Board.

2. Basis of preparation of the Financial Statements

The consolidated financial statements of Koninklijke Brill N.V. have been prepared in accordance with IFRS as endorsed by the EU (EU-IFRS) and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code (DCC). The consolidated financial statements comply with IFRS as endorsed by the European Union.

Going concern

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

The Management Board has assessed the going concern assumption, as part of the preparation of the consolidated financial statements, and believes that no events or conditions, including the ongoing COVID-19 pandemic, give rise to doubt about the ability of the group to continue in operation at least 12 months from the publication date of these financial statements.

This conclusion is based on knowledge of the group, the estimated economic outlook and related identified risks and uncertainties. Furthermore, the conclusion is based on a review of the three-year strategic plan and the 2022 budget, including expected development in liquidity and capital, which includes the evaluation of current credit facilities, loan covenants and expected maturities of financial liabilities.

Basis of consolidation

The consolidated financial statements contain the financial statements of Brill and its subsidiaries per 31 December, 2021. The financial statements of Brill's subsidiaries have been prepared for the same period as Brill's, using consistent standards of accounting. Note 22 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.

All balances, transactions, cost and income within the Group and all profits and losses originating from intra group transactions are eliminated. Subsidiaries are consolidated as of the date of acquisition meaning the date at which Brill obtained control over the acquired business. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with

the entity and can affect those returns through its power over the entity. Subsidiaries continue to be consolidated until the moment Brill loses control when this exposure or rights cease to exist, generally when shareholding becomes less than 50%.

Business combinations

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

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

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

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

Basis of measurement and currencies used

Brill's consolidated financial statements have been prepared based on historic cost, except for the financial derivatives which have been recognized at fair value. The reporting currency is the euro, and all amounts have been reported in thousands, except where noted differently.

Current and non-current classification

Brill presents assets and liabilities in the balance sheet based on current or non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting

period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Brill classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Changes in the basis of preparation of the Financial statements adopted on 1 January, 2021

The following standards have become effective as per 1 January, 2021 but do not have an impact on Brill's operations or financial reporting:

- Interest Rate Benchmark Reform Phase 2 - amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts", and IFRS 16 "Leases". These amendments are effective for reporting periods beginning on or after 1 January 2021. These amendments provide practical expedients for:
 - Modifications of the loans due to the benchmark reform are accounted for by updating the effective interest rate and a comparable expedient is applicable for lessee accounting;
 - For hedge accounting, hedged items are updated and the hedge relationships are continued;
 - Disclosures will be made to allow the users to understand the nature and extent of risks arising from the interest rate benchmark reform.

The Group's interest-bearing borrowings are based on interest rate benchmarks. The Group uses EURIBOR that is already updated and no changes in this benchmark are foreseen.

- IFRS 16 "Leases", COVID-19-Related Rent Concessions beyond 30 June 2021, is applicable from 30 June 2021 with retrospective application if Amendments to IFRS 16 "Leases" COVID 19 - Related Rent Concessions, these amendments are effective on or after 1 April 2020 is applied. The Group does not plan to apply this practical relief.
- The Group applies no insurance activities and the new standard for insurance contracts, IFRS 17 "Insurance Contracts", is not applicable for the Group.

Future changes in the basis of preparation of the Financial Statements

At present, there are no standards issued with future effectivity that will affect the basis of preparation of Brill's Financial Statements significantly.

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. See note 3 of the disclosure of the acquisition of Vandenhoeck & Ruprecht.

Impairment testing

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

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

Amortization of intangible assets

The useful lives of assets are estimated in line with common market practice. The group reviews the remaining useful lives of its assets annually. The amortization method is determined at initial recognition of the intangible assets and may change only when the expected pattern of consumption of future economic benefits change. The Group applies the straight-line and diminishing balance amortisation method.

The amortization pattern of capitalized content is based on the expected pattern of consumption of the expected future economic benefits embodied in the asset. Brill uses the historic sales pattern as input in estimating the expected pattern of consumption. This results in a decreasing charge over the useful life of the asset. Inherent to this policy the actual consumption of the economic benefits in the year can differ from the estimated consumption. In the financial year the consumption was in line with the estimated consumption.

Significant judgement in determining the lease term of contracts with renewal options

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

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

Foreign exchange conversion

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

At balance date, the assets and liabilities of subsidiaries are converted to the euro at the exchange rate per balance date and the consolidated statement of profit or loss and other comprehensive income is converted at the weighted average exchange rate for the year. The exchange rate differences that originate from the conversion are recorded in the Comprehensive income

statement. When divesting a foreign subsidiary, the cumulative balance of exchange rate differences recorded in Capital related to this subsidiary is transferred to the Consolidated statement of profit or loss and other comprehensive income.

Property, plant and equipment

Property, plant and equipment are recorded at historic cost, less cumulative depreciation and cumulative impairments (if applicable). Property, plant and equipment are depreciated on a straight-line basis over their useful life and taking in consideration any residual value. The carrying amount of property, plant and equipment is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be realizable, see the Group's policy on impairment of non-financial assets. The residual value and the useful life are reviewed annually and revised if necessary. An item of property, plant and equipment is derecognized in case of divestment or if no future economic benefit is expected from either continued use or divestment. Any income or loss, resulting from the de-recognition 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 de-recognition.

Leases

Right of use assets

Right of use assets are measured at cost less accumulated depreciation and impairments, if applicable. The Group recognizes right of use assets at the commencement date of the lease. The right of use assets are 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 term, 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. See the Group's policy on impairment of non-financial 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.

Intangible assets

Intangible assets are recognized at cost less accumulated amortization for intangible assets with a finite useful life and less accumulated impairment losses, if applicable.

(a) Goodwill

Goodwill resulting from business combinations and is measured 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. 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. Costs related to acquisitions which the group incurs in a business combination, are expensed as incurred. See "Impairment of non-financial assets" for a further elaboration of impairment test procedures.

(b) Publishing rights

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. In some cases the Group determines, 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.

(c) Capitalized Content

Content costs of internally developed publications that contain pre-publication expenditure such as typesetting, illustrations, editing and translations. Sometimes, development of a publication takes several years. 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 presented as part of the cost of goods sold in the Consolidate statement of profit or loss and other comprehensive income.

(d) Information systems and other intangibles

Trademarks, imprints, information systems and licenses are amortized on a straight-line basis over the estimated useful life of the asset. Amortization is presented as part of the general and administrative expenses in the Consolidate statement of profit or loss and other comprehensive income.

Impairment of non-financial property plant and equipment and intangible assets

Goodwill and intangible assets with an indefinite useful life (publishing rights) are allocated to the Group's publishing units in accordance with their match to the respective publishing programs. The Group considers its publishing units to be our lowest possible reportable level of cash generating units, since they form the principal managerial units within the Group, matching the key market segments in which the Group is active. Each publishing unit has a 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.

Goodwill and intangible assets with an indefinite useful life are tested for impairment at the level of the cash generating unit annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever an indication exists that an asset may be impaired.

For an impairment test, the Group estimates the recoverable amount of the asset or the cash generating unit. The recoverable amount is the higher of the fair value of the asset less cost of disposal. If the carrying amount is higher than the recoverable amount, an impairment loss for the asset or cash flow generating unit is recognised to measure the asset at its recoverable amount. The impairment loss is recognised in profit or loss.

In determining the value in use, the 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. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared per cash generating unit. These budgets and forecasts generally cover a period of ten years, a long-term growth rate is applied after this period.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Inventory

The inventory of finished products and publications in the editing stage are measured 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, less applicable grants received (see grants hereafter).

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

Trade and other receivables

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

The Group measures the expected credit losses allowance for its trade receivables for the whole lifetime of the receivables (simplified approach). To measure the expected credit losses, trade

receivables have been grouped based on shared credit risk characteristics, in case these differences are substantial, the days past due and security when applicable. The expected loss rates are based on the historical payment profiles of sales of the last five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information when these would affect the ability of the customers to settle the receivables. Management assesses forward looking information in relation to the specific market in which it operates. Bad debts are written off entirely once the inability to collect has been established with certainty. Indicators that there is no reasonable expectation of recovery that considered as a default include, amongst others, the failure to make the contractual payments for a period longer than the local applicable payment term or a trade debtor has financial difficulties or is unable to engage in a repayment plan with the group. Default situations are defined according to industry practices and occur when the Groups payment terms and conditions are not met. The Group considers counterparties for cash and cash equivalents to have low credit risk when these counterparties have a prime credit rating.

Cash and cash equivalents

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

Equity

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

Interest bearing debt, accounts payable and other short-term liabilities

Brill initially recognizes interest bearing debt, trade payables and other liabilities at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortized cost, using the effective interest method. The effective interest is presented as interest expenses in the Consolidated statement of profit or loss and other comprehensive income.

Provisions

A provision is recognized when (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. In case a (part of) the liability will be reimbursed, the reimbursement is recorded as a separate asset, only when it is virtually certain that the amount will be received.

Employee benefits

Pensions and other post – employment arrangements

The Group operates defined contributions plans. The Group recognizes the expenses of the defined contribution plans in the period the employees rendered their services, except for the part that is included in capitalized content in intangible assets. Unpaid expenses are recognized as current liabilities.

Short-term employee benefits

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

Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for transferring for sales of books, journals and database access to its customers, the Group's performance obligations. The performance obligations have fixed considerations and for books a variable consideration is included for the refund rights. For refund rights only revenue is recognized for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, which is based on recent returns statistics and sale volumes. The Group recognizes revenue when it transfers control of a product or service (or performance obligation) to a customer. For printed books this is after shipping and handling activities. Sales of books are invoiced at shipping and journals and database access are paid in advance. All contract conditions are fulfilled at transfer of control. In case incremental costs occur to obtain contracts with customers, the contract duration is usually one year or less, these costs are expensed when incurred. Due to the short contract term for sales of books, journals and database access, no remaining performance obligations after year end are disclosed. In general, Brill applies a payment term of 30 days after invoice date.

(a) License and royalty income

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

(b) Sales of books

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

(c) Sales of journal subscriptions

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

(d) Database access subscriptions

Database access or primary sources revenue is recognized over the period of the subscription contract. Database access is a performance obligation that is satisfied over time. The progress of time of the access period is relevant in the transfer of the services, the revenue is recognized on a straight-line basis during the subscription period (transfer of control) as the customer has the right

to use the database during this period. The advances received for database access are initially recorded as deferred income (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

At delivery, unit costs of inventory 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, using the effective interest method.

Grants

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

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

Income tax

Current income tax

Current income tax assets or liabilities relates to current and previous periods and are 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 at balance date between the tax base of assets and liabilities and their carrying amounts. 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 or liability 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 or liability 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.

Financial instruments and hedging

Recognition and de-recognition

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

Classification

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

Financial assets of the Group, like non-current financial assets, trade and other receivables and cash and cash equivalents, are classified as financial assets measured at amortized cost. Financial liabilities, like interest bearing loans and trade and other payables, are classified as financial

liabilities measured at amortised cost. Financial assets that classify as fair value through profit or loss (like smart share interest in other companies) and derivative financial instruments of the Group, interest rate swap or foreign currency exchange contracts, are classified as financial assets or liabilities at fair value through profit or loss.

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

Derivatives and hedge accounting

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

At inception of the hedge relationship, the Group documents the economic relationship between the derivatives (hedging instruments) and forecast transaction (hedged item) including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The 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 (hedge reserve). The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within finance costs.

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

Fair value and fair value hierarchy

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. All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described hereafter:

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.

Level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant

inputs required to fair value an instrument are observable, the instrument is included in level 2. Measurement methods are, among others, the discounted cash flow method using discount rates and relevant forward rates as at the end of the reporting period.

Level 3:

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

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 changes in consolidated working capital. Operating cash flow also includes the costs for financing of operating activities and income tax paid on all activities.

Cash flow from investment activities

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

Cash flows from financing activities

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

3. Business combinations

On March 1, 2021 Brill acquired all business assets of Vandenhoeck & Ruprecht (hereafter “V&R Group”) via an asset deal and obtained control over this business. This renowned German publishing house, founded in 1735 and headquartered in Göttingen, has a superb and long-standing international reputation in the Humanities, especially in the fields of Theology and History. Since 2017 Böhlau Verlag, another high-quality humanities publisher, based in Cologne and Vienna, is also part of the V&R group. The German operations of V&R are combined with Brill’s existing publishing activities in Germany. Authors benefit from our combined marketing and sales efforts that have increased the impact of their research, customers benefit from our increased sales capacity both internationally and in the German language market that enhanced the customer service level we give them, and staff benefit from shared facilities and tools available to them. The business activities of V&R Group complement Brill’s activities and strengthen Brill’s publishing activities.

In thousands of euro	Fair value as at March 1, 2021
Intangible assets (other than goodwill)	2,225
Property, plant and equipment	40
Financial assets	12
Right of use assets	455
Inventories	2,150
Trade and other receivables	1,917
Trade and other payables	-3,287
Lease liabilities	-455
Net identifiable assets acquired	3,057
Goodwill	614
Net assets acquired (consideration transferred)	3,671

Acquisition price

Agreed acquisition price was 4 million euro, based on the December 31, 2020 net asset value of V&R. After acquisition date, the net asset value was adjusted based on the February 28, 2021 audited numbers, resulting in a receivable on the sellers of 329 thousand. This amount was settled on December 29, 2021. There is no contingent consideration.

Goodwill

The total goodwill is primarily related to the growth expectations, enhancement of the combination of the operating companies in their substantial publishing skills, expertise and knowledge of the workforce, resulting in profit growth of the Group. The goodwill is not tax-deductible.

Other information

The total consideration transferred was paid in cash. The assets acquired included no cash or cash equivalents. Since the acquisition date, the revenue of the business acquired was EUR 8,516 thousand and the net result was EUR 67 thousand including acquisition and integration costs. In case the activities were included in the Group figures for the whole year, the Group's revenue would have been some EUR 48.566 thousand and profit for the period EUR 3,051 thousand including acquisition and integration costs.

Acquisition-related costs of EUR 499 thousand and integration costs of EUR 494 thousand are included in other expenses in the income statement and in operating cash flows in the statement of cash flows.

Measurement and assumptions of the assets and liabilities acquired

Intangible assets

Publishing rights are valued based on the multi-period excess earnings method. The multiperiod excess earnings method is a generally accepted method to determine the fair value of such assets. This fair value is based on level 3 of the fair value hierarchy. The following assumptions are used (a)

useful lives for books ranging from 9 to 16 years and for magazines 20 years. The average attrition rate for books ranges between 27% to 1%, the growth rate used is nil. For journals a straight-line based attrition over their useful life (i.e. twenty years). The discount rate applied is 9.3%.

The brands "V&R" and "Böhlau" acquired were valued based on the relief from royalty method, which considers a royalty rate and growth of revenues coming from existing and new customers. The relief from royalty method is a generally accepted method to determine the fair value of such an asset. This fair value is based on level 3 of the fair value hierarchy. To determine the fair value of the brand name, a royalty rate of 0.5% is used, growth rates of 1.0% and a discount rate of 9.3%.

Property plant and equipment

The property, plant and equipment acquired have been valued at their fair value upon acquisition.

Leases

At acquisition date, lease liabilities are measured in accordance with the Group's accounting policy of new lease agreements (see note 2). The right of use assets are measured at the same amount of the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms, if applicable.

Working capital

The fair value of the material assets identified and liabilities assumed of working capital, including unbilled and deferred revenue, trade and other receivables, and trade and other payables, is based on the market value at which the assets or liabilities are or can be settled with contractual parties (fair value hierarchy level 3).

4. Property, plant and equipment

2021	Leasehold improvements	Furniture & Fixtures	IT Hardware	Total
As at 1 January				
Cost	907	619	599	2,125
Accumulated depreciation	-831	-584	-488	-1,903
Carrying amount as at 1 January	76	35	111	222
Changes in the year				
Acquired through business combination	3	0	37	40
Investment	0	1	103	104
Transfer at cost	0	10	24	34
Transfer accumulated depreciation	0	4	-4	0
Depreciation	-41	-37	-66	-144
Exchange rate differences	0	17	0	17
Carrying amount as per 31 December	38	30	205	273
As at 31 December, 2021				
Cost	910	630	763	2,303
Accumulated depreciation	-872	-600	-558	-2,030
Carrying amount as at 31 December	38	30	205	273
Useful life in years (current and previous year)	10	5 - 10	3	
2020				
As at 1 January				
Cost	907	619	553	2,079
Accumulated depreciation	-784	-547	-409	-1,740
Carrying amount as at 1 January	123	72	144	339
Changes in the year				
Investment	0	0	46	46
Depreciation	-47	-38	-82	-167
Exchange rate differences	1	1	3	5
Total changes	-46	-37	-33	-116
As at 31 December				
Cost	907	619	599	2,125
Accumulated depreciation	-830	-584	-488	-1,902
Carrying amount as at 31 December	77	35	111	223

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). See note 12 for the amount of the pledged property, plant and equipment.

5. Leases

A rental agreement is in existence for offices and company cars.

Right of use assets

	Offices	Company cars	Total
2021			
Carrying amount as at 1 January	1,345	113	1,458
Acquired through business combination	447	8	455
Additions	119	54	173
Depreciations	-701	-63	-764
Carrying amount as at 31 December	1,210	112	1,322
Lease term in years (current and previous year)	0 - 4	0 - 4	
2020			
Carrying amount as at 1 January	1,851	63	1,914
Additions	52	115	167
Depreciations	-558	-65	-623
Carrying amount as at 31 December	1,345	113	1,458

Lease liabilities

	2021	2020
Carrying amount as at 1 January	1,834	2,441
Acquired through business combination	455	0
Additions	121	161
Interest accretion	52	75
Redemption of lease liabilities	-922	-843
Carrying amount as at 31 December	1,540	1,834
Non-current lease liabilities	612	1,106
Current lease liabilities	928	728
	1,540	1,834

The redemption of lease liabilities is presented in the Consolidated statement of cash flows as part of the cash flows of finance activities. In the year, the Group expensed EUR 130 thousand for low value leases (2020: EUR 101 thousand). Total cash outflow of leases was EUR 976 thousand (2020: EUR 799 thousand).

6. Intangible assets

	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
2021						
As at 1 January						
Cost	16,259	3,389	49,185	6,674	404	75,911
Accumulated amortization	-369	0	-37,802	-4,967	-211	-43,349
Carrying amount as at 1 January	15,890	3,389	11,383	1,707	193	32,562
Changes in the year						
Acquired through business combination	1,377	614	0	408	440	2,839
Investment	251	0	3,552	1,040	123	4,966
Amortization	-189	0	-3,067	-741	-207	-4,204
Total changes	1,439	614	485	707	356	3,601
As at 31 December, 2021						
Cost	17,887	4,003	52,737	8,122	967	83,716
Accumulated amortization	-558	0	-40,869	-5,708	-418	-47,553
Carrying amount as at 31 December	17,329	4,003	11,868	2,414	549	36,163
Useful life in years	Indefinite / 9 - 20	Indefinite	10	3 - 5	5	

	Publishing rights	Goodwill	Capitalized Content	Information Systems	Other	Total
2020						
As at 1 January						
Cost	16,174	3,389	46,340	6,524	404	72,831
Accumulated amortization	-249	0	-34,946	-4,113	-157	-39,465
Carrying amount as at 1 January	15,925	3,389	11,394	2,411	247	33,366
Changes in the year						
Acquisition	85	0	0	0	0	85
Investment	0	0	2,845	363	0	3,208
Reclass and Disposals – at cost	0	0	0	-213	0	-213
Amortization	-120	0	-2,856	-854	-54	-3,883
Total changes	-35	0	-11	-704	-54	-804
As at 31 December						
Cost	16,259	3,389	49,185	6,674	404	75,910
Accumulated amortization	-369	0	-37,802	-4,967	-211	-43,349
Carrying amount as at 31 December	15,890	3,389	11,383	1,707	193	32,562
Useful life in years	Indefinite / Indefinite 9 - 20		10	3 - 5	5	

See note 3 for the assets acquired through business combination. Other intangible assets contains licenses and trade names.

The amortization schedule for capitalized content is as follows:

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

See note 12 for the amount of pledged intangible assets.

Impairment testing of goodwill and other intangible assets

At the end of each reporting period, the Group reviews any indication whether the cash generating units (CGUs) that contain goodwill and intangible assets may be impaired. In addition, the Group 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.

The key assumptions for the impairment test are (i) long-term growth rate of revenue, gross margin and EBITDA is 0.5% (2020: 0.5%) and (ii) pre-tax discount rate of 8.3% (2020: 8.8%), which reflects current market assessments of the time value of money and the risks specific to the assets.

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.

The Group also assessed whether a change in a key assumption would cause the carrying amount to exceed the recoverable amount.

CGU's (see note 17)	Applied terminal growth rate of cash flows (g)	Decrease in growth rate which would trigger an impairment	Increase in discount rate which would trigger an impairment
ARC	0.5%	>0.5 percent point	>5 percent point
HIS	0.5%	>0.5 percent point	>5 percent point
LAW	0.5%	>0.5 percent point	>4 percent point
MIA	0.5%	>0.5 percent point	>5 percent point
LLA	0.5%	>0.5 percent point	>0.5 percent point
DACH	0.5%	>0.5 percent point	>2 percent point

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

Carrying amounts by segment as per 31 December (refer note 17 for details on segmentation and developments in 2021) of intangibles and goodwill with an indefinite life are summarized hereafter.

Segment As at 31 December	Publishing rights and brand names		Goodwill		Total	
	2021	2020	2021	2020	2021	2020
ARC	837	837	404	404	1,241	1,241
HIS	1,349	1,349	1,578	1,578	2,927	2,927
LAW	10,560	10,560	788	788	11,348	11,348
MIA	532	532	343	343	875	875
LLA	2,306	2,306	0	0	2,306	2,306
DACH	0	0	890	276	890	276
Total	15,584	15,584	4,003	3,389	19,587	18,973

At year-end, the the Group had no material outstanding commitments for the purchase or development of intangible assets (year-end 2020: no material outstanding commitments).

7. Income tax

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

	2021	2020
- Current	393	940
- Deferred tax	888	591
Income tax expense	1,281	1,531

Of the current tax charge, EUR 180 thousand (2020: EUR175 thousand) is due in other jurisdictions than the Netherlands. The table below reconciles the effective tax rate and the calculation of tax according to local nominal Dutch tax rates for the year ended 31 December, 2021 and 2020.

	2021	2020
Income before tax	4,317	4,427
Statutory Dutch income tax rate	20% - 25.0%	20% - 25.0%
Tax, at the nominal rate	1,055	1,090
- Effect of different tax rates outside the Netherlands	59	-87
- Permanent differences	12	14
- Release from deferred tax liability	0	-33
- Changes in nominal tax rate	160	553
- Miscellaneous	-5	-7
Tax recognized in the consolidated income statement	1,281	1,531
Effective tax rate	29.7%	34.6%

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

	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
2021					
As at 1 January	-4,324	55	44	0	-4,225
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	-906	-23	0	0	-929
Recognized in other comprehensive income	0	0	0	-6	-6
Effect of movement in foreign exchange rates	0	0	0	0	0
Carrying amount as at 31 December	-5,230	32	44	-6	-5,160
2020					
As at 1 January	-3,739	39	66	0	-3,634
Recognized in profit and loss	-585	16	0	0	-569
Recognized in other comprehensive income	0	0	-22	0	-22
Carrying amount as at 31 December	-4,324	55	44	0	-4,225

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

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

	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
2021					
Carrying amount as at 1 January, 2021	0	0	38	0	38
Acquired through business combinations	0	0	0	0	0
Recognized in profit and loss	30	0	11	0	41
Recognized in other comprehensive income	0	0	0	0	0
Effect of movement in foreign exchange rates	0	0	2	0	2
Carrying amount as at 31 December, 2021	30	0	51	0	81
	Intangible assets	Plant and equipment	Trade & other accrued expenses	Hedge contracts	Total
2020					
Carrying amount as at 1 January, 2020	0	0	52	0	52
Recognized in profit and loss	0	0	-9	0	-9
Effect of movement in foreign exchange rates	0	0	-5	0	-5
Carrying amount as at 31 December, 2020	0	0	38	0	38

8. Inventories

As at 31 December	2021	2020
Publications in development	369	230
Finished goods	4,352	2,726
Book return asset	94	113
	4,815	3,069

Total inventories and the provision for obsolescence increased due to the acquisition of V&R. The inventory of finished goods includes a provision for obsolescence of EUR 6,663 thousand (2020: EUR 4,130 thousand). During the year, excluding the V&R the provision was decreased by EUR 410 thousand (2020: increase EUR 665 thousand). This amount was released in the Cost of goods sold in the Consolidated Statement of profit or loss and other comprehensive income. See note 12 for the amount of pledged inventory.

9. Trade and other receivables

As at 31 December	2021	2020
Trade receivables	8,745	9,111
Other receivables	2,628	962
	11,373	10,073

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. See note 12 for the amount of pledged trade receivable to lenders of the Group.

The ageing of the receivables is shown hereafter.

As at 31 December, 2021				
	Gross amount	Credit loss allowance	Net amount	Loss allowance
Payments not due	7,686	-10	7,676	0% - 0.1%
Payments due:				
0-30 days	841	-1	840	0.1%
30-60 days	0	0	0	0.1%
60-90 days	91	0	91	0.1%
> 90 days	365	-227	138	62.0%
Total trade receivables	8,983	-238	8,745	

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

The changes in the credit loss allowance in the year are

	2021	2020
1 January	347	112
Add to the allowance during the year	35	239
Receivables written off during the year as uncollectible	-144	-4
Amounts recovered during the year	0	0
31 December	238	347

The carrying amounts are a reasonable approximation of the fair value of these financial assets.

10. Cash and cash equivalents

Cash and cash equivalents as at year-end 2021 were EUR 5,439 thousand (year-end 2020: EUR 5,899 thousand). Included in this amount is EUR 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office. The carrying amounts are a reasonable approximation of the fair value of these financial assets.

11. Equity

The share capital of the company is divided into ordinary shares and cumulative preference shares. There are currently no cumulative preference shares issued. The number of ordinary shares with par value of EUR 0.60 per share, issued and paid, was 1,874,444 in 2021 (2020: 1,874,444). The number of authorized shares was 2,500,000 in 2021 (2020: 2,500,000). In 2021, share capital was EUR 1,125 thousand (2020: EUR 1,125 thousand).

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

Other reserves consist of a currency translation reserve (including foreign currency exchange rate differences from foreign subsidiaries) and a cash flow 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).

The breakdown and changes in the other reserves, the currency translation and cash flow hedge reserve, are as follow:

	Currency translation reserve	Cash flow hedge reserve	Total other reserves
2021			
As at 1 January	-463	-16	-479
Exchange differences on subsidiaries	160	0	160
Net gain or loss(-) on cash flow hedges	0	7	7
Reclassification to profit and loss	0	9	9
Recognized in other comprehensive income	160	16	176
Tax effect	0	-4	-4
Total changes	160	12	172
As at 31 December	-303	-4	-307
2020			
As at 1 January	-293	4	-289
Result revaluation	-178	-37	-215
Reclassification to profit and loss	-49	10	-39
Recognized in other comprehensive income	-227	-27	-254
Tax on revaluation result	57	7	64
Total changes	-170	-20	-190
As at 31 December	-463	-16	-479

12. Interest bearing loans

In August 2021, the Group entered into a new the financing agreement with its lender, including converting a withdrawal from the acquisition facility of EUR 2.9 million into a long-term bank loan, of which EUR 2.6 million was outstanding at balance date. The Group pays a quarterly redemption until the loan is fully paid back mid-2027.

In May 2018, the Group took a long-term bank loan of EUR 6.5 million, of which at balance date EUR 3.5 million was outstanding. The Group pays a quarterly redemption until the loan is fully paid back mid-2024.

The movement of the interest-bearing loans is as follows:

	2021	2020
Carrying amount as at 1 January	4,583	4,848
Changes in the year		
New interest bearing loan	2,900	0
Debt redemption	-1,334	-270
Changes in financing cash flows	1,566	-270
Transaction costs loan expensed over loan term	5	5
Carrying amount as at 31 December	6,154	4,583
Non-current	4,566	3,500
Current	1,588	1,083
Carrying amount as at 31 December	6,154	4,583

The debt redemption and new interest bearing loan are presented in the Consolidated statement of cash flows as part of the cash flows of finance activities. The carrying amount are a reasonable approximation of the fair value of these financial liabilities.

On 31 December, 2021 unused credit facilities of EUR 10.0 million were available (2020: EUR 15 million). The arrangement provides the Group with a facility of EUR 5.0 million current account facility and an additional EUR 5.0 million of current account facility specifically for the financing of acquisitions. As a security for these bank loans the Group has pledged assets. The pledged assets with a total carrying amount of EUR 34.6 million (2020: EUR 30.0) consist of publishing rights (EUR 17.1 million, 2020: EUR 15.9 million), receivables (EUR 12.4 million, 2020: EUR 10.7 million), inventories (EUR 4.8 million, 2020: EUR 3.2 million) and property, plant and equipment (EUR 0.3 million, 2020: EUR 0.2 million).

The main non-financial covenant is the non-distribution clause that prohibits the Group 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	2021	2020
Profit before tax	4,317	4,427
Amortization and depreciation (non-product, non IFRS 16)	1,282	1,167
Maximum distribution	5,599	5,594

In addition, the covenants include two financial ratios:

Net debt/EBITDA ratio	2021	2020
Cash and cash equivalents	-5,439	-5,899
Interest bearing loans	6,154	4,583
Net debt	715	-1,316
EBITDA [17]	7,203	6,600
Net debt/EBITDA ratio (must be less than 3.0)	0.10	-0.20

Debt service coverage ratio	2021	2020
EBITDA [17]	7,203	6,600
Income tax (paid)/received	-936	1,077
Replacement investments: tangible assets	-104	-46
Replacement investments: intangible assets (non-product, non-acquisition)	-1,163	-363
Total	5,000	7,269
Interest paid	185	133
Redemption loan	1,334	270
Total	1,519	403
Debt service coverage ratio (must be higher than 1.1)	3.3	18.0

Net debt movements	Cash and cash equivalents	Interest bearing loan – short-term	Interest bearing loan – long-term	Total
Net debt 1 January 2021	5,899	-1,083	-3,500	1,316
Cash flows	-460	-505	-1,066	-2,031
Net debt 31 December 2021	5,439	-1,588	-4,566	-715

Free cash flow

Free cash flow is often used to evaluate the cash available to the company's lenders and investors.

Free cash flow	2021	2020
Net cash flow	-460	4,111
Dividend paid to shareholders	2,343	0
Interest and debt redemption	1,519	404
	<u>3,402</u>	<u>4,515</u>

13. Trade and other payables

As at 31 December	2021	2020
Trade creditors	2,592	3,650
Other taxes and social securities	671	549
Refund liability	608	596
Accruals	4,286	2,788
Pension liability	99	170
Other payables	4,903	1,706
	<u>13,159</u>	<u>9,459</u>

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. The carrying amount are a reasonable approximation of the fair value of these financial liabilities.

14. Deferred income

Deferred income relates to the advances received for journal and database access subscriptions. From deferred income recorded on the consolidated statement of financial position as at 31 December, 2020, EUR 8,967 thousand was recognized in the revenue of the year 2021 (in the revenue of 2020 EUR 8,851 thousand).

15. Commitments

A bank guarantee of EUR 107 thousand was issued in support of the rental agreement of the office located Plantijnstraat 2 in Leiden (until September 2023). At year end, there were no major commitments for investments. The liabilities for low-value leases will average yearly at EUR 120 thousand.

16. Financial risk management

Foreign currency exchange risk

Brill's reporting currency is the euro. The US dollar is the main other currency relevant to Brill's business. In 2021, around 23% (2020: 31%) of revenues was invoiced in USD. Brill's objective related to currency exchange risk is to improve its financial performance by mitigating significant swings in the US dollar exchange rate. For this objective Brill may enter into foreign currency forward contracts. Normally, prices in US dollar are announced at the beginning of the year and are adjusted annually. In determining prices in US dollar, current exchange rate circumstances are considered. Since most expenses are in euro, Brill is net long in US dollar. Brill's policy is to hedge around 80% of the expected net incoming cash flow in US dollar for the next twelve months by

using currency options. In addition, Brill attempts to limit currency risk by means of natural hedging, meaning entering in liabilities in US dollar to compensate receivables in US dollar.

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

Impact of a 5% increase of the US dollar value versus the euro	2021	2020	Impact of a 5% decrease of the US dollar value versus the euro	2021	2020
Net revenue	108	105	Net revenue	-119	-116
Gross profit	97	95	Gross profit	-107	-105
Net profit	225	233	Net profit	-248	-258
Equity	94	51	Equity	-104	-57

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

Interest rate risk

As per ultimo 2021, a long-term loan with variable rate (3 months EURIBOR plus 1.8%) was in place (see note 12). Brill's objective related to interest risk is to improve financial performance by mitigating risk on interest rate increases, for example by use of interest rate swaps or comparable instruments. Brill entered into an interest rate swap transaction on 3 July, 2019 to mitigate the risk of increases in interest during the remainder of the period. Brill's interest payments are now capped at 1.5% of the remaining outstanding debt for the duration of the loan.

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

Impact of a 5% increase of 3 months EURIBOR	2021	2020	Impact of a 5% decrease of 3 months EURIBOR	2021	2020
Profit after tax	0	0	Profit after tax	0	0
Equity	0	0	Equity	0	0

Credit risk

The business of the Group is concentrated in Western Europe, the United States and Asia. The Group's objective related to credit risk is to improve financial performance by mitigating defaults on outstanding receivables. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Concentration of credit risks arises when the Group is exposed to significant outstanding past due amounts of a counterparty (like a trade debtor) or group of counterparties. 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, the Group has access to relevant credit information. In addition, the Group's credit policy includes payment terms, credit limits and dunning policies. Cash flow is impacted by the payment behaviour

of our customers; therefore, compliance with payment terms is monitored closely. The Group's maximum exposure is limited to the carrying amount 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 the Group runs almost no credit risk, because journal deliveries are made after receipt of payment by subscribers. It is in the interest of the publisher to deliver new issues to subscribers without interruption and for that reason, the publisher may, on an exception basis, deliver issues before payment has been received. A limited risk exists with regard to subscription fees paid by the customer to the subscription agent but not transferred yet to the publisher. Very limited credit risk exists in the sale of online products because Brill can terminate access to the product at any time.

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

Liquidity risk

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

	Balance amount	Maturity					Total
		Immediate	< 3 months	3-12 months	1-5 year	> 5 year	
As per 31 December, 2021							
Trade and other payables	13,159	6,505	1,193	5,461	0	0	13,159
Interest bearing loans	6,154	0	397	1,191	4,566	0	6,154
Derivatives financial instruments	6	0	2	2	2	0	6
		6,505	1,592	6,654	4,567	0	19,319
As per 31 December, 2020							
Trade and other payables	9,460	4,422	1,205	3,833	0	0	9,460
Interest bearing loans	4,583	0	271	813	3,499	0	4,583
Derivatives financial instruments	2,951	0	1,395	1,556	0	0	2,951
		4,422	2,871	6,202	3,499	0	16,994

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, see hereafter). 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).

Return on invested capital (ROIC)

Koninklijke Brill N.V. uses ROIC to evaluate the performance of the Group related to its return on capital. The 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.

	2021	2020
Reconciliation assets		
Non-current assets	38,122	34,393
Deferred tax liabilities	-5,160	-4,226
Current assets	21,812	19,247
Current liabilities	-24,812	-20,889
Net working capital	-3,000	-1,643
Short-term portion interest bearing loan included in current liabilities	1,588	1,083
Net tax	-84	583
Net derivative financial instruments	6	-137
Cash and cash equivalents	-5,439	-5,899
Invested Capital	26,033	24,154

Return on invested capital	2021		2020	
Operating profit	4,454		4,502	
Effective tax (adjusted for exceptional non-cash tax result)	-1,114	-25%	-1,126	-25.0%
Net operating profit less adjusted tax (NOPLAT)	3,340		3,376	
Invested capital	26,033		24,154	
Average invested capital	25,093		24,539	
Return On Invested Capital	13.3%		13.8%	
Asset turnover (revenue / average invested capital)	1.9		1.5	
NOPLAT margin (NOPLAT / revenue)	7.1%		8.9%	

Financial instruments

Classification of financial instruments

The classification of the financial instruments of the Group are set out hereafter.

As at 31 December	<u>2021</u>	<u>2020</u>
Financial assets		
Financial assets measured at amortized cost	16,812	16,010
Financial assets measured at fair value through profit or loss	<u>283</u>	<u>158</u>
	<u>17,095</u>	<u>16,168</u>
Financial liabilities other than lease liabilities		
Financial liabilities measured at amortized cost	9,417	8,783
Financial liabilities measured at fair value through profit or loss	<u>6</u>	<u>21</u>
	<u>9,423</u>	<u>8,804</u>

Hedge accounting

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

Year	Notional amount	Fair value	Contract rate	Hedging instrument	Hedged item	Ineffectiveness
2021	2,979	-6	-0.26%	-6	6	—
2020	4,062	-21	-0.26%	-21	21	—

See note 11 for the changes in cash flow hedge reserve.

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, 2021 and 31 December, 2020. The column 'net amount' shows the impact on the group's consolidated statement of financial position if all offsetting rights were exercised.

	Effects in Consolidated statement of financial position			Related amounts not offset	
	Gross amount	Offset	Carrying amount	For master netting arrangements	Net amount
2021					
Financial assets					
Derivative financial instruments	0	0	0	0	0
As at 31 December	0	0	0	0	0
Financial liabilities					
Derivative financial instruments	6	0	6	0	6
As at 31 December	6	0	6	0	6
2020					
Financial Assets					
Derivative financial instruments	158	0	158	-158	0
As at 31 December	158	0	158	-158	0
Financial liabilities					
Derivative financial instruments	21	0	21	-21	0
As at 31 December	21	0	21	-21	0

Fair value hierarchy

During the year there have been no (2020: no) movements between fair value levels.

As per 31 December	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
	2021	2021	2021	2020	2020	2020
Financial assets						
Currency forward agreements	0	0		158	158	2
Financial liabilities						
Interest bearing loans	6,154	6,154	2	4,583	4,583	2
Interest rate swap	6	6	2	21	21	2

17. Segment information

The Group'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.

Until mid December 2021, the Group's publishing activities were segregated into six business segments, identified as publishing units. The aggregation of these segments was 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

The Group'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 2021	5,552	6,079	4,330	8,660	10,230	12,014	0	46,865
Revenue 2020	5,785	5,620	4,224	7,958	10,502	3,770	0	37,859
EBITDA contribution 2021	3,670	3,536	1,969	4,882	6,233	1,000	-14,087	7,203
EBITDA contribution 2020	3,706	3,058	1,868	4,206	6,168	608	-13,013	6,600

After the acquisition of V&R, the Management Board reconsidered the aggregation of the business segments and decided to reorganize the business segments units into three business units. The new structure has three business units that are similar in size and consist of economically comparable units. This leads to a more efficient management structure and increases productivity in the departments servicing the business units. The change is effective December 15, 2021 but only implemented in formal reporting in 2022:

- LRSL: PU Law, Regional Studies & Linguistics (including former PUs LAW, LLA and MIA);
- RHB: PU Religion, History & Biology (including former PUs HIS and ARC);
- DACH: the business operations contained under Brill Deutschland GmbH and Brill Österreich GmbH, notably the imprints Ferdinand Schöningh, Wilhelm Fink, mentis, VandenHoeck&Ruprecht and Bohlau.

EBITDA per Publishing Unit is calculated based on direct EBITDA contribution minus allocated group services and overhead costs.

Publishing Unit	LRSL	RHB	DACH	Group	Total
Revenue 2021	15,961	18,890	12,014	0	46,865
Revenue 2020	15,629	18,460	3,770	0	37,859
EBITDA contribution 2021	9,165	11,103	991	-14,056	7,203
EBITDA contribution 2020	8,632	10,373	608	-13,013	6,600

Product revenue segmentation is as follows:

Revenue by product type	2021	2020
Print books	16,865	13,511
eBooks	16,278	12,196
Journals	12,322	11,075
Primary Sources	1,400	1,078
Total	46,865	37,859

In 2021, there was no customer that accounted for more than 10% of consolidated revenues (in 2020 EBSCO International euro 4.9 million accounted for more than 10%). 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	2021	2020
Western Europe	25,341	17,621
North America	15,574	13,873
Asia Pacific	3,999	4,333
Other	1,951	2,032
Total	46,865	37,859

Within these regions, two individual countries attribute to more than 10% of total revenue: USA with revenues of 14,563 or 31.1% of total revenue (2020 12,826 or 33.9%) and Germany with revenues of 13,158 or 28.1% (2020 6,842 or 18.1%).

The ownership of all intangible assets and most tangible assets lies in the Netherlands except for the assets of Vandenhoeck & Ruprecht, Böhlau, Schöningh & Fink and mentis whose ownership lies in Germany and Austria.

EBITDA

The Group uses EBITDA to evaluate the performance of the total company and the operating segments. Hereafter, the reconciliation of the relevant items in the Consolidated statement of profit or loss and other comprehensive income to operating profit is provided.

Reconciliation of Revenue and profit before tax	2021	2020
Revenue	46,865	37,859
Cost of goods sold	-13,027	-11,487
Selling and distribution costs	-7,306	-6,766
General and administrative expenses	-19,329	-13,006
EBITDA	7,203	6,600
Depreciation and Amortization	-2,047	-1,790
Exceptional items including acquisition and integration costs	-701	-308
Operating profit	4,455	4,502

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. Operational costs contain office related costs, services, communications and professional services.

Cost of goods sold	2021	2020
Technical production costs	8,209	7,538
Amortization of capitalized content costs [6]	3,067	2,856
Royalties	1,751	1,093
	<u>13,027</u>	<u>11,487</u>
Reconciliation Selling, General and administrative with personnel cost and operating expenses	2021	2020
Selling and distribution expenses	7,306	6,766
General and administrative expenses	22,079	15,104
Total operating expenses	<u>29,385</u>	<u>21,870</u>
Personnel cost	16,349	12,099
Operational expenses	10,991	7,980
Amortization of intangible assets (non-product related) [6]	1,137	1,001
Depreciation of tangible fixed assets [4]	144	167
Depreciation right of use assets [5]	764	623
Total operating expenses	<u>29,385</u>	<u>21,870</u>

Breakdown of personnel costs is as follows:

Personnel costs	2021	2020
Salaries	13,964	10,338
Severance payments	-24	308
Social security payments	2,209	1,495
Defined contribution pension arrangement	1,077	998
Other defined contribution arrangements	262	252
	<u>17,488</u>	<u>13,391</u>
Capitalized in content in intangible assets	-1,139	-1,292
	<u>16,349</u>	<u>12,099</u>

Employees and short-term employee benefits

Personnel costs booked to work in progress relates mostly to the internal desk editing team. Desk editing writes time to products, which is then capitalized or expensed. In addition to internal staff, Brill uses vendor services for most of the editing and typesetting activities for its publications. See note 22 Information concerning related parties for the remuneration of the board.

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

FTEs	Year end 2021	Year end 2020
Publishing	102.3 [41,4%]	63.1 [39.8%]
Operations & Technology	75.7 [30,7%]	46.1 [29.1%]
Sales & Marketing	45.4 [18,4%]	34.5 [21.8%]
Finance, HR, Other	23.5 [9.5%]	14.7 [9.3%]
Total	246.9 [100%]	158.4 [100%]

The average workforce amounted to an average of 226.9 FTEs (2020: 160.6 FTEs). The total workforce engaged on a full-time basis at year end showed an increase of 88.5 FTEs from 168.4 to 246.9 FTEs, mainly due to the acquisition of V&R. At the end of 2021, 120.4 FTEs (2020: 50.7 FTEs) were working outside the Netherlands (from Brill's offices in Boston, Göttingen, Paderborn, Cologne, Vienna, Singapore and Beijing, as well as from home offices in the United Kingdom, Canada, Germany and Switzerland).

Post employee benefits

The Dutch employees participate in the pension plan of Stichting Pensioenfonds PGB. This pension plan qualifies as a defined contribution plan. The annual premium contribution is based on the actuarial cost of purchasing pension rights of the plan. The Group has no obligation to cover any plan deficits, after payment of the annual premium, no obligations remain to pay for additional contributions or higher future premiums in the event of a shortfall of the plan, nor if the plan is terminated. Indexation of the pension rights depends on the financial position of the pension fund.

Employees outside the Netherlands operate in local defined contribution plans.

Audit fees

	2021	2020
Audit of annual financial statements	381	329
Other audit procedures	0	0
Tax services	0	0
Other non – audit assurance engagement	0	0
	381	329

The fees listed above relate to the procedures applied to the company and its consolidated group entities by accounting firms and external independent auditor as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties Wta') as well as by Dutch and foreign based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2021 financial statements, regardless of whether the work was performed during the financial year.

19. Finance income and expense

The interest rate received on our current account balance was 0% in 2021 (2020: 0%).

Finance income	2021	2020
Interest received of financial assets measured at amortized cost	23	54
Remeasurement of non-current financial assets measured at fair value through profit or loss	0	0
Foreign exchange rate differences	49	58
	72	112

Finance expense	2021	2020
Interest expenses on credit facilities measured at amortized cost	-63	-34
Interest expenses on interest bearing loans measured at amortized cost	-93	-78
Interest expenses on lease liabilities	-52	-75
Foreign exchange rate differences	0	0
	-208	-187

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	2021	2020
Net income	3,036	2,896
Weighted average number of shares issued	1,874,444	1,874,444
Earnings per share attributable to shareholders of Koninklijke Brill N.V. (in euros)	1.62	1.54

21. Dividend paid and proposed

Dividend	2021	2020
Dividend paid		
Dividend paid for 2019: 0	0	0
Dividend paid for 2020: 1.25 in EUR	2,343	0
Total paid	2,343	0
Proposed dividend for 2021		
Ordinary Dividend to be paid for 2021: 0.90 (for 2020 1.25) in EUR	1,687	2,343
Profit distribution proposal 2021		
Ordinary dividend on ordinary shares	1,687	2,343
Added to retained earnings	1,349	553
Net profit	3,036	2,896

22. Information concerning related parties

The Group's related parties include its key management and its subsidiaries. Transactions with related parties are based on arm's length transactions between third parties. During the year, the related party transactions were remuneration of key management.

Remuneration of the Supervisory Board and Management Board

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

Total paid executive remuneration (in thousands of euros)	2021	2020
Supervisory Board	90	106
Management Board	1,233	838
Total paid remuneration	1,323	944
Variable payout accrued in the prior year	-368	-144
Variable component accrued in the current year	204	314
Net expense for executive remuneration	1,159	1,114

See the remuneration report for more information.

Subsidiaries

See note 5 Non-current financial assets in the Company financial statements for more information of the subsidiaries of Koninklijke Brill N.V. Beside the direct subsidiaries mentioned in the Company

financial statements, the Group has also a 100% interest in Brill Consulting Beijing Ltd (in Beijing, China).

Transactions with related parties

Transactions with related parties are based on arm's length transactions between third parties. During the year, transactions with related parties concerned the remuneration of key management.

23. Events after balance sheet date

On February 10, 2022 Brill announced that CEO Peter Coebergh will leave Brill when his term of office will come to an end after the Annual General Meeting of Shareholders that is currently scheduled for 25 May, 2022. At the time of writing, the Supervisory Board has not yet finalized the process of appointing a successor.

See note 21 Dividend paid and proposed for the proposed dividend for the year.

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COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

In thousands of euros (before appropriation of profit)

	<u>31-12-2021</u>	<u>31-12-2020</u>	
Assets			
Non-current assets			
Intangible assets [3]	33,200	32,156	
Property, plant and equipment [4]	877	1,114	
Non-current financial assets [5]	<u>7,682</u>	<u>3,440</u>	
		41,759	36,710
Current assets			
Inventories	2,139	1,966	
Trade and other receivables [6]	9,341	10,331	
Cash and cash equivalents [7]	<u>3,153</u>	<u>4,748</u>	
		<u>14,633</u>	<u>17,045</u>
TOTAL ASSETS		<u>56,392</u>	<u>53,755</u>
Equity and Liabilities			
Equity [8]			
Share capital	1,125	1,125	
Share premium	343	343	
Legal reserves	11,868	11,383	
Retained earnings	8,411	8,171	
Profit for the year	<u>3,036</u>	<u>2,896</u>	
		24,783	23,918
Deferred tax liabilities		5,161	4,226
Non-current liabilities [9]		4,937	4,190
Current liabilities [10]		21,511	21,422
Total Liabilities and Equity		<u>56,392</u>	<u>53,755</u>

COMPANY STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of euros

	<u>2021</u>	<u>2020</u>
Revenue	31,608	30,767
Cost of Goods Sold	<u>-8,547</u>	<u>-8,768</u>
Gross profit	23,061	21,999
Expenses [13]		
Selling and distribution expenses	-4,765	-4,213
General and administrative expenses	<u>-14,443</u>	<u>-14,321</u>
Operating profit	3,853	3,465
Finance income [14]	136	33
Finance expenses [14]	<u>-152</u>	<u>-118</u>
Profit before income tax	3,837	3,380
Income tax expense	-1,102	-1,355
Results from subsidiaries, net of tax [5]	<u>301</u>	<u>871</u>
Profit after tax	<u>3,036</u>	<u>2,896</u>

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Information regarding the Company

Koninklijke Brill N.V. (together with its subsidiaries referred to as 'Brill' or the 'Group') is established as a Naamloze Venootschap (Public Limited Company incorporated in the Netherlands), based at Plantijnstraat 2 in Leiden, the Netherlands and registered at the chamber of commerce under number 28000012. Its registered depository receipts are traded publicly at Euronext in Amsterdam. The main activities are academic publications with a focus on the humanities and social sciences, international law and selected areas in the Sciences (see also note 1 of the Consolidated Financial Statements).

2. Basis of preparation for the company financial statements

The Company Financial Statements have been prepared using the same accounting principles for recognition, measurement and determination of profit or loss, as applied in the Consolidated Financial Statements in accordance with section 362.8, Title 9, Book 2 of the Dutch Civil Code (DCC), except for investments in subsidiaries. The accounting policies are included in note 2 *Basis of preparation of the financial statements* in the Consolidated Financial Statements.

All amounts have been reported in thousands of euro, except where noted differently.

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. The net asset value of the investment in subsidiaries is increased or decreased to recognise the Company's share in the profit or loss and other comprehensive income of the subsidiaries and is presented as Results from subsidiaries, net of tax in the statement of profit or loss. Unrealised gains and losses on transactions between the group companies are eliminated.

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 carrying amount 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.

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

Loans due from and amounts due from or to Group Companies

Loans due from, amounts due from or to group companies are stated initially at fair value and subsequently at amortised cost, using the effective interest rate, less impairments. Each group company is considered as a combination of assets and liabilities rather than an indivisible asset, and therefore expected credit losses are eliminated.

3. Intangible assets

	Publishing rights	Goodwill	Capitalized content	Information systems and other	Total
2021					
As at 1 January					
Cost	16,069	3,113	49,185	6,953	75,320
Accumulated amortization	-289	0	-37,802	-5,073	-43,164
Carrying amount as at 1 January	15,780	3,113	11,383	1,880	32,156
Changes in the year					
Investment	200	0	3,551	1,263	5,014
Reclass and Disposal – at cost	-1	0	0	0	-1
Reclass and Disposals – at accumulated depreciation	0	0	0	0	0
Amortization	-99	0	-3,067	-803	-3,969
Total changes	100	0	484	460	1,044
As at 31 December					
Cost	16,268	3,113	52,736	8,216	80,333
Accumulated amortization	-388	0	-40,869	-5,876	-47,133
Carrying amount as at 31 December	15,880	3,113	11,867	2,340	33,200
2020					
As at 1 January					
Cost	16,069	3,113	46,340	6,831	72,353
Accumulated amortization	-190	0	-34,946	-4,212	-39,348
Carrying amount as at 1 January	15,879	3,113	11,394	2,619	33,005
Changes in the year					
Investment	0	0	2,845	334	3,179
Reclass and Disposal – at cost	0	0	0	-213	-213
Amortization	-99	0	-2,856	-861	-3,816
Total changes	-99	0	-11	-740	-850
As at 31 December					
Cost	16,069	3,113	49,185	6,953	75,320
Accumulated amortization	-289	0	-37,802	-5,073	-43,164
Carrying amount as at 31 December	15,780	3,113	11,383	1,880	32,156

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

4. Property, plant and equipment

	Leasehold improve- ments	Furniture & Fixtures	IT- hardware	Right-of- use assets	Total
2021					
As at 1 January					
Investment	890	428	533	1,553	3,404
Depreciation	-855	-420	-398	-617	-2,290
Carrying amount as at 1 January	35	8	135	936	1,114
Changes in the year					
Investment	0	0	117	181	298
Reclass and Disposal – at cost	0	0	0	0	0
Depreciation	-2	-5	-95	-433	-535
Total changes	-2	-5	22	-252	-237
As at 31 December					
Cost	890	428	650	1,734	3,702
Accumulated depreciation	-857	-425	-493	-1,050	-2,825
Carrying amount as at 31 December	33	3	157	684	877
Useful life in years (current and previous year)	10	5 - 10	3	0 - 4	
2020					
As at 1 January					
Cost	890	428	487	1,457	3,262
Accumulated depreciation	-780	-412	-367	-329	-1,888
Carrying amount as at 1 January	110	16	120	1,128	1,374
Changes in the year					
Investment	0	0	46	96	142
Depreciation	-75	-7	-32	-288	-402
Total changes	-75	-7	14	-192	-260
As at 31 December					
Cost	890	428	533	1,553	3,404
Accumulated depreciation	-855	-420	-398	-617	-2,290
Carrying amount as at 31 December	35	8	135	936	1,114
Leasehold improve-ments					

As per 31 December 2021 the right-of-use assets include EUR 597 thousand for offices (2020: EUR 825 thousand) and EUR 87 thousand related to company cars (2020: EUR 112 thousand).

5. Non-current financial assets

	Investments in subsidiaries	Loans to subsidiaries	Other investments	Total
2021				
Carrying amount as at 1 January	2,450	890	100	3,440
Acquired	0	3,558	0	3,558
Capital contribution	50	0	0	50
Result for the year	301	0	168	469
Revaluations	160	0	3	163
Foreign currency differences	2	0	0	2
Carrying amount as at 31 December	2,963	4,448	271	7,682
2020				
Carrying amount as at 1 January	1,723	890	0	2,613
Acquired	34	0	100	134
Result for the year	871	0	0	871
Foreign currency differences	-178	0	0	-178
Carrying amount as at 31 December	2,450	890	100	3,440

Investments in subsidiaries

	City	Country	Share in company	
			31-12-2021	31-12-2020
Brill USA, Inc.	Boston	USA	100 %	100 %
Brill Asia Pte Ltd	Singapore	Singapore	100 %	100 %
Brill Deutschland GmbH	Paderborn	Germany	100 %	100 %
Brill Österreich GmbH	Vienna	Austria	100 %	100 %

Loans to group companies

The Company has provided loans nominated in euro to its subsidiaries. The interest rates of these loans varies between 1.9% and 2.3%, the duration of the loans varies between 5 and 7 years, the loans are subordinated to other obligations of the subsidiaries. The carrying amount is a reasonable approximation of fair value of the loans.

Other investments

Other investments are minority investments in other publishing companies.

6. Trade and other receivables

As at 31 December	2021	2020
Trade receivables	6,359	7,317
Amounts due from group companies	739	1,966
Income tax receivable	130	0
Derivative financial instruments	0	158
Other receivables	2,113	891
	<u>9,341</u>	<u>10,331</u>

The carrying amount of amounts due from group companies is a reasonable approximation of the fair value of these receivables. Amounts due from group companies are payable within twelve months, bear no interest and no securities have been provided. See note 9 Trade and other receivables of the Consolidated financial statements for more details.

7. Cash and cash equivalents

As at year-end 2021, cash and cash equivalents were EUR 3.153 thousand (year-end 2020: EUR 4,748 thousand). Included in this amount is EUR 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office (2020: EUR 107 thousand). Cash and cash equivalents not required for funding of the operations are invested in short-term bank deposits with variable rate, where possible.

8. Equity

The share capital of the Company is divided into ordinary shares and cumulative preference shares. There are currently no cumulative preference shares issued. The number of ordinary shares with par value of EUR 0.60 per share, issued and paid, was 1,874,444 in 2021 (2020: 1,874,444). The number of authorized shares was 2,500,000 in 2021 (2020: 2,500,000). In 2021, share capital was EUR 1,125 thousand (2020: EUR 1,125 thousand).

Stichting Luchtmans was granted a call option that gives it the right, in the event of hostile action or imminent hostile action against the company, to purchase a number of cumulative preference shares equal to, at most, 100% of the shares and depository receipts issued at the time at which the option is exercised less one share. When the option is exercised, only 25% of the total nominal amount must be paid. The exercise price is equal to the nominal value. Stichting Luchtmans and the Company have agreed that the option may be exercised up to 100% of the issued capital if and as long as shares and depository receipts are listed on the Euronext Amsterdam N.V. exchange. As at 31 December 2021, no preference shares were issued (as per 31 December 2020: no preference shares were issued).

The currency translation reserve (including foreign currency exchange rate differences resulting from foreign subsidiaries) and the cash flow hedge reserve (including the share in the increase or decrease of the cash flow hedges for which it has been established that it is effective) are legal reserves according to DCC. A legal reserve is also constituted for the capitalized content on the statement of financial position equal to the carrying amount of the capitalized content.

	As at 1 January	Profit for the year	Dividends paid	rate and hedge differences	Appro- priation of result	Other movements	As at 31 December
2021							
Share Capital	1,125	0	0	0	0	0	1,125
Share premium	343	0	0	0	0	0	343
Currency translation reserve	-463	0	0	160	0	0	-303
Cash flow hedge reserve	-16	0	0	12	0	0	-4
Legal reserve capitalized content	11,383	0	0	0	0	485	11,868
Retained earnings	8,650	0	-2,343	0	2,896	-485	8,718
Profit for the year	2,896	3,036	0	0	-2,896	0	3,036
	<u>23,918</u>	<u>3,036</u>	<u>-2,343</u>	<u>172</u>	<u>0</u>	<u>0</u>	<u>24,783</u>
2020							
Share Capital	1,125	0	0	0	0	0	1,125
Share premium	343	0	0	0	0	0	343
Currency translation reserve	-293	0	0	-170	0	0	-463
Cash flow hedge reserve	4	0	0	0	0	-20	-16
Legal reserve capitalized content	11,394	0	0	0	0	-11	11,383
Retained earnings	6,477	0	0	0	2,162	11	8,650
Profit for the year	2,162	2,896	0	0	-2,162	0	2,896
	<u>21,212</u>	<u>2,896</u>	<u>0</u>	<u>-170</u>	<u>0</u>	<u>-20</u>	<u>23,918</u>

0

9. Non-current liabilities

As at 31 December	2021	2020
Interest bearing loans	4,566	3,500
Lease liabilities	371	690
	<u>4,937</u>	<u>4,190</u>

See note 5 Leases, note 12 Interest bearing loans and note 16 Financial risk management in the Consolidated financial statements.

10. Current liabilities

	31-12-2021	31-12-2020
Deferred income	8,493	8,898
Interest bearing loans	1,588	1,083
Trade payables	1,760	3,220
Amounts due to group companies	2,339	2,121
Income tax	0	620
Pension liabilities	99	169
Other liabilities	4,268	2,351
Lease liabilities	372	396
Accruals	2,592	2,564
	<u>21,511</u>	<u>21,422</u>

The carrying amount of amounts due to group companies is a reasonable approximation of the fair value of these receivables. Amounts due to group companies are payable within twelve months, bear no interest and no securities have been provided. See note 5 Leases, note 12 Interest bearing loans, 13 Trade creditors and other payables, note 14 Deferred income in the Consolidated financial statements.

11. Commitments

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

12. Financial instruments

Pursuant to its use of financial instruments, the Company is exposed to credit risk, liquidity risk and market risk. The notes to the consolidated financial statements provide information on the Group's exposure to each of these risks, its objectives, principles and procedures for managing and measuring these risks, as well as Group capital management. These risks, objectives, principles and procedures for managing and measuring these risks as well as capital management apply mutatis mutandis to these Company Financial Statements (see note 16 Financial risk management of the Consolidated Financial Statements).

13. Expenses

Personnel expenses

The personnel expenses included in the expenses are specified below.

Personnel costs	2021	2020
Salaries	8,038	7,417
Severance payments	-124	300
Social security payments	1,071	1,036
Defined contribution pension arrangement	912	866
Other defined contribution arrangements	273	252
	<u>10,170</u>	<u>9,871</u>
Capitalized in content in intangible assets	-1,139	-1,292
	<u>9,031</u>	<u>8,579</u>

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

FTEs	Year end 2021	Year end 2020
Publishing	53.5 [41,6%]	48.9 [39.7%]
Operations & Technology	40.9 [31.8%]	38.7 [35.0%]
Sales & Marketing	19.7 [15.3%]	16.7 [15.1%]
Finance, HR, Other	14.5 [11.3%]	11.3 [10.2%]
Total	128.6 [100%]	115.6 [100%]

2.0 FTEs worked outside of the Netherlands in 2021, versus 2.8 in 2020.

The general and administrative expenses included the expenses disclosed in note 18 of the Consolidated financial statements, see that note also for the information of the pension scheme in the Netherlands. The remuneration of the Management Board and the Supervisory Board is disclosed in note 22 Information concerning related parties of the Consolidated financial statements.

Depreciation and amortization

The depreciation and amortization are summarized below.

	2021	2020
Amortization	-3,969	3,816
Depreciation	-535	402
	<u>-4,504</u>	<u>4,218</u>

14. Finance income and expenses

The financial income includes interest amount of EUR 93 thousand of group companies (2020: EUR 33 thousand). The financial expenses include an interest amount of EUR 38 thousand of group companies (2020: EUR 6 thousand).

15. Events after balance sheet date

See note 23 of the Consolidated Financial Statements.

16. Profit appropriation

The Management Board proposes an ordinary cash dividend of € 0.90 per (certificate of) ordinary share of 0.60 nominally. If the Annual General Meeting accepts the dividend proposal, the 2021 profit of 3,036 thousand will be appropriated as follows:

<i>Profit appropriation proposal</i>	2021
Ordinary dividend on ordinary shares	1,687
Retained Earnings	1,349
Net profit	<hr/> 3,036

Leiden, 11 April, 2022

Supervisory Board

Robin Hoytema van Konijnenburg
Anneke Blok
Theo van der Raadt

Management Board

Peter Coebergh
Jasmin Lange
Wim Dikstaal

OTHER INFORMATION

Appropriation of Profit for the Year

Bylaws regarding profit appropriation

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

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

Holdings Members of the Supervisory Board and Management Board

Name	Number of registered depository receipts
Peter Coebergh	600
Jasmin Lange	500

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



Independent auditor's report

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

Report on the financial statements 2021

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 2021 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Koninklijke Brill N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 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 2021 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 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021;
- the consolidated statement of changes in total equity for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2021;
- the company statement of profit or loss for the year ended 31 December 2021; and
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

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

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview and context

We designed our audit procedures in the context of our audit of the financial statements as a whole. Our comments and observations regarding individual key audit matters, our audit approach regarding fraud risks and our audit approach regarding going concern should be read in this context and not as a separate opinion or conclusion on these matters.

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

In 2021 the Company completed the acquisition of the German publishing houses Vandenhoeck & Ruprecht and Böhlau (hereafter also referred to as 'V&R'). The closing date of the transaction was 1 March 2021. The German operations of V&R have been combined with Brill's existing publishing activities through Brill Deutschland GmbH. Given the significance of 'the acquisition in Germany', the complexity of accounting for business combinations, and the significant management assumptions in the valuation of the intangible assets identified, we consider this to be a key audit matter.

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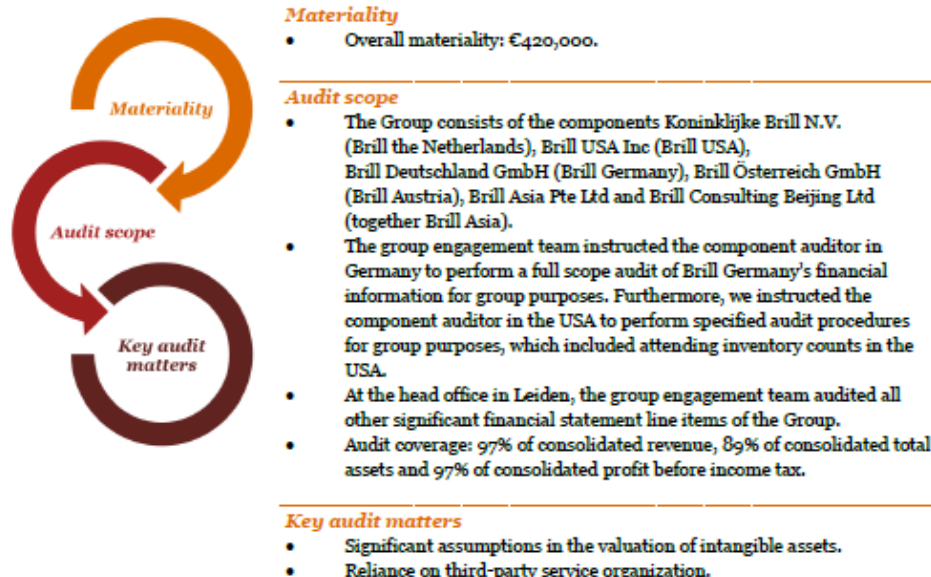


As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In these considerations, we paid attention to, amongst others, the assumptions underlying the physical and transition climate-related risks. In note 2 to the consolidated financial statements the areas of judgement in applying accounting policies and the key sources of estimation uncertainty are described. Given the estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of intangible assets, we considered this as a key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, Brill continued to experience performance issues at the UK-based service organization mentioned above, which affected Brill's operations and financial reporting. We have devoted significant attention to this third-party service organization and identified this as a key audit matter.

Brill assessed the possible effects of climate change on its financial position, refer to the section 'Corporate Sustainability'. We discussed Brill's assessment and governance thereof with management and evaluated the potential impact on the financial position including underlying assumptions and estimates. The effect of climate change is not considered to impact the key audit matters.

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

The outline of our audit approach was as follows:



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- Acquisition in Germany.

Materiality

The scope of our audit was 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	€420,000 (2020: €340,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 0.9% of revenue rounded to €420,000.
Rationale for benchmark applied	We used revenue as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. The primary focus of the stakeholders and the Company is the long-term horizon and its growth of revenue. As a result, we believe that total revenue is an important metric for the financial performance of the Company.
Component materiality	To components in our audit scope, we allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €200,000 and €415,000.

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 €41,500 (2020: €16,750) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

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

The group audit focused on the significant components Brill the Netherlands and Brill Germany. For Brill the Netherlands, we performed an audit of the full set of financial information. In addition, we

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issued instructions to our network firm's local component auditor of Brill Germany to perform a full scope audit of Brill Germany's financial information. Furthermore, we performed specific audit procedures on the relevant financial statement line items of the components Brill USA, Brill Austria and Brill Asia in order to achieve appropriate coverage on the consolidated financial statements as a whole. Finally, we instructed the auditor of Brill USA to perform specified audit procedures on payroll expenses and inventory.

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

<i>Revenue</i>	97%
<i>Total assets</i>	89%
<i>Profit before tax</i>	97%

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

The group engagement team performed the audit work for group entities Brill Austria and Brill Asia. For components Brill Germany and Brill USA, we used component auditors who are familiar with the local laws and regulations to perform the audit work, i.e. our network firm in Germany and a local audit firm in the USA, respectively.

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

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

In line with prior years, Brill engages an external UK-based service organization that globally provides significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting. We obtained an understanding of the nature and significance of the services provided by the external service 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 performed a review of the file of the service organization's auditor to evaluate the sufficiency and appropriateness of the evidence provided by the report. We concluded that for the purpose of our audit, we can appropriately rely on the controls operated at the service organization.

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

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

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 'Risk Management', and more specifically 'Fraud risk', of the management board's report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks and reported our observations to the management board and the persons charged with governance.

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 whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risks and performed the following specific procedures:

<i>Identified fraud risk</i>	<i>Audit work and observations</i>
<p><i>The risk of management override of controls</i></p> <p>In all our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of the management board.</p> <p>In this context, we paid attention to:</p> <ul style="list-style-type: none"> • The appropriateness of journal entries and other adjustments made in the preparation of the financial statements. • Significant transactions and judgements applied outside the normal course of business, such as the purchase price allocation. • Estimates in the impairment assessment. 	<p>Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the internal controls in the processes of journal entries, significant estimates and revenue. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We paid attention to whether deficiencies in controls may create additional opportunities for fraud.</p> <p>We performed data analysis of high-risk journal entries. Where we identified instances of unexpected journal entries or other risks, such as unexpected users, through our data analytics, we performed additional audit procedures to address each identified risk. We also conducted specific audit activities for these entries, as part of which we paid attention to significant transactions outside the normal course of business.</p>

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<i>Identified fraud risk</i>	<i>Audit work and observations</i>
	<p>Furthermore, we performed specific audit procedures related to important assumptions and estimates of management, e.g. in the impairment assessment and in the purchase price allocation for the acquisition in Germany. We specifically paid attention to the inherent risk of bias of management in estimates.</p> <p>Our audit procedures did not identify any material misstatement in the information provided by management in the financial statements and the management report compared with the financial statements.</p> <p>Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of violations of the internal controls.</p>
<p><i>The risk of fraudulent financial reporting due to overstating the revenue</i></p> <p>Brill's objective is to meet certain market and shareholder expectations regarding revenue and profitability. Also, management board's bonuses partly depends on results achieved. Furthermore, the loan agreement with the bank contains debt covenants based on EBITDA.</p> <p>Above matters could lead to pressure on management to overstate revenue by recognizing fictitious revenue transactions, affecting the assertion existence/occurrence, and intentional premature recognition of online (subscription) revenues affecting the cut-off assertion.</p>	<p>In our revenue testing approach, we distinguish between online (subscription) revenue and all other revenue, where the latter mainly consists of sales of printed books via the external service organization in the UK.</p> <p>We evaluated the design and determined the effectiveness of relevant internal controls in the revenue process, including journal entries related to revenue. We examined whether changes were made to the internal controls during the financial year.</p> <p>Using data analysis, we identified potential notable revenue entries in the financial year and performed substantive audit procedures on these entries by determining whether these entries are based on deliveries/ publications that took place and/or access that was granted in the financial year.</p> <p>We performed substantive audit procedures related to the existence/occurrence of all revenue transactions in the financial year. For our work on the existence/occurrence of revenue transactions we leveraged upon the related work performed for account receivable, such as the work on confirmations obtained from debtors. Also, we performed audit procedures to determine whether credit invoices (reversing revenue) were booked in the next financial year that could indicate that revenue was incorrectly recognized.</p> <p>In addition, we performed specific audit procedures related to the cut-off of online (subscription) revenue to address the risk of premature recognition of online</p>

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<i>Identified fraud risk</i>	<i>Audit work and observations</i>
	<p>(subscription) revenue. We performed substantive analytical procedures where we compared actual revenue to our expectation at a sufficiently disaggregated level. In addition, for a sample of online titles we determined the publication date before balance sheet date.</p> <p>Our audit procedures did not identify any material misstatements in the information provided by management board in the financial statements and the management board report compared to the financial statements.</p> <p>Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence/occurrence of revenue and the cut-off of online (subscription) revenue.</p>

We incorporated elements of unpredictability in our audit. For a selection of management members and employees with broad access rights we searched for other companies on their name and checked if there were related transactions. Furthermore, we performed procedures related to agents. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. We considered available information and made enquiries of relevant executives, management board and the supervisory board. This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach going concern

As disclosed in section 'basis of preparation of the financial statements', management prepared the financial statements on the assumption that the entity is a going concern and that it will continue its operations for the foreseeable future.

Our procedures to evaluate management's going concern assessment include, amongst others:

- Considering whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquire with management regarding management's most important assumptions underlying their going concern assessment and considering whether management identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks);
- Analysing the financial position per balance sheet date, considering the acquisition of V&R and the financing thereof, to assess whether events or circumstances exist that may lead to a going concern risk.
- Evaluating the Company's existing on-balance and off-balance obligations.
- Evaluating management's current budget including cash flows in comparison with last year, current developments in the publishing industry and all relevant information of which we are aware as a result of our audit; and
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.



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 key audit matters 'Significant assumptions in the valuation of intangible assets' and 'Reliance on third-party service organization' are similar in nature to the key audit matters we reported in 2020. The key audit matter 'Acquisition in Germany' is new this year following the acquisition of V&R in 2021.

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



Key audit matter
Significant assumptions in the valuation of intangible assets

Management board's assumptions are included in 'Significant accounting estimates, judgments, and assumptions' (note 2) and 'Intangible assets' (note 2 and note 6) in the financial statements.

As of 31 December 2021, the intangible assets include goodwill (€4,003 thousand) and publishing rights (€17,329 thousand), among other balances.

Given the balances are highly material and the valuation is based on significant assumptions and is therefore subject to risk of misstatement due to error or fraud, we consider this area to be a key audit matter.

Our audit work and observations

We gained understanding of and evaluated Brill's process of valuation of intangibles and obtained the impairment tests prepared by the Company. We challenged and questioned the assumptions and estimates used in the impairment tests, including the determination of CGUs and the allocation of assets to CGUs. We considered the impact of anticipated changes in the identification of operating segments on the determination of CGUs and ensured that the CGUs are appropriately disaggregated. Also, in challenging and questioning management board's judgements and assumptions, we evaluated whether there are biases that could represent a risk of material misstatement due to fraud.

We reconciled growth percentages used to the management board's strategic plan and compared these to historical growth percentages. We compared the current year actual results with prior year forecasts of 2021 figures. We considered whether these prior year forecasts contained assumptions that, with hindsight, were too optimistic. With the assistance of our valuation experts, we assessed the determination of the discount rate and terminal growth rate and assessed whether these rates used are reasonable and supportable. We also performed sensitivity analyses of value-in-use for different discount rates and different terminal growth rates. The potential effects of COVID-19 and climate actions such as reduced travelling and visiting academic conferences have been considered.

As part of enhanced 'stand back' requirements, we evaluated the audit evidence obtained, including both corroborative as well as contradictory evidence.

Based on the procedures performed we found the valuation of intangible assets to be supported with available evidence. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the capitalised intangible assets.



<i>Key audit matter</i>	<i>Our audit work and observations</i>
<p>Reliance on third-party service organization <i>Reliance on the third-party service organization is included in the section 'Introduction by the CEO' and 'Financial Report' of the management board's report.</i></p> <p>In line with prior years, Brill engages an external UK-based service organization, that globally provides significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting.</p> <p>Brill relies on this service organization in its revenue process. Also, during 2021, the Company was impacted by performance issues after the implementation of a new IT system at the service organization in 2019. The performance issues affected Brill's operations and financial reporting, leading to delays in the audit process. Together with the service organization, Brill's management board was able to partially resolve these issues.</p>	<p>We considered the potential effects of the performance issues at the service organization on the preparation of the financial statements of the Company.</p> <p>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 reviewed the ISAE 3402 type 2 report and performed a review of the file of the service organization's auditor to evaluate the sufficiency and appropriateness of the evidence provided by the report. We substantively followed up on several non-significant control deficiencies reported in the service organization's controls report.</p> <p>Based on the procedures as set out above, we did not note any material exceptions. Our procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the revenue recognition.</p>
<p>Acquisition in Germany <i>The acquisition in Germany is included in 'Introduction by the CEO' of the management board's report and 'Business combinations' (note 3) of the financial statements.</i></p> <p>On 1 March 2021, Brill acquired all business assets of Vandenhoeck & Ruprecht (V&R). As indicated in note 3 to the financial statements, the acquisition is accounted for as a business combination, which required significant and more complex judgements from management, including but not limited to determination of the fair values of assets acquired and liabilities assumed at the acquisition date (i.e., an allocation of the purchase price of €3,671 thousand in accordance with IFRS 3). The company completed the purchase price allocation for V&R with the assistance of external experts.</p> <p>The recognition, measurement, and disclosure of this acquisition in the 2021 financial statements was considered a key audit matter due to its significance, accounting complexity and level of judgement required in choosing appropriate assumptions, for example in the valuation of publishing rights, trademarks, and</p>	<p>As part of our audit procedures, we assessed the process that management has undertaken to determine the allocation of the purchase price including but not limited to understanding the scope of work and assessing the qualification and competence of the valuation experts engaged by the group.</p> <p>We audited in close cooperation with our valuation experts the purchase price allocation and the fair value calculations of the intangible assets identified. We challenged assumptions made by the management by using external benchmarks.</p> <p>Our valuation experts assessed management's calculation of the discount rate and whether the discount rate used is consistent with observable market data. We found that the discount rate used by management was within an acceptable range. We reconciled growth percentages used to the budget of the management and compared these to historical growth percentages and sector information.</p> <p>Finally, we assessed the adequacy of the disclosures for the business combinations in the notes to the financial statements.</p>

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<i>Key audit matter</i>	<i>Our audit work and observations</i>
allocation of goodwill to new or existing cash generating units.	<p>Based on the audit procedures performed, we found management's estimates and judgment used in the fair value calculations to be supported by available evidence.</p> <p>The group engagement team assessed Brill Germany as a significant component and instructed and directing the component auditor in Germany to perform a full scope audit of Brill Germany financial information for group reporting purposes. The group engagement team performed a review of the file of the component auditor of Brill Germany and concluded that it is appropriate to rely on the work of the component auditor.</p>

Report on the other information included in the annual report

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

- the management board's report for the year 2021;
- the supervisory board's report for the year 2021;
- the remuneration policy and report for the year 2021;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- other information.

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

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

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

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

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

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Report on other legal and regulatory requirements and ESEF

Our appointment

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

European Single Electronic Format (ESEF)

Koninklijke Brill N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by Koninklijke Brill N.V., complies in all material respects in accordance with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required tagging have been applied and whether these are in accordance with the RTS on ESEF.

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.

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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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered 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, 11 April 2022
PricewaterhouseCoopers Accountants N.V.

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

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Appendix to our auditor's report on the financial statements 2021 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

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statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

General

Of the total number of outstanding shares as of 31 December 2021 (nominal value of EUR 0.60), 1,834,463 registered depository receipts were issued and 39,981 registered shares were included in the shareholders' register. The registered depository receipts have been registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Nederland). The work associated with the administration of the shares is performed by IQ EQ Netherlands N.V. (Hoogoorddreef 15, 1101 BA Amsterdam), the trust office's administrator. The costs of administration amounted to EUR 53.2 thousand in 2021 (EUR 70.6 thousand in 2020). The trust office's chairman receives a remuneration of EUR 9 thousand on an annual basis and the other two board members each receive a remuneration of EUR 7.5 thousand on an annual basis.

Activities

The Board met on 12 April 2021 through video conference, as meeting in person was not possible due to COVID-19. During this meeting, the 2020 Annual Report and financial statements, the company's strategy and its implementation and the general course of events within the company were discussed. Further, the Board decided to amend the trust office's articles of association in order to implement the Law on management and supervision legal entities (Wet bestuur en toezicht rechtspersonen). 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, such in accordance with the trust office's voting policy as set out in the following section. Prior to this Board meeting, a meeting took place with the management board of the company, during which meeting the chairman of the Supervisory Board also participated. During that meeting, the company's management board gave an explanation about Brill's strategy and operational and financial performance.

In the company's General Meeting of Shareholders, which took place on 19 May 2021, 97.8% of the company's issued capital was represented. The trust office granted authorization to holders of 57.8% of all depository receipts to vote independently on the shares for which they held the depository receipts. The trust office refrained from exercising the right to vote on the shares for which no voting instruction was issued, in accordance with its earlier decision. For the depository receipts of shares for which the trust office received a voting instruction, the trust office has cast a vote in the meeting. On 15 December 2021 the Board met with the management board and supervisory board of the company through videoconference. The management board presented the progress of its strategy and informed the Board of the going concern in 2021.

Board Composition

On 31 December 2021, the composition of the trust office's Board was as follows:

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

Corporate Governance; Voting Policy

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

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

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

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

Declaration of Independence

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

Leiden, 11 April, 2022

Stichting Administratiekantoor Koninklijke Brill
The Board

REPORT OF STICHTING LUCHTMANS

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

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

At the end of 2021, the composition of the foundation’s Board was composed as follows:

Name	Appointed	Current term until	Position
Hélène Vletter-van Dort, Prof. LL.M	2018	2024	Chair
Herman P. Spruijt, Drs. Ing.	2014	2022	Vice chair
Tanja Bender, Prof. LL.M	2017	2023	Member
Nico Schrijver, Prof. LL.M	2020	2023	Member

The Board of the foundation aims to meet at least once a year. Due to COVID-19 the Board was not able to meet in person, but held a virtual meeting which took place on 11 May 2021. At this meeting, the following topics were discussed: the company’s 2020 results, the implementation of the strategy, financing, acquisitions, market developments, and the general course of business.

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

The Board also reappointed Mrs. Vletter-van Dort for a second term of three years.

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, 11 April, 2022

Stichting Luchtmans,
The Board

ABOUT THIS ANNUAL REPORT

This annual report is available under
<https://brill.com/page/InvestorRelations/investor-relations>.