



BRILL

ANNUAL REPORT 2022

Supervisory Board

Members

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice Chairman)

Jeanine van der Vlist

Jan Niessen

Management Board

Members

Peter Hendriks (Chief Executive Officer)

Jasmin Lange (Chief Publishing Officer)

Wim Dikstaal (Chief Financial Officer)

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This copy of the annual report of Koninklijke Brill N.V. for the year 2022 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815). The ESEF reporting package can be found on our website brill.com.

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Management Board's Report for the Year 2022

Introduction by the Management Board

The year 2022 was heavily impacted by the insolvency of our UK based distribution partner in October. With the exception of the DACH region, our print book sales came to a full stop and the journal renewal process was interrupted. On 30th August Brill had announced a transition to new partners for its worldwide distribution of books and journals during 2023, a project which had to be accelerated and led to extra costs in 2022. Additionally we incurred one-off expenses for legal fees, writing off receivables and extra staff to cover the additional workload and an impairment on goodwill and publishing rights (Refer to the financial report for details).

The underlying global publishing program was not impacted and proved very robust, confirming Brills historically strong position in the author community. Total revenue grew by 2.5%, primarily due to acquisitions and the positive effect of the US dollar exchange rate development in 2022, but declined by 4.2% organically due to the insolvency of our main distributor and declining print book sales in the DACH region. This revenue development combined with one-off costs resulted in a negative net profit in the financial year 2022.

Based on the 2022 financial results, we will propose to not pay dividend over 2022 at the Annual General Meeting (AGM) of Shareholders.

Strategic Progress in 2022

In April, Brill acquired all shares of Wageningen Academic Publishers, a publisher active primarily in the fields of Animal Science, Food and Health Science, Agriculture, Environment and Agribusiness. The acquisition strengthened Brill's high quality Biology program, creating a springboard to further develop this fast growing and well-funded segment of the academic market.

Brill's Open Access program continued to grow above industry average. The number of national and institutional Open Access journal agreements, so called transformative agreements, doubled in 2022, and the backlist of Open Access books grew to more than 1,200. The first tranche of the Brill Book Archive (BBA) was completed and successfully sold to customers in North America, Australia, and Europe. The second part of BBA, containing twice the number of titles part one, was prepared and part of the collection was launched at the end of the year.

Operational Progress in 2022

The improvement of our IT infrastructure and enterprise applications continued at high speed. This included the move from on-premise solutions to SaaS and Cloud solutions, and an upgrade of our ERP system. A data warehouse was implemented to improve business intelligence, and in the second half of the year we introduced a new global HR software.

The integration of V&R continued but was impacted by the insolvency of our main distribution partner, as focus shifted to the transition to new distribution partners in order to resume print book sales. While various integration streams progressed as planned, the ERP integration, which is the central project, had to be postponed.

People and Society

Brill's new logo, showing Pallas Athena, the Greek goddess of wisdom and her owl, was presented in October at Frankfurt Book Fair. Pallas has adorned our logo for decades and she has now been given a modern look that fits Brill's mission: looking forward while learning from the past.

Brill is a proud member of the United Nations Global Compact and the SDG Publishers Compact. As we are actively expanding our publications of SDG-focused research, we are also undertaking efforts to disseminate this research widely, through our regular channels as well as through our Humanities Matter blog and podcasts. Topics of the podcast in 2022 included quality of education, populism, racism, food security, war and peace.

In 2022, we prioritized the reduction of our CO2 emissions. We began measuring our carbon footprint by teaming up with [Greencast](#), and based on this analysis, will monitor and evaluate our progress going forward.

Brill is thankful to Peter Coebergh whose term as CEO ended in May. Peter led Brill's sales team for three years before becoming CEO in 2018. In September, John Martin took over as interim CEO and was appointed statutory director in December. We regret John's decision to leave Brill in March 2023, and are thankful for the contributions made during his tenure. With Peter Hendriks, who joined in March 2023, Brill has appointed an experienced, industry seasoned interim CEO.

Future developments

In 2023 we will finalize the setup of our new global distribution processes and continue to focus on modernizing and consolidating Brill. The year 2022 was challenging for Brill, and we are thankful to authors, institutions and partners for their patience and loyalty during difficult times. We are immensely grateful to our members of staff for working incredibly hard and going the extra mile.

Leiden, 12 April, 2023

The Management Board

Peter Hendriks (Chief Executive Officer)

Jasmin Lange (Chief Publishing Officer)

Wim Dikstaal (Chief Financial 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 eBook 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 Customers

Brill has been an international player from the earliest days. 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 customers are in Europe and North America, with Asia becoming increasingly important each 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.

The company 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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------|--------|--------|--------|--------|
| Results | | | | | |
| Revenue | 48,048 | 46,865 | 37,859 | 37,128 | 35,951 |
| Gross profit | 34,268 | 33,838 | 26,372 | 25,922 | 24,383 |
| EBITDA ^[1] | -30 | 7,203 | 6,600 | 5,183 | 3,623 |
| Operating profit | -4,513 | 4,453 | 4,502 | 3,291 | 2,360 |
| Profit for the year | -3,465 | 3,036 | 2,896 | 2,162 | 2,304 |
| | | | | | |
| Free cash flow ^[2] | 1,831 | 3,402 | 4,515 | 2,164 | 817 |
| Average invested capital ^[3] | 26,846 | 25,093 | 24,539 | 24,390 | 23,394 |
| | | | | | |
| Growth compared to previous year | | | | | |
| Revenue | 2.5% | 23.8% | 2.0% | 3.3% | -1.2% |
| Gross profit | 1.3% | 28.3% | 1.7% | 6.3% | 2.3% |
| EBITDA ^[1] | -100.4% | 9.1% | 27.3% | 43.0% | -12.8% |
| Operating profit | -201.3% | -1.1% | 36.8% | 39.5% | -28.8% |
| Profit from continued operations | -214.1% | 4.9% | 34.0% | -6.2% | 1.9% |
| | | | | | |
| Profitability | | | | | |
| Gross profit as % of revenue | 71.3% | 72.2% | 69.7% | 69.8% | 67.8% |
| EBITDA ^[1] as % of revenue | -0.1% | 15.4% | 17.4% | 14.0% | 10.1% |
| Operating profit as % of revenue | -9.4% | 9.5% | 11.9% | 8.9% | 6.6% |
| | | | | | |
| Revenue/average invested capital | 1.8 | 1.9 | 1.5 | 1.5 | 1.5 |
| NOPLAT ^[4] as % of revenue | -7.0% | 7.1% | 8.9% | 6.6% | 5.0% |
| ROIC ^[5] | -12.5% | 13.3% | 13.8% | 10.1% | 7.6% |
| | | | | | |
| Balance sheet ratios | | | | | |
| Shareholders' equity/total assets | 32.0% | 41.4% | 44.6% | 40.9% | 42.5% |
| Current assets/current liabilities | 0.63 | 0.88 | 0.92 | 0.75 | 0.75 |
| | | | | | |
| Personnel | | | | | |
| Average number of employees (FTE) | 250 | 227 | 161 | 165 | 167 |

^[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 18.

^[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 17.

^[4] Net operating profit less adjusted tax. See note 17.

^[5] Return on Invested Capital = NOPLAT divided by invested capital. See note 17.

DATA PER SHARE

In euros, based on weighted average number of outstanding shares

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-----------|-----------|-----------|-----------|-----------|
| 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 | 10.52 | 13.22 | 12.76 | 11.32 | 11.09 |
| Increase/(decrease) in % | -20.4% | 3.6% | 12.7% | 2.0% | -24.2% |
| EBITDA per share | -0.02 | 3.84 | 3.52 | 2.76 | 1.93 |
| Increase/(decrease) in % | -100.5% | 9.1% | 27.5% | 43.0% | -12.9% |
| Earnings per share | -1.85 | 1.62 | 1.54 | 1.15 | 1.23 |
| Increase/(decrease) in % | -214.2% | 5.2% | 33.9% | -6.2% | 1.6% |
| Free cash flow per share | 0.98 | 1.81 | 2.41 | 1.16 | 0.44 |
| Increase/(decrease) in % | -45.9% | -24.9% | 107.8% | 163.6% | 2,001.0% |
| Dividend per share (for 2022 proposed) | 0.00 | 0.90 | 1.25 | 0.00 | 0.85 |
| Increase/(decrease) in % | -100.0% | -28.0% | n.a. | -100.0% | -35.6% |
| Payout ratio | N.A. | 55.6% | 81.2% | 0.0% | 70.0% |

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 0.60 was 1,874,444 on 31 December 2022 (on 31 December, 2021, it was 1,874,444). Of the total number of shares outstanding as of 31 December 2022 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 0.60, 10X 0.60, 100X 0.60 and 1,000X 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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------|-----------|-----------|-----------|-----------|
| 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 | 25.20 | 26.00 | 23.00 | 24.60 | 41.20 |
| Lowest share price during the year | 16.50 | 17.60 | 13.20 | 18.20 | 17.20 |
| Share price at year end | 17.80 | 24.80 | 18.30 | 20.40 | 17.80 |

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 2022, 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 |
| Lazard Frères Gestion SAS | 5% | 30 September 2022 |
| 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 |
| P.C. van Leeuwen | 4% | 5 April 2022 |

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 2023

Announcements of Results 2022

6 April 2023 after stock market close

Publication Annual Report 2022 on Corporate Website (Brill.com)

12 April 2023

Trading Update First Quarter 2023

4 May 2023 after stock market close

Annual General Meeting of Shareholders

24 May 2023 (at Brill premises)

Publication of Results First Half Year 2023

29 August 2023 after stock market close

Trading Update Third Quarter 2023

26 October 2023 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 annual revenue of more than 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 are committed 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 acquisitions of Vandenhoeck & Ruprecht in Germany and Wageningen Academic Publishers in the Netherlands. 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 2022 |
|------------------------|--|---|
| 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 (all imprints, incl. full year Wageningen Academic): 1,936 book titles published versus 2,067 in 2021. - Brill (all imprints, incl. full year Wageningen Academic): 1,063 journal issues published versus 1,071 in 2021. |
| 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"> - Start with Brill Book Archive, part 2. At the end of 2022 approx. 3,500 titles were already available online. - First transformative agreement in US, and further increase of Evidence Based Acquisition deals. |
| 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 2022 E-Book usage on brill.com was 3.258.305 full text downloads, an increase of 18% compared to previous year. 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 2.5% - EBITDA margin -0.1% - ROIC % -12.5% |
| Staff | <ul style="list-style-type: none"> - Inclusivity - Turnover | <ul style="list-style-type: none"> - Female vs male 66%/34% - Offboarded 41 FTE, onboarded 47 FTE (including 7 from Wageningen 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 2022 the scholarly community returned to an active conference schedule, helping Brill Acquisition Editors to reinvigorate and expand their networks in vital face-to-face meetings. The pandemic continued to have an impact on the development of our program as authors were engaged with return to classrooms and post-lockdown life. Peer review and turnover of manuscripts was slower than in 2020 and 2021, leading to a decrease in the number of new book titles published. Internal capacity issues and selected pruning further contributed to the slightly lower number of titles compared with the previous year. In the meantime, only minor delays were experienced in the journal program which developed according to plan.

In April the imprint Wageningen Academic joined Brill, strengthening our program in the Life Sciences and Open Access. The Wageningen-based press publishes journals, books and conference proceedings in Animal Sciences, Food and Health Sciences, Agriculture, Environment and Agribusiness. The integration is expected to be completed during the course of 2023. The integration of the German imprints V&R and Böhlau progressed largely according to plan but decelerated during September while operational teams prioritized the consequences of the administration of Turpin. The integration work will be reinforced in early 2023 with the aim to complete the integration at the end of the year.

Journals

Brill continues to grow its journal program by acquiring diamond or full OA titles as well as established subscription journals. New journals are being launched in fast-evolving research areas. In 2022 the following journals were added to the program: *Unio cum Christo – International Journal of Reformed Theology and Life (OA)*; *Journal of Eastern Christian Studies*; *Studies in Early Poetics*; *Darah*; *DABIR: Digital Archive of Brief Notes & Iran Review*; *Al-Karmil: Studies in Arabic Language and Literature*; *Journal of Digital Islamicate Research*; *Majallat al-Lughawiyyāt al-Taṭbīqiyya (Journal of Applied Linguistics, OA)*; *Majallat al-Dirāsāt al-Islāmiyya (Journal of Islamic Studies, OA)*; *Majallat al-Dirāsāt al-Falsafiyya (Journal of Philosophical Studies, OA)*; *Vienna Journal of East Asian Studies*; *Innovation and Education (OA)*; *Journal of Science of Learning and Innovations*; *Zeitschrift für medizinische Ethik*; and *Engagement. Zeitschrift für Erziehung und Schule*.

Books

In 2022 Brill completed the first part of the Brill Book Archive (BBA) and successfully sold the product as full and sub-collections to customers in North America, Australia and Europe. The launch of the second part of BBA, which will contain twice the number of titles of part one, was prepared and part of the collection published at the end of the year. The planning is to complete the digitization of titles for BBA by 2024.

To further grow our book list and e-book collections, we added more than 40 new book series to the program such as *Papyri Graecae Herculanenses*; *Eastern Christian Studies*; *Islamicate and Ibero-American World Connections*; *Modern Intellectual Trends: The Middle East, Africa and Asia*; *Iran and the Caucasus Monographs* *Africa Multiple (OA)*; *Radical Geography*; *Comparative and International Education: The Hispanic Americas*; *Endangered Languages Yearbook*; *Eastern and Central European Voices in Theology and Religion*; *Warschauer Schriften zu römischem Recht und europäischer Rechtstradition*; *New Benjamin Studies*; and *Philosophical Marx Studies*.

Reference Works and Primary Sources

New titles include the *Comparative Dictionary of Ancient Greek Dialects*; *Encyclopedia of Jews in Latin America*; *Encyclopedia of Global Pentecostalism* *Biographic Dictionary*; *Encyclopedia of Saudi*

Literature; Brill's Encyclopedia of Critical Understanding in Education; The Plantin Press Online (OA), as well as several handbooks in various subject fields. New primary source collections were contracted in History and Theology, and a subsidy of a German library consortium was granted for the digitizing of more than 3.7 million pages of the IDC microform collection *The History of Religiosity in Latin America*.

Open Access

Brill's Open Access program continues to grow with double digits (30%), exceeding the market average of 11.5%. The number of national and institutional Open Access journal agreements, so called "transformative agreements," doubled compared to 2021 with eight such agreements in place with a total value of over 1.5 million, including the first deal in the US.

In 2022 we saw further growth of the Open Access book program, especially in the DACH region where Open Access book revenue has doubled compared to previous year. The German market for Open Access is a growth market, which Brill GmbH is able to successfully tap into. As a result, we concluded, among others, an agreement with the Max Planck Digital Library. Moreover, Brill was awarded a prestigious grant from the Austrian research council FWF. The ongoing drive for Open Access and developments in funder policy means that new budgets continue to become available and Open Access will be a growth market in the years to come. The focus of Brill's Open Access strategy is to achieve growth at scale. Strategic development of business models is at the forefront, and we will continue to focus on maximizing efficiency by further improving processes and workflows to deliver Open Access content.

Publication Ethics

Brill continues to build upon the progress made in previous years since our publication ethics policies and procedures were first overhauled in 2019. Thanks to ongoing collaboration between Brill and representatives of the academic community, handling of publication ethics incidence is transparent, consistent and efficient. In 2022, Brill has continued to refine policies and the procedural framework, always bearing in mind industry best practices and the core principles and evolving guidance of the Committee on Publication Ethics (COPE).

We continuously monitor developments in the market and will be required to invest in the robustness of our policies and workflows. The publication ethics landscape is becoming increasingly complex as publishers are confronted with nefarious actors, e.g., paper mills and disruptive technologies, artificial intelligence being an important example. Therefore, the driving principle of publication ethics at Brill in 2023 and the longer term will be "to lead by example." Brill is well positioned to translate and scale the publication ethics initiatives of STM and the larger publishers in meaningful and sustainable ways that can be feasibly adopted by our mid-size industry counterparts as well as smaller enterprises. Publication ethics will remain a strategic priority of great importance in the coming years and provides an opportunity for Brill to develop an authoritative voice and to influence the conversations taking place in the STM community and among larger publishers.

FINANCIAL REPORT

Key Figures

| in thousands of euros | 2022 | 2021 | Change |
|--|--------|--------|---------|
| Revenue | 48,048 | 46,865 | 2.5% |
| EBITDA | -30 | 7,203 | -100.4% |
| Operating profit | -4,513 | 4,453 | -201.3% |
| Free cash flow | 1,831 | 3,402 | -46.2 % |
| Result, attributable to shareholders of Koninklijke Brill N.V. | -3,465 | 3,036 | -214.1% |
| Earnings per share | -1.85 | 1.62 | -214.1% |
| Underlying profit | -286 | 3,764 | -107.6% |
| Underlying profit per share in euro | -0.15 | 2.01 | -107.6% |
| Dividend (proposed 2022) in euro | 0.00 | 0.90 | |
| Key Financial Performance Indicators | | | |
| Organic revenue growth | -4.2% | 2.1 % | |
| ROIC | -12.5% | 13.3 % | |
| EBITDA margin | -0.1% | 15.4 % | |

Revenue

Despite the insolvency of our main distributor Turpin, Brill's revenue increased by 2.5% in 2022, mainly driven by the acquisition effect of Vandenhoeck&Ruprecht (V&R) and Wageningen Academic Publishers (WAP) and the effect of exchange rates (mainly the US dollar). Excluding those effects revenue declined organically by 4.2%.

| (In thousands of euro) | 2022 | 2021 | Organic growth | Growth |
|------------------------|---------------|---------------|----------------|-------------|
| Print books | 14,937 | 16,865 | -20.0% | -11.4% |
| eBooks | 18,271 | 16,278 | 7.1% | 12.2% |
| Journals | 13,251 | 12,322 | 1.1% | 7.5% |
| Primary sources | 1,589 | 1,400 | 8.1% | 13.5% |
| Total | 48,048 | 46,865 | -4.2% | 2.5% |

The decline in print book sales was mainly caused by the the insolvency of our main distributor Turpin. We estimated the loss of print book revenue in Q4 2022 to be 2.4 million. The revenue from eBooks grew organically by 7.1%, mainly due to sales of eBook collections, Evidence Based Agreements (EBA's) and the Brill Book Archive.

Revenues of primary source products are driven mainly by larger, non-subscription based deals. In 2022 Brill again managed to increase the number of such deals.

| (In thousands of euro) | | % of total | Organic |
|-----------------------------|---------------|---------------|--------------|
| | | growth | growth |
| Revenue 2021 | 46,865 | | |
| Print books | -3,365 | -7.2% | -20.0% |
| eBooks | 1,148 | 2.4% | 7.1% |
| Journals | 189 | 0.4 % | 1.1% |
| Primary sources | 113 | 0.2 % | 8.1% |
| Organic revenue 2022 | 44,950 | -4.2 % | -4.2% |
| Acquisitions | 2,087 | 4.5% | |
| Currency | 1,011 | 2.2% | |
| Total revenue 2022 | 48,048 | 2.5% | |

Our 2022 revenue was positively impacted by the movement in the exchange rate of the US dollar, causing a 2.2% increase of revenue.

Revenue generated in 2022 through digital products was 27.9 million or 58% of total, versus EUR 25.7 million or 55% of total in 2021.

Cost of Goods Sold and Operating Expenses, EBITDA

Gross margin decreased to 71.3% to from 72.2% due to an additional write off of stock related to the insolvency of our main distributor. Depreciation of our stock is done based on sales patterns; as we have not been able to fulfil print orders during the last quarter, the value of our stock decreased. Additionally, a considerable number of titles still in stock at Turpin can now be printed on demand. It therefore makes more economic sense to destroy inventory relative to the cost of shipping to the warehouse(s) of our new distribution partners.

Personnel costs increased by approximately 2.3 million, caused by the effect of the V&R and Wageningen acquisitions, the CEO change, hiring of additional staff to manage the transition to Air Business for global distribution, and costs for temporary external staff to fill vacancies that proved difficult to fill with permanent staff due to the overheated job market.

Other operating expenses increased by approximately 5.0 million, including the following one-off items: a 1.0 million write-off on receivables due to the Turpin insolvency, 0.6 million for the move to Air Business, an 0.5 million provision for improving our existing order-to-cash processes.

The 1.0 million write-off on receivables due to the Turpin insolvency consist of two parts:

- a 0.2 million write-off on debtors that were invoiced via Turpin, for uncollectible debt due to issues with deliveries or returns effective with the cessation of Turpin's operations
- a 0.8 million write-off on a receivable of 1.1 million that consists of payments made by Brill customers to Turpin bank accounts, primarily via credit card, that Turpin failed to transfer to Brill. We have filed a claim to the administrators of Turpin and have assessed that under the current assumptions we might receive 0.3 million from the monies available for repaying Turpin creditors

Included in our trade payables is an amount of 0.4 million due to Turpin for services provided by them during the period before their insolvency. This amount could be off set against our claim on Turpin, however at the publication date of our financial statements there is insufficient clarity to release the amount.

The 0.5 million for improving our order-to-cash processes relates to the calculation and declaration of indirect taxes in several tax jurisdictions. Immediately upon becoming aware during Q4 of 2022 of shortcomings in this area, an improvement project was started which is expected to be finalized by the end of 2023.

In 2022, costs of 0.6 million were recorded related to the integration of V&R and 0.1 million for restructuring costs. These two exceptional cost items are reported outside our EBITDA.

Other than the above 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 as recognized in cost of goods sold, developed in line with expectations. We were required to take an impairment of 1.6 million on goodwill and publishing rights, mainly due to an increase in the discount rate used for impairment testing (refer to note 6 of the consolidated financial statements).

Profit and Profit per Share

In summary, operating profit and profit before tax decreased significantly due to the revenue decline and operating expense items discussed above, resulting in a net loss of -3.5 million for the financial year 2022 (2021: reported profit of 3.2 million).

Underlying net profit, excluding one-off expenses related to the insolvency of Turpin and the move to new distribution partners, impairment of intangible assets, integration and restructuring costs and a provision for OTC improvements, amounted to -0.3 million, compared to 3.9 million in 2021. This translates into an underlying earnings per share of -0.15 for 2022.

| | | |
|--|---------------|--------------|
| In thousands of euro) | 2022 | 2021 |
| Profit before tax | -4,698 | 4,317 |
| Impairment intangible assets | 1,607 | 0 |
| Turpin related write-off on receivables | 1,000 | 0 |
| Move to new distribution partner Air Business | 568 | 0 |
| OTC improvements | 495 | 0 |
| Costs for the integration of V&R | 563 | 993 |
| Restructuring costs | 80 | -124 |
| Underlying profit before tax | -386 | 5,186 |
| Tax, at the statutory rate | 100 | -1,255 |
| Underlying net profit | -286 | 3,931 |
| Non-benchmark items, after tax | -3,200 | -525 |
| Change in deferred tax liability and other | 21 | -202 |
| Profit attributable to shareholders of Koninklijke Brill N.V. | -3,465 | 3,204 |
| Underlying earnings per share in EUR | -0.15 | 2.01 |
| Earnings per share in EUR | -1.85 | 1.62 |

Operating Working Capital and Cash Flow

Despite the negative profit before tax of -4.7 million, we managed to limit the net cash out flow to -1.7 million as a result of measures taken to reduce costs and investments. Operating working capital increased by 6.0 million, mainly due higher deferred income and accruals.

Return on Invested Capital

Return on Invested Capital (ROIC) over 2022 was minus 12.5%, compared to 13.3% in 2021.

Solvency and Liquidity

Total assets (61.6 million) increased versus 2021 (59.9 million), mainly due to the increase of Right of use Assets caused by the new lease agreements for the offices in Leiden and Göttingen, and the acquisition of Wageningen Academic Publishers. Solvency (Shareholders' equity divided by total assets) declined in 2022 to 32.0% (2021: 41.4%; 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

Given the financial result, we will propose at the Annual General Meeting of Shareholders, to be held on 24 May 2023, to not pay a dividend over the financial year. For the long term, we will 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.

Future developments

In 2023 we will finalize the move to our new distribution partner. Besides that, we continue to focus on the execution of our long-term strategy to be a digitally driven publishing house, with a market average organic revenue growth and an EBITDA margin of more than 17%, with a return on invested capital showing material headroom to our weighted average cost of capital. 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, other than mentioned above, or changes in personnel.

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 four departments: Finance, Operations, Technology and HR. The Management Team consists of the VP Sales, VP Technology, the VP Marketing and the VP HR. The VP's have global responsibilities.

During the integration process of V&R, the Management Team was extended to include the two German statutory directors. In November we returned to the core Management Team. The Management team meets at least once a month. Our local legal entities in Boston, Singapore, Paderborn(including Göttingen and Köln) and Vienna are managed by local statutory directors who meet regularly individually with the CEO. In April we acquired Wageningen Academic Publishers with even FTE's and the two founders of the company as external staff with a management fee agreement.

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 2022 was 249.9 versus 226.9 in 2021.

The split of FTE as per year end was as follows:

| FTEs | Year end 2022 | Year end 2021 |
|-------------------------|---------------------|---------------------|
| Publishing | 105.4 [41.7%] | 102.3 [41,4%] |
| Operations & Technology | 76.2 [30.13] | 75.7 [30,7%] |
| Sales & Marketing | 48.8 [19.31%] | 45.4 [18,4%] |
| Finance, HR, Other | 22.5 [8.89%] | 23.5 [9.5%] |
| Total | 252.9 [100%] | 246.9 [100%] |

The split of FTE by country was as follows:

| FTEs | Year end 2022 | Year end 2021 |
|-------------------------|---------------|---------------|
| The Netherlands | 125.2 | 126.5 |
| Germany | 95.2 | 86.9 |
| United States | 17.9 | 19.9 |
| Austria | 9.6 | 9.6 |
| Singapore | 1.0 | 1.0 |
| China | 2.0 | 1.0 |
| Other | 2.0 | 2.0 |
| Total | 252.9 | 246.9 |
| International workforce | 127.7 | 120.4 |

Workforce split by gender on headcount:

| | 2022 | 2021 |
|--------|-------|-------|
| Male | 34.0% | 35.3% |
| Female | 66.0% | 64.7% |

The share of part-time workers decreased to 28.0 % (2021: 30.1%) of the workforce.

Workforce split by full-time/part-time:

| | 2022 | 2021 |
|-----------|-------------|-------------|
| Part-time | 28.2% [77] | 30.1% [81] |
| Full-time | 71.8% [196] | 69.9% [188] |
| headcount | 100% [273] | 100% [269] |

The age structure of the workforce was as follows:

| AGE | 2022 | 2021 |
|---------------------|---------------|---------------|
| 20 - 29 years | 12.1% | 14.0% |
| 30 - 39 years | 25.0% | 25.0% |
| 40 - 49 years | 24.9% | 24.0% |
| 50 - 59 years | 21.2% | 23.0% |
| Older than 60 years | 16.8% | 14.0% |
| Total | 100.0% | 100.0% |

The average age was 45.04 years old at the end of 2022 (2021: 44.4).

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

| | | | | | |
|---------------------------|-------------|-------------|-------------------------|-------------|--------------|
| FTEs outflow | 2022 | 2021 | FTEs inflow | 2022 | 2021 |
| Retirement + passing away | 2.2 | 3.4 | Acquisitions/divestment | 7.0 | 72.0 |
| Brill initiative | | | Temporary contracts | 0.9 | 3.5 |
| Temporary contracts | 14.0 | 3.0 | Permanent contracts | 6.1 | 68.5 |
| Other | 6.0 | 3.0 | Other | 39.9 | 37.7 |
| | | | Temporary contracts | 32.4 | 30.7 |
| Own initiative | | | Permanent contracts | 7.5 | 7.0 |
| Employment 0–2 years | 11.4 | 5.7 | Total FTE inflow | 46.9 | 109.7 |
| Employment 2–5 years | 2.0 | 4.0 | Total inflow in % | 18.5% | 40.8% |
| Employment 5–10 years | 2.5 | 1.0 | | | |
| Employment 10–15 years | 0.7 | 1.0 | | | |
| Employment 15–20 years | 2.0 | 0.0 | | | |
| Employment >20 years | 0.0 | 0.0 | | | |
| Total FTE outflow | 40.8 | 21.1 | | | |
| Total outflow in % | 16.1% | 9.3% | | | |

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 17 of the Consolidated Financial Statements.

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

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

Risk Classification

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

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

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

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



Risk Management Toolbox

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

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

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

- Business processes are carried out effectively and efficiently;
- Financial statements adequately reflect the business' financial position and development;
- Assets are safeguarded;
- Brill is compliant with laws and regulations.

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.

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. | Expand in current and adjacent subject fields; growth | 1 | <p><i>Organizational:</i> Organizational structure that enables the company to react and adapt flexibly to changing market circumstances.</p> <p><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 (mandatory).</p> |
| | 2. <i>Funding environment and funding mandates:</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. Changing Open Access policies of major funding bodies like the ERC, UKRI, DFG, NWO. | Expand in current and adjacent subject fields | 2 | <p><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. Active participation in Open Access discussions with relevant actors within the global science community.</p> |

| | | | | |
|------------|--|--|---|--|
| | <i>3. Economic and geopolitical circumstances and events: high inflation, supply chain shocks, economic recession</i> | Growth and profitability | 3 | Highly diversified geographic sourcing of content and realization of sales, which diversifies local economic and geopolitical risks and some supply chain risks. Steadily increasing digital penetration in the product mix, lowering risks of shocks to the physical supply chain. We can adjust prices of our products to mitigate inflationary pressure on our costs to a certain extent. The the move to digital reduces our exposure to print and shipping costs. |
| Operations | <i>4. 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>5. Integrations:</i> Limited capacity and capability to integrate acquisitions. | Realizing benefits of new acquisitions | 2 | Dedicated and experienced teams follow a detailed integration plan. Project execution is monitored by senior management. Operational infrastructure is updated to facilitate future integrations. |
| | <i>6. People and organization:</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 to attract and retain employees. |

| | | | | |
|---------------------|--|--|---|--|
| | <p><i>7. 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. Our competitiveness may be negatively impacted by legacy systems</p> | Enhance operating capacity | 2 | <p><i>Control measures:</i> IT general controls such as (software-enforced) segregation of duties and IT user and access management policies.</p> <p><i>Business policies:</i> Contingency and back-up measures, security measures, communication on IT and cybersecurity risks. Invest in new technologies.</p> |
| Financing and other | <p><i>8. Currency:</i> Significant swings in the USD/ exchange rate may impact our results</p> | Improve financial performance | 3 | <p><i>Business policies:</i> Hedging policy (refer to financial statements).</p> |
| | <p><i>9. Impairment:</i> The company carries substantial intangible assets and stock 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 and stock evaluations. Reduce stock by move to Print on Demand</p> |
| | <p><i>10. Capital structure and financing :</i> Investors may not be willing to fund Brill's corporate strategy including M&A activities. Covenants are part of the loan agreement with RABO bank. Significantly lower results may lead to breaching the covenants.</p> | Expand in current and adjacent subject fields and markets. Financial stability | 2 | <p><i>Business policies:</i> Investor relations policy, dividend policy, focus on financial performance improvement. Managing debt and equity, following financing policies, and monitoring ratios.</p> <p><i>Internal Controls:</i> Framework of controls aimed at financial reporting reliability.</p> |

| | | | | |
|------------|---|---------------------------------|---|--|
| Regulatory | <i>11. Compliance and control:</i> Business risks due to lack of control High audit costs due to increased IFRS and other regulations for listed companies. | Improve financial performance | 1 | <i>Business policies:</i> Further training of staff and automation of processes in Finance. Increase efficiency in accounting and implement more auditable workflows. |
| | <i>12. 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. |

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, apart from the standard risk of management override of controls and the presumed risk of fraud in revenue recognition, as discussed with our independent auditor.

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 (see note 12 of the financial statements) .

In addition to setting realistic targets and the overall company culture, the risk of manipulating results is mitigated by appropriate oversight by the Supervisory Board and doing 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 2023.

Corporate Social Responsibility

As a mission-driven company, Brill operates from a strong belief that the humanities, social sciences and international law are areas of scholarship vital for addressing today's global challenges. The authors and editors with whom we work dedicate their academic life to asking critical questions on globalization, the rise and fall of societies, migration, the functioning of our democracies, the history of conflicts and international relations, inequality, water security or climate change, to name just a few. These challenges can be found in the 17 Sustainable Development Goals (SDGs) as defined by the United Nations in 2016. They form the core of today's global questions. We are committed to contributing to their solutions through the research we publish, but also through the way we do business.

Here, we outline our Corporate Social Responsibility (CSR) strategy. We are happy to report on our progress so far and future goals to make an impact.

Our Approach

To change the world, we need to work together. We need to listen, learn and be open to a diversity of voices that have a stake in the themes that are most relevant to us in becoming a more socially responsible company.

Brill is a proud member of the United Nations Global Compact and -the SDG Publishers Compact. Some of the SDGs form the core themes of the research that we publish and, as such, are an integral part of our publication program.

Our research on the SDGs is especially geared towards SDG 16: Peace, Justice and Strong Institutions. In light of this, we are proud of our cooperation with The Hague Academy Of International Law for which we publish The Hague Academy Collected Courses. As we are actively expanding our publication of SDG-focused research, we undertake efforts to disseminate this research widely, through our regular channels as well as through our Humanities Matter blog and [podcasts](#). Topics of the podcasts in 2022 included quality of education, populism, racism, food security, war and peace.

In 2022, Brill published 1,578 publications (source: Dimensions, a Digital Science product) that could be connected to one of the 17 Sustainable Development Goals. Most of those (796) were related to SDG 16: Peace, Justice and Strong Institutions, followed by SDG 3: Good Health and Well-being (211), SDG 4: Quality Education (146), SDG 5: Gender Equality (100), SDG 15: Life on Land (91), SDG 2: Zero Hunger (74), SDG 14: Life Below Water (63), SDG 10: Reduced Inequalities (52), SDG 13: Climate Action (51), SDG 8: Decent Work and Economic Growth (39), SDG 11: Sustainable Cities and Communities (30), SDG 12: Responsible Consumption and Production (16), SDG 7: Affordable and Clean Energy (5), SDG 9: Industry, Innovation and Infrastructure (3) and SDG 1: No Poverty (2).

At Brill, we have an Environmental, Social and Governance (ESG) Steering Committee; a CSR Officer, Advisory Group to engage staff, and a Working Group with people responsible for the implementation of CSR-strategy per sub-theme; and a Publication Ethics Committee.

Environmental Responsibility

In 2022, we prioritized the reduction of our CO₂ emissions. Brill follows the goals of the [Paris Agreement](#): CO₂ emissions need to be reduced by 45% by 2030, and reach net zero by 2050.

We started measuring our carbon footprint by teaming up with [Greencast](#). Based on this initial analysis, going forward we can reliably monitor and evaluate our progress to hold ourselves accountable. We have charted Scope 1 (direct company emissions) and 2 (indirect emission). We have analysed climate risks and took measures by reducing our warehouse stock and moving to new warehouse partners. We moved our digital infrastructure to the cloud and are more conscious of using less printed materials. Our office improvement plan is in progress, dealing with further CO2 emissions reductions, biodiversity, health and well being. Energy reduction will be a priority for all office locations, for example through measures like LED lighting. In addition, Brill needs to convert from grey to green energy, which may impact our costs for energy. In the second half of 2023, we will start analysing Scope 3 of our supply chain hotspots and set up an action plan for further reductions.

In addition to actively reducing Green House Gas emissions, we offset CO2 emissions of our marketing materials print runs and business travel via a collaboration with Regreener's Planet Positive Workforce programme. On our behalf, Regreener supports projects worldwide positively impacting efforts towards reforestation, renewable energy and the protection of the rainforest.

Women of the Rio Napo

One of the projects Brill supports through Regreener is Women of the Rio Napo. Along the Rio Napo in the Ecuadorian Amazon, over 100 women in five Kichwa communities are leading projects that generate income and build economic opportunity for themselves, their families, and their communities. The project builds new, sustainable, and reliable sources of income and financial independence; expands access to basic services like clean water, solar energy, internet, education, and food security, supporting the well-being of over 1,450 people; strengthens communities' resistance to external threats to their lands and livelihoods, including pressure from oil and mining companies; and protects 149,500+ acres of community-owned land in this extremely biodiverse region of the Western Amazon.

Social Responsibility

As an employer, we are committed to supporting our staff's health and well-being. Employees have suffered due to a high workload related to a lack of permanent staff with the right skills. We are dedicated to supporting our staff, which is our most valuable asset, by hiring more in-house, permanent staff, especially in the finance and technology departments. Specifics on the composition of our staff can be found under the Human Resources heading.

Education is at the core of Brill's mission. We aim to advance discovery and learning in the humanities and social sciences, and we are keen to support scholars by providing them with access to the finest research tools and reference works in their fields. To support widespread dissemination of our published works, we invest in Open Access. We also have a Publication Ethics Committee that oversees policies ensuring integrity and quality education. Brill is actively working towards ensuring diversity and inclusion across all stages of the publication process. Brill also adopts best practices for website accessibility and strives to adhere to guidelines and recommendations to improve accessibility. To advance accessibility and distribution, Brill offers discounts on its Open Access fees to academics and scientists in developing countries as part of the Brill Open Program. To stimulate a more open and inclusive publishing environment, we updated our name changes policy. In case an author's name has changed after their work has been published, it used to be very challenging to have this change processed. The update to our name changes policies alleviates the burden. 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.

Responsible Governance

Brill is fully dedicated to fair practices pertaining to social conditions (such as exclusion of child labour and corruption) and materials. We comply with applicable laws and regulations of the countries in which we operate, with the exception of indirect tax regulations in several tax jurisdictions. Immediately upon becoming aware of shortcomings in this area during Q4 of 2022, an improvement project was started and we expect to finalize this by the end of 2023.

In our publication program, we pay special attention to working conditions and modern forms of slavery in production and manufacturing.

Brill is committed to partnerships supporting research communities. Brill actively participates in existing education programs and takes initiatives in cooperation with professional publishers and international organizations, e.g., Research4Life, INASP, Association of Commonwealth Universities, and Publishers for Development. Actively contributing to these initiatives supports the future development of the global scholarly community. Ethics (committee) (via Jason). Policy for research integrity; censorship, piracy.

With regards to information technology security, we have taken many steps to protect our systems, data and assets. We moved to cloud-based systems and set up multi-factor authentication for all users in all locations. We have increased security with Microsoft E5 licenses, which includes Advanced Threat Protection, set up endpoint management, and enforced encryption of data carriers within the company. An external Data Protection Officer has been assigned, who has reviewed our General Data Protection Regulation (GDPR) policy and has provided training to all departments. Data processing in all locations has been aligned.

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 2022 and the development of the Group during 2022. 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 2022 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 2022 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, 12 April, 2023

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. Four out of five Supervisory Board members are independent in the sense of the Corporate Governance Code; Jan Niessen, who joined the Supervisory Board on December 14 2022, is a non-independent Board Member (art. 2.1.8 of the Corporate Governance Code) as he indirectly holds an interest of more than 20% in Brill via Mont Cervin.

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 2022, 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 |
| Lazard Frères Gestion SAS | 5% | 30 September 2022 |
| 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 |
| P.C. van Leeuwen | 4% | 5 April 2022 |

Holdings Members of the Supervisory Board and Management Board

| Name | Number of registered depository receipts |
|--------------|--|
| Jan Niessen | 462,875 |
| 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. See note 11.3 to the financial statements.

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.

At the Annual General Meeting of Shareholders of May 25, 2022, the authorization to acquire shares in the company was granted to the Management Board for a period of 18 months. the authorization is limited to a maximum of 10% of the issued capital on the date of the meeting and is subject to approval by the Supervisory Board.

At the Annual General Meeting of Shareholders of May 25, 2022, the authorization to issue shares in the company was granted to the Management Board for a period of 18 months. the authorization is limited to a maximum of 10% of the issued capital on the date of the meeting, and an additional 10% if the share issue is related to a merger or acquisition, and is subject to approval by the Supervisory Board.

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. Any 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 upon nomination by 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: our goal is to have at least 1/3 male, at least 1/3 female and 1/3 free choice in our Supervisory Board (SB), our Management Board (MB) and our Management Team (MT). As in 2021, we meet this goal in all three bodies in 2022.

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.

As of November 2022, the Management Team consists of four members (VP HR, VP Marketing, VP Sales and VP Technology), two of which are female and four with Dutch nationality.

The company has a Supervisory Board consisting of five persons, of whom two are female with Dutch nationality, and three 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 (mandatory for Brill employees)
4. Vendor Policy
5. Remuneration Policy (refer to separate chapter)
6. Corporate Social Responsibility (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. For the Corporate Governance Code visit [mccg.nl](https://www.mccg.nl).

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.

Over 2022 there have been no cases of no-compliance with the Brill code of Conduct or any of the other policies mentioned above.

Supervisory Board
Management Board

SUPERVISORY BOARD'S REPORT FOR THE YEAR 2022

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 2022 financial year. For the 2022 financial statements, an unqualified independent auditor's report was issued. We therefore recommend that shareholders approve these annual financial statements. On basis of this, and in line with our dividend policy, no dividend is proposed.

PRINCIPAL ACTIVITIES

During 2022, seven regular Supervisory Board meetings were held, of which six at Brill's headquarters in Leiden. At all meetings, the entire Board was present. In addition a significant number of informal meetings took place by electronic means.

On 10 February 2022, the announcement was made that Peter Coebergh would leave Brill as CEO and his term of office came to an end at the AGM on 25 May 2022. Brill is grateful to him for successfully leading the company during his tenure. Under his leadership, Brill has further prepared itself for a continued positive development as a leading publisher in the field of humanities.

Much time and effort was spent on establishing the profile, the search process and the selection for a new CEO, with involvement of the Management Board and the Works Council. This led to the appointment of John Martin as Chief Executive Officer, announced on July 18 and effective September 1, and his subsequent appointment as statutory director following the EGM on 14 December.

More generally, the Supervisory Board met with the Management Board during all Supervisory Board meetings to discuss or approve topics including distribution, internal systems, risk management, staffing developments and succession, management development, 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.

During the meetings with the Management Board attention was also paid to the corporate long-term 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 the updated strategy have been on the agenda of most of the regular meetings. The need for, and gradual implementation of an upgrade and harmonization of ICT systems remains a key topic.

Effort and time were dedicated to the planning of the transition to new partners for Brill's worldwide distribution of books and journals. Unfortunately, due to the demise of our international distribution partner based in the UK, this process had to be accelerated from September. A huge effort was made to mitigate business disruption and accelerating the transition to new fulfilment capabilities. This project is ongoing and additional improvement opportunities in the order-to-cash process were identified.

The integration process of the 2021 acquisition of the German publishing house Vandenhoeck & Ruprecht was regularly discussed.

The Supervisory Board has discussed the risk of fraud with the Management Board, including observations and recommendations made by the external independent auditor.

In the regular 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.

There were numerous informal consultations between members of the Supervisory Board and 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 senior staff invited to its meetings, among others the HR Manager. New management team members made their appearance in the meeting. 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 directors. 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.

Reports from the external independent auditor are received and discussed on a regular basis. 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. Risk assessment and measures to mitigate risks are always discussed in the context of the annually updated management letter. The decision has been taken to implement a separate internal audit function during 2023, to introduce an additional "line of defense" in the internal control system of the company.

PROFILE OF BOARD MEMBERS

During 2022 the Supervisory Board held two dedicated informal meetings to evaluate its functioning, profile, size and composition and conclude inter alia that a strengthening was appropriate. This allows a wider and deeper expertise that will benefit Brill. This led to a new profile that was discussed at the EGM, bringing the number of Supervisory Members to five.

Recognizing the increasing importance of leveraging different points of view from amongst its members, the Supervisory Board aims for a diverse composition in areas that are relevant for the Company, such as experience, background, gender and age.

To ensure proper performance of the tasks of the Supervisory Board in an ever-changing environment, the availability of certain expertise and experience – spread among various members – will be aimed for.

Every Supervisory Board member to be appointed or reappointed shall possess the following qualities: (a) social experience and with such understanding of business life that he or she can practically function on the Supervisory Board; (b) capability, also in terms of available time, to timely and adequately check and stimulate the Management Board's policy as well as the general

course of affairs at the company, and to assist the Management Board with advice in the preparation and implementation of the policy; (c) capability to operate critically and independently from the other Supervisory Board and Management Board members.

One third of the members (meaning one in case of 3 to 5 members) should be qualified and experienced to be the trusted contact point for the Workers Council.

The members of the Supervisory Board need to have sufficient time to perform their duties; in particular this applies to the chairperson of the Supervisory Board. The Supervisory Board and its chairperson met this requirement. As of 14 December 2022 (after closing of the EGM), the Supervisory Board consists of five persons. The gender balance is now 60% male versus 40% female. Four of the members of the Supervisory Board, including the chairperson, are independent within the context of the Dutch Corporate Governance Code.

COMMITTEES

Following the revised profile and the subsequent expansion of the Supervisory Board on 14 December 2022 from three to five, an Audit Committee was created and it started its activities. The Audit Committee is chaired by Theo van der Raadt and also includes Robin Hoytema van Konijnenburg and Jeanine van der Vlist.

Simultaneously, also in line with the new profile a Remuneration & Nomination Committee was created and commenced its work. This committee is chaired by Anneke Blok and also includes Robin Hoytema van Konijnenburg.

CORPORATE GOVERNANCE

The annual report describes how the company dealt with the implementation of the Dutch Corporate Governance Code that was in force during 2022. 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 25, 2022 the Annual General Meeting of Shareholders was held. All resolutions presented were approved. Being at the end of his term, Mr. Peter Coebergh stepped down effective the close of the meeting. Brill is grateful to Peter Coebergh for successfully leading the company during his term. Under his leadership, Brill further prepared itself for a continued positive development as a leading publisher in the field of humanities.

An Extraordinary Meeting of Shareholders was held on 14 December 2022 during which the appointment of Mr. John Martin as statutory director was presented and discussed. His earlier appointment as CEO on 1 September was supported by the Brill Works Council.

Furthermore the EGM accepted and approved the strengthening of the Supervisory Board with the appointment of two new members, Jeanine van der Vlist and Jan Niessen.

Jeanine van der Vlist has extensive experience and expertise in the field of IT and change management.

Jan Niessen has a long career in investment and financing; he is a non-independent Board Member (art. 2.1.8 of the Corporate Governance Code).

Their backgrounds and experiences will undoubtedly contribute to the further healthy development of the Company.

The Supervisory Board would like to thank the Management Board and all staff for their ongoing dedication and contributions in 2022. Throughout the year, staff kept a strong focus on developing the publishing program and serving our authors, librarians and other stakeholders.

Leiden, 12 April, 2023

Supervisory Board

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice-Chairman)

Jeanine van der Vlist

Jan Niessen

SUPERVISORY BOARD

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

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
- Board member Vereniging Effectenuitgevende Ondernemingen (VEUO) (until March 2023)
- Board member of European Issuers (until June 2022)

Anneke Blok, 1971, Dutch (female), Member of the Supervisory Board

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

Other positions:

- Managing Director of Noordhoff
- Chairperson Edu-K

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

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

Other positions:

- Chairman of the Supervisory Board, ICT Group BV
- Vice Chairman Supervisory Board/Chairman audit committee/Chairman remuneration committee, BDR Thermea Group (until 26-4-2022)
- Board member Veen Bosch en Keuning Publishers BV

Jeanine van der Vlist, 1964, Dutch (female), Member of the Supervisory Board

Mrs. Van der Vlist was appointed to the Board in December 2022. Her current term runs until 2027.

Other positions:

- (Non-executive) Director DPG Media N.V. (DPG Media Group)
- Board member Remeha Group B.V. (BDR Thermea Group)
- Board member Alfen N.V.

Jan Niessen, 1963, Dutch (male), Member of the Supervisory Board

Mr. Niessen was appointed to the Board in December 2022. His current term runs until 2027.

Other positions:

- Managing Director Mont Cervin S.à.r.l.
- Board member African Parks Foundation Switzerland
- Non-executive Director ACOMO N.V.

REMUNERATION POLICY AND REPORT FOR THE YEAR 2022

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 2022. The remuneration policy will be reviewed in early 2023 and presented to the AGM of May 2023.

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 2022

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 2022.

| Remuneration of the Supervisory Board (in thousands of euros) | 2022 | 2021 |
|--|-------------|-------------|
| Robin Hoytema van Konijnenburg | 35 | 35 |
| Anneke Blok*) | 28 | 18 |
| Theo van der Raadt | 28 | 28 |
| Jeanine van der Vlist*) | 0 | 0 |
| Jan Niessen*) | 0 | 0 |
| Catherine Lucet*) | 0 | 9 |
| Total remuneration | 91 | 90 |

*) Remuneration proportional to period served

Management Board

The remuneration for the members of the Management Board in 2022 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 |
|-----------------|---|--|--------------------------------|--|----------------------|--------------|-----------------------------------|
| 2022 | | | | | | | |
| John Martin | 97 | 0 | 0 | 6 | 17 | 120 | 100:00 |
| Peter Coebergh | 415 | 82 | 96 | 10 | 0 | 603 | 70:30 |
| Jasmin Lange | 194 | 46 | 23 | 13 | 0 | 276 | 75:25 |
| Wim Dikstaal | 204 | 19 | 4 | 13 | 0 | 240 | 90:10 |
| Total | 910 | 147 | 123 | 42 | 17 | 1,239 | 78:22 |
| 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 |

Peter Coebergh left Brill as CEO when his term of office had come to an end after the annual general meeting of shareholders on the 25th of May, 2022. His remuneration was in line with the Dutch Corporate Governance Code.

In the 2022 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 2020–2022 | Long-term 2021–2023 | Long-term 2022–2024 | Annual Total |
| John Martin | | | | | | |
| Maximum | 20% | 20% | 40% | 40% | 40% | 80.0% |
| Achievement | 0.0% | 16.0% | 15.0% | n.a. | n.a. | 31.0% |
| Wim Dikstaal | | | | | | |
| Maximum | 17.5% | 17.5% | 35.0% | 35.0% | 35.0% | 70.0% |
| Achievement | 0.0% | 13.2% | 13.1% | n.a. | n.a. | 26.3% |
| Jasmin Lange | | | | | | |
| Maximum | 17.5% | 17.5% | 35.0% | 35.0% | 35.0% | 70.0% |
| Achievement | 0.0% | 16.5% | 13.1% | n.a. | n.a. | 29.6% |
| Accrued in 2022 for | 0 | 67 | 40 | 30 | 38 | 175 |
| Accrued in 2021 for | 48 | 72 | -14 | 37 | 42 | 185 |
| All payouts are proportional to period served and subject to final approval from the Supervisory Board | | | | | | |

The short-term variable income awarded to the Management Board is based on three financial targets that in 2022 included increase of revenue, increase of EBITDA, and increase of return on invested capital (ROIC).

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 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.
- The criteria in the 2022–2024 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 2023, the Supervisory Board intends to set targets for variable income that meets the current priorities of 2023. 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) | 2022 | 2021 |
| Supervisory Board | 91 | 90 |
| Management Board | 1,239 | 1,233 |
| Total paid remuneration (amounts per person as per above) | 1,330 | 1,323 |
| Variable payout accrued in the prior year | -185 | -368 |
| Variable component accrued in the current year | 175 | 204 |
| Net expense for executive remuneration | 1,320 | 1,159 |

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 2022, the pay ratio was 5.9 (2021: 5.2). This increase was caused by variable elements paid to three Management Board members in early 2022 whilst full year average the Management Board FTE was 2.7 versus 3.3 in 2021. Brill deems the level 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:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|--------|--------|--------|--------|
| Total salary expense, excluding subsidies received (in thousands of euros) | 20,170 | 17,488 | 13,391 | 13,049 | 13,205 |
| Management Board remuneration (in thousands of euros) | 1,239 | 1,233 | 838 | 732 | 819 |
| Staff salary expense (in thousands of euros) | 18,931 | 16,255 | 12,553 | 12,317 | 12,386 |
| Average FTE | 249.9 | 226.9 | 160.6 | 165.1 | 166.7 |
| Management Board average FTE | 2.7 | 3.3 | 3.0 | 3.0 | 2.4 |
| Staff average FTE | 247.2 | 223.6 | 157.6 | 162.1 | 164.3 |
| Staff salary expense / average FTE (in thousands of euros) | 76.6 | 72.7 | 79.7 | 76.0 | 75.4 |
| Pay ratio | 5.9 | 5.2 | 3.5 | 3.2 | 4.5 |
| Information on performance of the Group in the comparable period: | | | | | |
| Revenue (in thousands of euros) | 48,048 | 46,865 | 37,859 | 37,128 | 35,950 |
| EBITDA Margin | -0.1% | 15.4% | 17.4% | 14.0% | 10.1% |
| Return on invested capital | -12.5% | 13.3% | 13.8% | 10.1% | 7.6% |

Leiden, 12 April, 2023

Supervisory Board

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice-Chairman)

Jeanine van der Vlist

Jan Niessen

Management Board

Jasmin Lange

Wim Dikstaal

Financial Statements for the Year 2022

Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

In thousands of euros

| | <u>31-12-2022</u> | <u>31-12-2021</u> | |
|---|-------------------|-------------------|--|
| ASSETS | | | |
| Non - current assets | | | |
| Property, plant and equipment [4] | 1,144 | 273 | |
| Right of use assets [5] | 5,470 | 1,322 | |
| Intangible assets [6] | 37,025 | 36,163 | |
| Financial assets | 283 | 283 | |
| Deferred tax assets [7] | 370 | 81 | |
| | <u>44,292</u> | <u>38,122</u> | |
| Current assets | | | |
| Inventories [8] | 4,569 | 4,815 | |
| Trade and other receivables [9] | 8,535 | 11,373 | |
| Income tax | 412 | 185 | |
| Derivative financial instruments [17] | 54 | 0 | |
| Cash and cash equivalents [10] | 3,701 | 5,439 | |
| | <u>17,271</u> | <u>21,812</u> | |
| Total assets | <u>61,563</u> | <u>59,934</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 | 18,471 | 23,622 | |
| Other reserves | -226 | -307 | |
| | <u>19,713</u> | <u>24,783</u> | |
| Non-current liabilities | | | |
| Interest bearing loans [12] | 5,193 | 4,566 | |
| Lease liabilities [5] | 4,962 | 612 | |
| Deferred tax liabilities [7] | 4,495 | 5,160 | |
| | <u>14,650</u> | <u>10,338</u> | |
| Current liabilities | | | |
| Interest bearing loans [12] | 1,588 | 1,588 | |
| Trade and other payables [13] | 14,046 | 13,159 | |
| Deferred income [14] | 10,484 | 9,030 | |
| Lease liabilities [5] | 588 | 928 | |
| Provisions [15] | 495 | 0 | |
| Derivative financial instruments [17] | 0 | 6 | |
| Income tax | 0 | 102 | |
| | <u>27,200</u> | <u>24,813</u> | |
| Total equity and liabilities | <u>61,563</u> | <u>59,934</u> | |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

In thousands of euros

| | 2022 | 2021 |
|--|---------------|--------------|
| Revenue [18] | 48,048 | 46,865 |
| Cost of goods sold [19] | -13,780 | -13,027 |
| Gross Profit | 34,268 | 33,838 |
| Expenses [19] | | |
| Selling and distribution expenses | -9,094 | -7,306 |
| General and administrative expenses | -28,080 | -22,079 |
| Net impairment on goodwill and intangible assets | -1,607 | 0 |
| Operating Profit | -4,513 | 4,453 |
| Finance income [20] | 108 | 72 |
| Finance expenses [20] | -293 | -208 |
| Profit before income tax | -4,698 | 4,317 |
| Income tax [7] | 1,234 | -1,281 |
| Profit for the period attributable to shareholders of Koninklijke Brill N.V. | -3,465 | 3,036 |
| Other comprehensive (expense) income – items that might be reclassified to future profit or loss statements | | |
| Exchange differences in translation of foreign operations [11] | 36 | 160 |
| Net gain or loss on cash flow hedges [11] | 60 | 16 |
| | 96 | 176 |
| Income tax relating to these items [11] | -15 | -4 |
| Other comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V. | 81 | 172 |
| Total comprehensive income for the period attributable to shareholders of Koninklijke Brill N.V. | -3,384 | 3,208 |
| Earnings per share (in euros) [21] | | |
| Basic and diluted earnings per share attributable to shareholders of Koninklijke Brill N.V. | -1.85 | 1.62 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

In thousands of euros

| | 2022 | 2021 | |
|--|---------------|---------------|--|
| Cash flows from operating activities | | | |
| Profit before income tax | -4,698 | 4,317 | |
| <i>Adjustments for</i> | | | |
| Amortization and Depreciation fixed assets [4, 5, 6] | 3,839 | 2,047 | |
| Amortization Content [6] | 3,156 | 3,067 | |
| Finance income and expense – net | 186 | 137 | |
| Differences in FX rates | -176 | 0 | |
| <i>Change in operating assets and liabilities</i> | | | |
| Change in working capital | 5,931 | 1,533 | |
| Cash generated from operations | <u>8,238</u> | <u>11,101</u> | |
| Interest paid(-)/received | -266 | -185 | |
| Income tax paid(-)/received | <u>124</u> | <u>-936</u> | |
| Net cash flows from operating activities | 8,096 | 9,980 | |
| Cash flows from investing activities | | | |
| Investment in property, plant and equipment [4] | -1,088 | -104 | |
| Investment in intangible assets (non-content) [6] | -1,439 | -1,414 | |
| Investment in content [6] | -2,899 | -3,552 | |
| Payments for acquisitions, net of cash acquired [3] | <u>-2,190</u> | <u>-3,671</u> | |
| Net cash flow used in(-) investing activities | -7,616 | -8,741 | |
| Cash flows from financing activities | | | |
| Dividend paid to company shareholders [11] | -1,687 | -2,343 | |
| Interest bearing loan [12] | 2,200 | 2,900 | |
| Redemption Interest bearing loans [12] | -1,588 | -1,334 | |
| Redemption lease liabilities [5] | <u>-1,143</u> | <u>-922</u> | |
| Net cash flows from/used in(-) financing activities | -2,218 | -1,699 | |
| Net cash flow | <u>-1,738</u> | <u>-460</u> | |
| Cash and cash equivalents as per 1 January | 5,439 | 5,899 | |
| Net cash flow | <u>-1,738</u> | <u>-460</u> | |
| Cash and cash equivalents as per 31 December [10] | <u>3,701</u> | <u>5,439</u> | |

CONSOLIDATED STATEMENT OF CHANGES IN 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, 2022 | 1,125 | 343 | 23,622 | -303 | -4 | 24,783 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | 0 | 0 | -3,465 | 0 | 0 | -3,465 |
| Other comprehensive income | 0 | 0 | | 36 | 45 | 81 |
| Total comprehensive income for the period | 0 | 0 | -3,465 | 36 | 45 | -3,385 |
| Transactions with owners of the company | | | | | | |
| Dividends paid over 2021 | 0 | 0 | -1,687 | 0 | 0 | -1,687 |
| Total transactions with owners of the company | 0 | 0 | -1,687 | 0 | 0 | -1,687 |
| Balance as per 31 December, 2022 | 1,125 | 343 | 18,471 | -267 | 41 | 19,713 |
| Balance as per 1 January, 2021 | 1,125 | 343 | 22,929 | -463 | -16 | 23,918 |
| Total comprehensive income for the period | | | | | | |
| Profit for the year | 0 | 0 | 3,036 | 0 | 0 | 3,036 |
| Other comprehensive expense | 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 | 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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

Koninklijke Brill N.V. (together with its subsidiaries referred to as 'Brill' or the 'Group') is established as a Public Limited Company incorporated in the Netherlands (Naamloze Vennootschap), 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. Brill's main activities are publishing of academic books, journals and primary sources with a focus on humanities and social sciences, international law and other selected areas in sciences. These financial statements were authorized for issue by decision made on 12 April, 2023, by Brill's Management Board and Supervisory Board.

2. Basis of preparation of the Financial Statements

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

2.1 Going concern

The accounting principles applied to the measurement 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 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 2023 budget, including expected development in liquidity and capital, which includes the evaluation of current credit facilities, loan covenants and expected maturities of financial liabilities.

2.2 Basis of consolidation

The consolidated financial statements contain the financial statements of Brill and its subsidiaries per 31 December, 2022. 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 (i) has power over the entity, (ii) is exposed to, or has rights to, variable

returns from its involvement with the entity and (iii) 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%.

2.3 Business combinations

Business combinations are identified when the Group obtains control over an integrated set of activities and assets 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.

2.4 Basis of measurement and currencies used

The Consolidated financial statements are prepared in euro, being the reporting currency of the Group. All amounts have been reported in thousands euro's, except where noted differently.

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 with a functional currency other than euro 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 and in the currency translation reserve in equity. When divesting

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

2.5 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.

2.6 Changes in the basis of preparation of the Financial statements adopted on 1 January, 2022

The following standards have become effective as per 1 January, 2022 but do not have an impact on Brill's operations or financial reporting:

- Annual Improvements to IFRS Standards 2018 – 2020 contain the following amendments to the IFRSs:
 - Subsidiary as a first-time adopter in IFRS 1 *First-time Adoption of International Financial Reporting Standards*, these amendments permit a subsidiary (or an associate or joint venture) to measure its cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment is not applicable to the Group.
 - *IFRS 9 Financial Instruments*: "Fees in the '10 per cent' test for derecognition of financial liabilities". The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is not applicable for the Group.
 - Illustrative Examples accompanying IFRS 16 *Leases*: The amendment enhances the illustrative examples of IFRS 16 by removing potential confusion regarding the treatment of lease incentives. These amendments are not relevant for the Group.
 - IAS 41 *Agriculture*, this standard is not applicable for the Group.
- Amendments to IFRS 3 *Business Combinations*: "Reference to the Conceptual Framework". The amendments are applied prospectively. A reference is replaced to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly

changing its requirements. Also, an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. Furthermore, clarifications are made to existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments do not have a material impact for the Group.

- IAS 16 *Property, Plant and Equipment*: "Proceeds before Intended Use – Amendments to IAS 16". These amendments must be applied retrospectively. These amendments require that during the period asset is brought to the location and/or in the condition necessary for it to be capable of operating in the manner intended by management, proceeds from sales are recognised in the profit or loss. These amendments are not applicable for the Group.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: "Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets". The amendments will be applied to contracts for which not, yet all obligations are fulfilled. These amendments specify which costs need to be included when assessing whether a contract is onerous or loss-making. The amendments are not expected to have a material impact on the Group.
- 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 relief is previous not applied.
- Insurance activities are not applicable for the Group and therefore "Amendments to IFRS 4 Insurance Contracts" - deferral of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance contracts" are not applicable (also "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information").

2.7 Future changes in the basis of preparation of the Financial Statements

At present, the standards issued with future effectivity that may affect the basis of preparation of Brill's Financial Statements.

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*: "Disclosure of Accounting policies", effective as from 1 January 2023. The amendments require to disclose material accounting policy information and clarify that accounting policy information is material if users need this to understand the financial statements. These amendments will only affect the disclosures of the Consolidated Financial Statements.
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: "Definition of Accounting Estimates", effective as from 1 January 2023. In these amendments the definition of a change in accounting estimates is changed to monetary amounts in financial statements that are subject to measurement uncertainty. The amendments clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error and changes in inputs or a measurement technique are changes in accounting estimates. No material impact of these amendments in expected.

- Amendments to IAS 12 *Income Taxes*: “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”, effective from 1 January 2023. These amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. No material impact of these amendments is expected.

2.8 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.

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, see note 6.

Amortization of intangible assets and valuation of inventory

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, see note 6.

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, see note 5.

Write-off of other receivables

During the year, Brill's main distributor, Turpin, went into an administration procedure. Brill has measured its remaining receivable in the share of the claimed amounts related to the expected remaining segregated assets as noted by the administrators. On 31 December 2022, the carrying amount of this receivable amounts to some 0.2 million.

2.9 Property, plant and equipment

Property, plant and equipment are recorded at historic cost, less cumulative depreciation and cumulative impairments, if any. 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 derecognition of the asset from the Consolidated statement of financial position, is recognized in the Consolidated statement of profit or loss and other comprehensive income at derecognition.

2.10 Leases*Right of use assets*

Right of use assets are measured at cost less accumulated depreciation and impairments, if any. 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 for leases 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.

2.11 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 any.

(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.

2.12 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 its 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 amortization or depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated statement of profit or loss.

2.13 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.

2.14 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 (applying the 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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) Sales of books

Sales of books are basically one-time sales 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.

Brill also compiles book collections and sells these to its customers. Customers are able to purchase collections that have not yet been completed, these collections are completed within a planned period and the book titles are already known. For these collections, Brill recognises revenue for the part that has been made available and subsequently the remaining revenue equal to any additional part that is made available to the customers.

(b) 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.

(c) 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).

(d) 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).

(e) 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.

(f) 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 average returns of the last 3 years.

2.21 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.

2.22 Interest Income

Income is recognized when the interest accrues according to the effective interest method, using the effective interest method.

2.23 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 the Statement of profit or loss when is complied with the conditions of the grant 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.

2.24 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.

2.25 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 some 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 share interest in other companies) and derivative financial instruments 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.

2.26 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.

2.27 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 (including dividend payments) and repayments of lease liabilities.

3. Business combinations

On 15 April, 2022, Brill acquired all shares and obtained control of Wageningen Academic Publishers (hereafter "WAP"). WAP is a cutting-edge, international academic publisher in the fields of Animal Science, Food and Health Science, Agriculture, Environment and Agribusiness. It publishes scientific journals, books and conference proceedings, many of which in Open Access. The total revenue of WAP amounted to approx. 1 million in 2021 and the number of FTE is 6.8.

The fair value of the identifiable acquired assets and liabilities from WAP is summarised hereafter.

| In thousands of euro | Fair value as at 15 April, 2022 |
|---|------------------------------------|
| Intangible assets (other than goodwill) | 527 |
| Property, plant and equipment | 11 |
| Right of use assets | 55 |
| Inventories | 27 |
| Trade and other receivables | 63 |
| Cash and cash equivalents | 510 |
| Trade and other payables | -225 |
| Deferred taxes | -130 |
| Lease liabilities | -56 |
| Net identifiable assets acquired | 782 |
| Goodwill | 1,718 |
| Net assets acquired (consideration transferred) | 2,500 |

Acquisition price

The acquisition price of Wageningen Academic Publishers B.V. was 2.5 million euro and was paid in cash. 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. Since the acquisition date, the revenue of the business acquired was 699 thousand and the net result was 147 thousand. In case the activities were included in the Group figures for the whole year, the Group's revenue would have been approximately 49.037 thousand and loss for the period approximately -3,289 thousand.

Measurement and assumptions of the assets and liabilities acquired

Intangible assets

Publishing rights are valued based on the multi-period excess earnings method. The multi-period 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 useful lives for publications is estimated at 10 years. The average attrition rate for books ranges between 27% to 1%, the growth rate used is nil. The discount rate applied is 11.7%.

The brand "Wageningen Academic Publishers" acquired was 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 1.0% is used, growth rates of 1.0% and a discount rate of 11.7%.

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 for new lease agreements (see note 2.10). 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. See note 5.

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

| 2022 | Leasehold improvements | Furniture & Fixtures | IT Hardware | Total |
|---|---------------------------|-------------------------|----------------|--------------|
| As at 1 January | | | | |
| Cost | 910 | 650 | 758 | 2,318 |
| Accumulated depreciation | -871 | -620 | -574 | -2,065 |
| Carrying amount as at 1 January | 39 | 30 | 184 | 253 |
| Changes in the year | | | | |
| Acquired through business combination | | | | 0 |
| Investment | 0 | 798 | 290 | 1,088 |
| Transfer at cost | 0 | 39 | 2 | 41 |
| Transfer accumulated depreciation | 0 | -39 | -2 | -41 |
| Disposal at cost | 0 | 0 | -8 | -8 |
| Disposal accumulated depreciation | 0 | -1 | 7 | 6 |
| Depreciation | -27 | -70 | -99 | -196 |
| Exchange rate differences | 0 | 0 | 0 | 0 |
| Carrying amount as per 31 December | 12 | 756 | 376 | 1,144 |
| As at 31 December | | | | |
| Cost | 910 | 1,487 | 1,043 | 3,439 |
| Accumulated depreciation | -898 | -731 | -667 | -2,295 |
| Carrying amount as at 31 December | 12 | 756 | 376 | 1,144 |
| Useful life in years | 10 | 5 - 10 | 3 | |

| 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 | 97 | 98 |
| Transfer at cost | 0 | 10 | 24 | 34 |
| Transfer accumulated depreciation | 0 | 4 | -4 | 0 |
| Depreciation | -40 | -37 | -81 | -158 |
| Exchange rate differences | 0 | 17 | 0 | 17 |
| Carrying amount as per 31 December | 39 | 30 | 184 | 253 |
| As at 31 December | | | | |
| Cost | 910 | 650 | 758 | 2,318 |
| Accumulated depreciation | -871 | -620 | -574 | -2,065 |
| Carrying amount as at 31 December | 39 | 30 | 184 | 253 |

Depreciation is presented of the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (refer to note 19). See note 12 for the amount of the pledged property, plant and equipment.

5. Leases

Brill has entered into lease agreements for offices and company cars.

| Right of use assets | Offices | Company cars | Total |
|---|---------|--------------|-------|
| 2022 | | | |
| Carrying amount as at 1 January | 1,210 | 113 | 1,323 |
| Acquired through business combination | 55 | 0 | 55 |
| Additions | 4,929 | 86 | 5,015 |
| Depreciations | -843 | -80 | -923 |
| Carrying amount as at 31 December | 5,351 | 119 | 5,470 |
| Lease term in years (current and previous year) | 0 - 10 | 0 - 4 | |
| 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 | -62 | -763 |
| Carrying amount as at 31 December | 1,210 | 113 | 1,323 |

Additions to right of use assets include the lease for the new office in Göttingen and the extended lease of the office in Leiden.

| Lease liabilities | 2022 | 2021 |
|--|--------|-------|
| Carrying amount as at 1 January | 1,540 | 1,834 |
| Acquired through business combination (note 3) | 55 | 455 |
| Additions | 5,015 | 121 |
| Interest accretion (note 20) | 83 | 52 |
| Redemption of lease liabilities (Cash flows from financing activities) | -1,060 | -870 |
| Interest payments (Cash flows from operating activities) | -83 | -52 |
| Carrying amount as at 31 December | 5,550 | 1,540 |
| Non-current lease liabilities | 4,962 | 612 |
| Current lease liabilities | 588 | 928 |
| | 5,550 | 1,540 |

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 192 thousand for low value leases (2021: 130 thousand). Total cash outflow of leases was 1,143 thousand (2021: 976 thousand).

6. Intangible assets

| | Publishing rights | Goodwill | Capitalized Content | Information Systems | Other | Assets under construc- tion | Total |
|--|------------------------|--------------|------------------------|------------------------|------------|--------------------------------------|---------------|
| 2022 | | | | | | | |
| As at 1 January | | | | | | | |
| Cost | 17,889 | 4,003 | 52,736 | 7,191 | 842 | 1,082 | 83,743 |
| Accumulated amortization and impairment | -558 | 0 | -40,869 | -5,860 | -294 | 0 | -47,580 |
| Carrying amount as at 1 January | 17,331 | 4,003 | 11,868 | 1,331 | 549 | 1,082 | 36,163 |
| Changes in the year | | | | | | | |
| Acquired through business combination | 491 | 1,718 | 0 | 0 | 36 | 0 | 2,245 |
| Investment | 200 | 0 | 2,899 | 0 | 7 | 1,432 | 4,538 |
| Transfer Asset Category | 0 | 0 | 0 | 1,005 | 0 | -1,005 | 0 |
| Transfer at cost | 56 | 0 | 0 | 2,028 | 118 | 0 | 2,201 |
| Transfer accumulated amortization | -56 | 0 | 0 | -2,028 | -118 | 0 | -2,201 |
| Disposals at cost | 0 | 0 | 0 | -341 | 0 | 0 | -341 |
| Disposals at acc. amortization | 0 | 0 | 0 | 323 | 0 | 0 | 323 |
| Impairment | -578 | -1,029 | 0 | 0 | 0 | 0 | -1,607 |
| Amortization | -211 | 0 | -3,156 | -844 | -85 | 0 | -4,296 |
| Total changes | -98 | 689 | -257 | 144 | -41 | 426 | 862 |
| As at 31 December | | | | | | | |
| Cost | 18,636 | 5,721 | 55,635 | 9,883 | 1,004 | 1,508 | 92,387 |
| Accumulated amortization and impairment | -1,403 | -1,029 | -44,025 | -8,408 | -496 | 0 | -55,362 |
| Carrying amount as at 31 December | 17,233 | 4,692 | 11,610 | 1,475 | 507 | 1,508 | 37,025 |
| Useful life in years | Indefinite / 9 - 20 | Indefinite | 10 | 3 - 5 | 5 | | |

| | Publishing rights | Goodwill | Capitalized Content | Information Systems | Other | Assets under construction | Total |
|---|-------------------|--------------|---------------------|---------------------|------------|---------------------------|---------------|
| 2021 | | | | | | | |
| As at 1 January | | | | | | | |
| Cost | 16,259 | 3,389 | 49,185 | 6,396 | 404 | 309 | 75,940 |
| Accumulated amortization and impairment | -370 | 0 | -37,802 | -4,967 | -211 | 0 | -43,349 |
| Carrying amount as at 1 January | 15,890 | 3,389 | 11,383 | 1,429 | 194 | 309 | 32,591 |

Changes in the year

| | | | | | | | |
|---------------------------------------|--------------|------------|------------|------------|------------|------------|--------------|
| Acquired through business combination | 1,373 | 614 | 0 | 379 | 440 | 0 | 2,806 |
| Investment | 57 | 0 | 3,552 | 35 | 123 | 1,404 | 5,171 |
| Transfer asset group | 200 | 0 | | 431 | | -631 | 0 |
| Reclass and Disposals - at cost | 0 | 0 | | -50 | | 0 | -50 |
| accumulated depreciation | 0 | 0 | | 0 | | 0 | 0 |
| Amortization | -188 | 0 | -3,067 | -893 | -207 | 0 | -4,355 |
| Total changes | 1,443 | 614 | 485 | -98 | 356 | 773 | 3,572 |

As at 31 December

| | | | | | | | |
|--|---------------|--------------|---------------|--------------|------------|--------------|---------------|
| Cost | 17,889 | 4,003 | 52,736 | 7,191 | 967 | 1,082 | 83,868 |
| Accumulated amortization and impairment | -558 | 0 | -40,869 | -5,860 | -418 | 0 | -47,705 |
| Carrying amount as at 31 December | 17,331 | 4,003 | 11,868 | 1,331 | 549 | 1,082 | 36,163 |

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 (hereafter "CGU") 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 acquired goodwill and intangible assets from Wageningen Academic Publishers are added to the Biology portfolio that is part of CGU HIS.

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 1.0% (2021: 0.5%) and (ii) discount rate (WACC) of 10.13% (2021: 6.28%), 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 intangible assets and goodwill for three segments were lower than their carrying amounts, resulting in impairments of 659 thousand for HIS and 370 thousand for LAW (both decreasing the value of goodwill) and 578 thousand for LLA (decreasing the value of publishing rights). The impairments are mainly due to a significant increase of the discount rate (from 6.28% in 2021 to 10.13% in 2022), higher expectations for future costs increases and an increase of the assets (mainly as a results of IFRS 16 related right of use assets for the offices in Leiden and Göttingen). The recoverable amount (value in use) for the three segments/CGU's are HIS 6.9 million, LAW 11.8 million and LLA 3.3 million.

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

| CGU's (see note 18) | Applied terminal growth rate of cash flows (g) | Decrease in growth rate which would trigger an (additional) impairment | Increase in discount rate which would trigger an (additional) impairment |
|---------------------|--|--|--|
| ARC | 1.0% | >1.0 percent point | >5 percent point |
| HIS | 1.0% | >0.0 percent point | >0 percent point |
| LAW | 1.0% | >0.0 percent point | >0 percent point |
| MIA | 1.0% | >0.5 percent point | >5 percent point |
| LLA | 1.0% | >0.0 percent point | >0 percent point |
| DACH | 1.0% | >2.0 percent point | >5 percent point |

Sensitivity tests applied to the valuations show that the valuations for the three segments for which there is no impairment in 2022 are robust against material (negative) variances in the applied terminal growth rate.

Carrying amounts by segment as per 31 December (refer to note 18 for details on segmentation and developments in 2022) of intangibles and goodwill with an indefinite life are summarized hereafter.

| Segment As at 31 December | Publishing rights and brand names | | Goodwill | | Total | |
|------------------------------|--------------------------------------|---------------|--------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| ARC | 837 | 837 | 404 | 404 | 1,241 | 1,241 |
| HIS | 1,349 | 1,349 | 2,638 | 1,578 | 3,987 | 2,927 |
| LAW | 10,560 | 10,560 | 418 | 788 | 10,978 | 11,348 |
| MIA | 532 | 532 | 343 | 343 | 875 | 875 |
| LLA | 1,728 | 2,306 | 0 | 0 | 1,728 | 2,306 |
| DACH | 0 | 0 | 890 | 890 | 890 | 890 |
| Total | 15,006 | 15,584 | 4,693 | 4,003 | 19,699 | 19,587 |

At year-end, the the Group had no material outstanding commitments for the purchase or development of intangible assets (year-end 2021: no material outstanding commitments).

7. Income tax

Income tax expenses

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

| | 2022 | 2021 |
|---------------------------|--------------|--------------|
| - Current | 149 | -393 |
| - Deferred tax | 1,085 | -888 |
| Income tax expense | 1,234 | 1,281 |

Of the current tax charge, 6 thousand (2021: 180 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, 2022 and 2021.

| | 2022 | 2021 |
|--|--------------|---------------|
| Income before tax | -4,698 | 4,317 |
| Statutory Dutch income tax rate | | 20% - 25.0% |
| Tax, at the nominal rate | 1,212 | -1,055 |
| - Effect of different tax rates outside the Netherlands | -4 | -59 |
| - Permanent differences | 34 | -12 |
| - Release from deferred tax liability | -21 | 0 |
| - Changes in nominal tax rate | 0 | -160 |
| - Miscellaneous | 13 | 5 |
| Tax recognized in the consolidated income statement | 1,234 | -1,281 |
| Effective tax rate | 26.3% | 29.7% |

Deferred taxes

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

| | Intangible assets | Plant and equipment | Trade & other accrued expenses | Hedge contracts | Total |
|--|----------------------|------------------------|--------------------------------------|--------------------|---------------|
| 2022 | | | | | |
| As at 1 January | -5,230 | 32 | 44 | -6 | -5,160 |
| Acquired through business combinations | -131 | | | | -131 |
| Recognized in profit and loss | -91 | -11 | 898 | | 796 |
| Recognized in other comprehensive income | | | | | 0 |
| Effect of movement in foreign exchange rates | | | | | 0 |
| Carrying amount as at 31 December | -5,452 | 21 | 942 | -6 | -4,495 |
| 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 |

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

| | Intangible assets | Plant and equipment | Trade & other accrued expenses | Hedge contracts | Total |
|--|----------------------|------------------------|--------------------------------------|--------------------|------------|
| 2022 | | | | | |
| As at 1 January | 30 | 0 | 51 | 0 | 81 |
| Acquired through business combinations | 0 | 0 | 0 | 0 | 0 |
| Recognized in profit and loss | -2 | 55 | 236 | 0 | 289 |
| Recognized in other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Effect of movement in foreign exchange rates | 0 | 0 | 0 | 0 | 0 |
| Carrying amount as at 31 December | 28 | 55 | 287 | 0 | 370 |
| 2021 | | | | | |
| As at 1 January | 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 | 30 | 0 | 51 | 0 | 81 |

8. Inventories

| As at 31 December | 2022 | 2021 |
|-----------------------------|--------------|--------------|
| Publications in development | 399 | 369 |
| Finished goods | 4,076 | 4,352 |
| Book return asset | 94 | 94 |
| | 4,569 | 4,815 |

The inventory of finished goods includes a provision for obsolescence of 6,973 thousand (2021: 6,663 thousand). During the year, the provision was increased by 310 thousand mainly due to additional write-off related to the insolvency of our main distributor and the move to our new distribution partners (2021: decrease of 410 thousand). Depreciation of our stock is done based on sales patterns; as we have not been able to fulfil orders since Turpin went into insolvency, the value of our stock decreased. Additionally, numerous titles still in stock at Turpin can now be printed on demand; it therefore makes more economic sense to destroy the inventory compared with the cost of transferring stock to the warehouse(s) of our new distribution partners.

This amount was charged to 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 | <u>2022</u> | <u>2021</u> |
|--------------------------|--------------|---------------|
| Trade receivables | 6,963 | 8,745 |
| Other receivables | 1,572 | 2,628 |
| | <u>8,535</u> | <u>11,373</u> |

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 17 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, 2022

| | <u>Gross amount</u> | <u>Credit loss allowance</u> | <u>Net amount</u> | <u>Loss allowance</u> |
|-------------------------|---------------------|------------------------------|-------------------|-----------------------|
| Payments not due | 4,877 | -7 | 4,871 | 0% - 0.1% |
| Payments due: | | | | |
| 0-30 days | 986 | -1 | 985 | 0.1% |
| 30-60 days | 249 | 0 | 249 | 0.0% |
| 60-90 days | 194 | 0 | 194 | 0.0% |
| > 90 days | 1,922 | -1,258 | 664 | 65.0% |
| Total trade receivables | <u>8,228</u> | <u>-1,265</u> | <u>6,963</u> | |

As at 31 December, 2021

| | <u>Gross amount</u> | <u>Credit loss allowance</u> | <u>Net amount</u> | <u>Loss allowance</u> |
|-------------------------|---------------------|------------------------------|-------------------|-----------------------|
| 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 | <u>8,983</u> | <u>-238</u> | <u>8,745</u> | |

The changes in the credit loss allowance in the year are:

| | 2022 | 2021 |
|--|-------|------|
| 1 January | 238 | 347 |
| Add to the allowance during the year | 1,181 | 35 |
| Receivables written off during the year as uncollectible | -154 | -144 |
| 31 December | 1,265 | 238 |

10. Cash and cash equivalents

Cash and cash equivalents as at year-end 2022 were 3,701 thousand (year-end 2021: 5,439 thousand). Included in this amount is 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office, 83 thousand restricted cash that serves as a guarantee for the lease contract of the new Göttingen office and 130 thousand cash held by a subsidiary that is not directly freely remissible.

11. Equity

11.1 Capital and reserves

The share capital of the company is divided into ordinary shares and cumulative preference shares. There are currently no cumulative preference shares issued. The number of ordinary shares with par value of 0.60 per share, issued and paid, was 1,874,444 in 2022 (2021: 1,874,444). The number of authorized shares was 2,500,000 in 2022 (2021: 2,500,000). In 2022, share capital was 1,125 thousand (2021: 1,125 thousand).

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 follows:

| | Currency translation reserve | Cash flow hedge reserve | Total other reserves |
|--|---------------------------------|----------------------------|-------------------------|
| 2022 | | | |
| As at 1 January | -303 | -4 | -307 |
| Exchange differences on subsidiaries | 36 | 0 | 36 |
| Net gain or loss(-) on cash flow hedges | 0 | 55 | 55 |
| Reclassification to profit and loss | 0 | 5 | 5 |
| Changes before tax effect | 36 | 60 | 96 |
| Tax effect | 0 | -15 | -15 |
| Recognized in other comprehensive income | 36 | 45 | 81 |
| As at 31 December | -267 | 41 | -226 |
| 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 |
| Changes before tax effect | 160 | 16 | 176 |
| Tax effect | 0 | -4 | -4 |
| Recognized in other comprehensive income | 160 | 12 | 172 |
| As at 31 December | -303 | -4 | -307 |

11.2 Appropriation of result and dividend

The Group proposes to charge the loss of -3,465 thousand for the year to the retained earnings (in 2021, 1,349 thousand was added to retained earnings and 1,687 thousand or 0.90 per share dividend was distributed to shareholders).

11.3 Call option Stichting Luchtman

Stichting Luchtman 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 Luchtman 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.

12. Interest bearing loans

In December 2022, the Group entered into an amended financing agreement with its lender to address the temporary cash flow decrease due to the insolvency of our main distributor, Turpin.

Under the amended agreement, the following conditions apply:

- The 5.0 million facility was temporarily increased to 8.8 million until December 31, 2023. The interest consists of the average 1-month EURIBOR rate as determined during a month plus a surcharge which is currently 1.95%-point
- The 2.2 million withdrawal from the acquisition facility (used for the acquisition of Wageningen Academic Publishers) was converted into a long-term bank loan, of which 2.2 million was outstanding at balance date. The Group will pay a quarterly redemption starting Q3 2024 until the loan is fully paid back end of Q3 2027. Interest consists of EURIBOR for a period of 3 months (the "roll-over period") and a surcharge which is currently 2.95%-point
- The remaining 2.8 million acquisition facility was put on hold until December 31, 2023
- The lender provided Brill a waiver for the year 2022 for the covenants Senior net debt/ EBITDA ratio and the Debt Service Coverage Ratio
- For 2023 Brill must comply with quarterly minimum liquidity levels
- From January 1 2024 the conditions as agreed in August 2021 apply again.

In August 2021, the Group entered into a new financing agreement with its lender, including converting a withdrawal from the acquisition facility of 2.9 million into a long-term bank loan, of which 2.2 million was outstanding at balance date. The Group pays a quarterly redemption until the loan is fully paid back mid-2027. The interest is fixed at 2.45%.

In May 2018, the Group took a long-term bank loan of 6.5 million, of which at balance date 2.4 million was outstanding. The Group pays a quarterly redemption until the loan is fully paid back mid-2024. Brill entered into an interest rate swap contract in July, 2019 to mitigate the risk of increases in interest during the remainder of the duration of the loan (mid-2024). Brill's interest payments are now fixed at 1.5% of the remaining outstanding debt for the duration of the loan.

As a results of the above, on 31 December, 2022 unused credit facilities of 8.8 million were available (2021: 10 million). As a security for these bank loans the Group has pledged assets. The pledged assets with a total carrying amount of 33.1 million (2021: 34.6 million) consist of publishing rights (17.8 million, 2021: 17.1 million), receivables (9.9 million, 2021: 12.4 million), inventories (4.3 million, 2021: 4.8 million) and property, plant and equipment (1.1 million, 2021: 0.3 million).

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

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Carrying amount as at 1 January | <u>6,154</u> | <u>4,583</u> |
| Changes in the year | | |
| New interest bearing loan | 2,200 | 2,900 |
| Debt redemption | -1,588 | -1,334 |
| Changes in financing cash flows | <u>612</u> | <u>1,566</u> |
| Transaction costs loan expensed over loan term | 15 | 5 |
| Carrying amount as at 31 December | <u>6,781</u> | <u>6,154</u> |
| Non-current | 5,193 | 4,566 |
| Current | 1,588 | 1,588 |
| Carrying amount as at 31 December | 6,781 | 6,154 |

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 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:

| | 2022 | 2021 |
|--|---------------|--------------|
| Non distribution covenant | | |
| Profit before tax | -4,691 | 4,317 |
| Amortization and depreciation (non-product, non IFRS 16) | <u>1,336</u> | <u>1,282</u> |
| Maximum distribution | -3,355 | 5,599 |

In addition, the covenants include two financial ratios. As stated above, the bank provided Brill with a waiver for the year 2022 for the covenants Senior net debt/EBITDA ratio and the Debt Service Coverage Ratio:

| | 2022 | 2021 |
|--|----------------|--------------|
| Net debt/EBITDA ratio | | |
| Cash and cash equivalents | -3,701 | -5,439 |
| Interest bearing loans | <u>6,781</u> | <u>6,154</u> |
| Net debt | <u>3,080</u> | <u>715</u> |
| EBITDA [see note 18] | -30 | 7,203 |
| Net debt/EBITDA ratio (must be less than 3.0) | -102.67 | 0.10 |

| Debt service coverage ratio | <u>2022</u> | <u>2021</u> |
|---|---------------|--------------|
| EBITDA [18] | -30 | 7,203 |
| Income tax paid(-)/received | 124 | -936 |
| Replacement investments: property, plant and equipment | -1,088 | -104 |
| Replacement investments: intangible assets (non-product, non-acquisition) | -1,439 | -1,163 |
| Total | -2,433 | 5,000 |
| | | |
| Interest paid | 294 | 185 |
| Redemption loan | 1,588 | 1,334 |
| Total | 1,882 | 1,519 |
| | | |
| Debt service coverage ratio (must be higher than 1.1) | -1.3 | 3.3 |

| Net debt movements | Cash and cash equivalents | Interest bearing loan - short-term | Interest bearing loan - long-term | Total |
|---------------------------|---------------------------------|--|---|--------|
| Net debt 1 January 2022 | 5,439 | -1,588 | -4,566 | -715 |
| Cash flows | -1,738 | 0 | -627 | -2,365 |
| Net debt 31 December 2022 | 3,701 | -1,588 | -5,193 | -3,080 |

Free cash flow

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

| Free cash flow | <u>2022</u> | <u>2021</u> |
|-------------------------------|--------------|--------------|
| Net cash flow | -1,738 | -460 |
| Dividend paid to shareholders | 1,687 | 2,343 |
| Interest and debt redemption | 1,882 | 1,519 |
| | 1,831 | 3,402 |

13. Trade and other payables

| As at 31 December | <u>2022</u> | <u>2021</u> |
|-----------------------------------|---------------|---------------|
| Trade creditors | 6,110 | 2,592 |
| Other taxes and social securities | 783 | 671 |
| Refund liability | 634 | 608 |
| Accruals | 3,537 | 4,286 |
| Pension liability | 200 | 99 |
| Other payables | <u>2,783</u> | <u>4,903</u> |
| | 14,046 | 13,159 |

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

14. Deferred income

Deferred income relates to the advances received for journal and database access subscriptions. From deferred income recorded on the consolidated statement of financial position as at 31 December, 2021, 9,189 thousand was recognized in the revenue of the year 2022 (in the revenue of 2021: 8,967 thousand).

15. Provisions

| | <u>Other provisions</u> |
|--|-------------------------|
| Carrying amount as at 1 January | 0 |
| Additions | <u>495</u> |
| Carrying amount as at 31 December | <u>495</u> |
| Current provisions | <u>495</u> |
| Carrying amount as at 31 December | 495 |

The other provisions relate to uncertain indirect tax payments for which Brill is in discussion with the relevant tax authorities and that will be settled within one year. The amount is an estimation and depends on the amount of revenue, type of client and the relevant tax percentage.

16. Commitments

A new bank guarantee of 83 thousand was issued during 2022 in support of the rental agreement of the office located Robert-Bosch-Breite 10 in Göttingen (ending in October 2027).

A bank guarantee of 107 thousand (2021: 107 thousand) was issued in support of the rental agreement of the office located Plantijnstraat 2 in Leiden (ending in September 2023). At year end, there were no major commitments for investments. The liabilities for low-value leases will average yearly at 120 thousand.

17. Financial risk management

17.1 Market risk

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 2022, around 26% (2021: 23%) 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 forwards. 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 | 2022 | 2021 | Impact of a 5% decrease of the US dollar value versus the euro | 2022 | 2021 |
|---|------|------|---|------|------|
| Net revenue | 109 | 108 | Net revenue | -120 | -119 |
| Gross profit | 100 | 97 | Gross profit | -111 | -107 |
| Net profit | 233 | 225 | Net profit | -258 | -248 |
| Equity | 91 | 94 | Equity | -100 | -104 |

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 2022, 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 contract in July, 2019 to mitigate the risk of increases in interest during the remainder of the duration of the long-term loan (mid-2024). Brill's interest payments are now fixed 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 1% increase of 3 months EURIBOR | 2022 | 2021 | Impact of a 1% decrease of 3 months EURIBOR | 2022 | 2021 |
|---|------|------|---|------|------|
| Profit after tax | 0 | 0 | Profit after tax | 0 | 0 |
| Equity | 0 | 0 | Equity | 0 | 0 |

17.2 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. Brill has 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.

17.3 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 table below shows the maturities of the Group's financial liabilities. The cash flows are contractual and undiscounted.

| | Carrying amount | Maturity | | | | Total |
|-----------------------------------|-----------------|---------------|--------------|--------------|--------------|---------------|
| | | < 3 months | 3-12 months | 1-5 year | > 5 year | |
| As per 31 December, 2022 | | | | | | |
| Trade and other payables | 14,046 | 9,647 | 4,399 | 0 | 0 | 14,046 |
| Interest bearing loans | 6,781 | 397 | 1,191 | 5,193 | 0 | 6,781 |
| Lease liabilities | 5,550 | 147 | 441 | 2,495 | 2,467 | 5,550 |
| | 26,377 | 10,191 | 6,031 | 7,688 | 2,467 | 26,377 |
| As per 31 December, 2021 | | | | | | |
| Trade and other payables | 13,159 | 7,697 | 5,462 | 0 | 0 | 13,159 |
| Interest bearing loans | 6,154 | 397 | 1,191 | 4,566 | 0 | 6,154 |
| Derivatives financial instruments | 6 | 2 | 2 | 2 | 0 | 6 |
| Lease liabilities | 1,540 | 232 | 969 | 339 | 0 | 1,540 |
| | 20,859 | 8,328 | 7,624 | 4,907 | 0 | 20,859 |

17.4 Financial instruments

Classification of financial instruments

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

| As at 31 December | 2022 | 2021 |
|---|---------------|---------------|
| Financial assets | | |
| Financial assets measured at amortized cost | 12,236 | 16,812 |
| Financial assets measured at fair value through profit or loss | 337 | 283 |
| | <u>12,573</u> | <u>17,095</u> |
| Financial liabilities other than lease liabilities | | |
| Financial liabilities measured at amortized cost | 13,674 | 9,417 |
| Financial liabilities measured at fair value through profit or loss | 0 | 6 |
| | <u>13,674</u> | <u>9,423</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 | Carrying amount | Contract rate | Change in hedging instrument | Change in hedged item | Ineffectiveness |
|------|-----------------|-----------------|---------------|------------------------------|-----------------------|-----------------|
| 2022 | 1,896 | 54 | -0.27% | 60 | -60 | 0.00 |
| 2021 | 2,979 | -6 | -0.26% | -6 | 6 | 0.00 |

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

Netting

The Group does not offset recognized financial instruments and is not subject to enforceable master netting arrangements or other similar agreements.

Fair value hierarchy

During the year there have been no (2021: no) movements between fair value levels.

| As per 31 December | Carrying amount 2022 | Fair value 2022 | Level 2022 | Carrying amount 2021 | Fair value 2021 | Level 2021 |
|------------------------------|----------------------------|--------------------|---------------|----------------------------|--------------------|---------------|
| Financial assets | | | | | | |
| Interest rate swap | 54 | 54 | 2 | 0 | 0 | 0 |
| Financial liabilities | | | | | | |
| Interest bearing loans | 6,781 | 6,781 | 2 | 6,154 | 6,154 | 2 |
| Interest rate swap | 0 | 0 | 0 | 6 | 6 | 2 |

The carrying amounts of the other current financial assets (like trade and other receivables and cash and cash equivalents) and financial liabilities (like trade and other payables) are a reasonable approximation of the fair value of these financial assets.

17.5 Capital management

The key components of capital managed by Brill are working capital and property, plant and equipment 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.

| | 2022 | 2021 |
|--|---------------|---------------|
| Reconciliation assets | | |
| Non-current assets | 44,292 | 38,122 |
| Deferred tax liabilities | -4,125 | -5,160 |
| Current assets | 17,271 | 21,812 |
| Current liabilities | -27,200 | -24,812 |
| Net working capital | -9,929 | -3,000 |
| Short-term portion interest bearing loan included in current liabilities | 1,588 | 1,588 |
| Net tax | -412 | -84 |
| Net derivative financial instruments | -54 | 6 |
| Cash and cash equivalents | -3,701 | -5,439 |
| Invested Capital | 27,659 | 26,033 |

| Return on invested capital | 2022 | | 2021 | |
|--|--------|--------|--------|--------|
| Operating profit | -4,513 | | 4,454 | |
| Effective tax (adjusted for exceptional non-cash tax result) | 1,164 | -25.8% | -1,114 | -25.0% |
| Net operating profit less adjusted tax (NOPLAT) | -3,348 | | 3,340 | |
| Invested capital | 27,659 | | 26,033 | |
| Average invested capital | 26,846 | | 25,093 | |
| Return On Invested Capital | -12.5% | | 13.3 % | |
| Asset turnover (revenue / average invested capital) | 1.8 | | 1.9 | |
| NOPLAT margin (NOPLAT / revenue) | -7.0% | | 7.1 % | |

18. Segment information

18.1 Segment reporting

The Group's Management Board evaluates the Group's performance from a business segment perspective, a product portfolio perspective as well as from a geographical perspective. Business segments (Business Units or BU's) 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.

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

- LRS: Law, Regional Studies & Linguistics (including former PUs LAW, LLA and MIA);
- RHB: Religion, History & Biology (including former PUs HIS and ARC and Wageningen Academic Publishers);
- 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.

| Business Unit | <u>LRSL</u> | <u>RHB</u> | <u>DACH</u> | <u>Group</u> | <u>Total</u> |
|--------------------------|-------------|------------|-------------|--------------|--------------|
| Revenue 2022 | 16,092 | 19,192 | 12,764 | 0 | 48,048 |
| Revenue 2021 | 15,961 | 18,890 | 12,014 | 0 | 46,865 |
| EBITDA contribution 2022 | 8,753 | 10,409 | -532 | -18,660 | -30 |
| EBITDA contribution 2021 | 9,165 | 11,103 | 991 | -14,056 | 7,203 |

The ownership of all intangible assets and most property, plant and equipment lies in the Netherlands except for the assets of German and Austrian activities.

18.2 Revenue by product type and region

Product revenue segmentation is as follows:

| Revenue by product type | <u>2022</u> | <u>2021</u> |
|--------------------------------|---------------|---------------|
| Print books | 14,937 | 16,865 |
| eBooks | 18,271 | 16,278 |
| Journals | 13,251 | 12,322 |
| Primary Sources | 1,589 | 1,400 |
| Total | 48,048 | 46,865 |

In 2022, as in 2021, there was no customer that accounted for more than 10% of consolidated revenues. 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 | <u>2022</u> | <u>2021</u> |
|--------------------------|---------------|---------------|
| Western Europe | 26,110 | 25,341 |
| North America | 16,938 | 15,574 |
| Asia Pacific | 3,642 | 3,999 |
| Other | 1,358 | 1,951 |
| Total | 48,048 | 46,865 |

Within these regions, two individual countries attribute to more than 10% of total revenue: USA with revenues of 15,876 thousand or 33.3% of total revenue (2021: 14,563 thousand or 31.1%) and Germany with revenues of 15,807 thousand or 33.3% (2021: 13,158 thousand or 28.1%).

18.3 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 | <u>2022</u> | <u>2021</u> |
|---|---------------|--------------|
| Revenue | 48,048 | 46,865 |
| Cost of goods sold | -13,780 | -13,027 |
| Selling and distribution costs | -9,094 | -7,306 |
| General and administrative expenses | -25,204 | -19,329 |
| EBITDA | -30 | 7,203 |
| Depreciation and Amortization | -3,839 | -2,047 |
| Exceptional items including acquisition and integration costs | -644 | -701 |
| Operating profit | -4,513 | 4,455 |

19. Expenses

19.1 Cost of goods sold

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

| | | |
|---|---------------|---------------|
| Cost of goods sold | <u>2022</u> | <u>2021</u> |
| Technical production costs | 9,137 | 8,209 |
| Amortization of capitalized content costs [6] | 3,156 | 3,067 |
| Royalties | 1,487 | 1,751 |
| Total cost of goods sold | 13,780 | 13,027 |

Reconciliation Selling, General and administrative with personnel cost and operating expenses

| | | |
|-------------------------------------|---------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Selling and distribution expenses | 9,094 | 7,306 |
| General and administrative expenses | 29,687 | 22,079 |
| Total operating expenses | 38,781 | 29,385 |

| | | |
|---|---------------|---------------|
| Personnel cost | 19,056 | 16,349 |
| Operational expenses | 15,885 | 10,991 |
| Amortization of intangible assets (non-product related) [6] | 1,115 | 1,137 |
| Impairment of goodwill [6] | 1,029 | 0 |
| Impairment of intangible assets [6] | 578 | 0 |
| Depreciation of property, plan and equipment [4] | 196 | 144 |
| Depreciation right of use assets [5] | 922 | 764 |
| Total operating expenses | 38,781 | 29,385 |

19.2 Employee benefits

Breakdown of personnel costs is as follows:

| Personnel costs | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|
| Salaries | 15,914 | 13,964 |
| Social security payments | 2,232 | 2,209 |
| Defined contribution pension arrangement | 1,306 | 1,339 |
| Severance payments | 718 | -24 |
| | <u>20,170</u> | <u>17,488</u> |
| Capitalized in content in intangible assets | -1,114 | -1,139 |
| Total personnel costs | 19,056 | 16,349 |

See note 22 Information concerning related parties for the remuneration of the board.

Employees and short-term employee benefits

Personnel costs booked to work in progress relates mostly to the internal desk editing team. Desk editing assigns time to products, which is then capitalized or expensed. In addition to internal staff, Brill uses vendor services for most of the editing and typesetting activities for its publications.

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

| FTEs | Year end 2022 | Year end 2021 |
|-------------------------|---------------------|---------------------|
| Publishing | 105.4 [41.7%] | 102.3 [41,4%] |
| Operations & Technology | 76.2 [30.1%] | 75.7 [30,7%] |
| Sales & Marketing | 48.8 [19.3%] | 45.4 [18,4%] |
| Finance, HR, Other | 22.5 [8.9%] | 23.5 [9.5%] |
| Total | 252.9 [100%] | 246.9 [100%] |

The average workforce amounted to an average of 249.9 FTEs (2021: 226.9 FTEs). The total workforce engaged on a full-time basis at year end showed an increase of 6.0 FTEs from 246.9 to 252.9 FTEs, mainly due to the acquisition of Wageningen Academic Publishers. At the end of 2022, 127.7 FTEs (2021: 120.4 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.

19.3 Audit fees

| | 2022 | 2021 |
|--|------|------|
| Audit of annual financial statements | 472 | 381 |
| Other audit procedures | 0 | 0 |
| Tax services | 0 | 0 |
| Other non – audit assurance engagement | 0 | 0 |
| | 472 | 381 |

The fees listed above relate to the procedures applied to the company and its consolidated group entities by the external independent auditor (PricewaterhouseCoopers Accountants N.V and its PricewaterhouseCoopers network) 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 2022 financial statements, regardless of whether the work was performed during the financial year.

20. Finance income and expense

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

| Finance income | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Interest received of financial assets measured at amortized cost | 28 | 23 |
| Remeasurement of non-current financial assets measured at fair value through profit or loss | 0 | 0 |
| Foreign exchange rate differences | 80 | 49 |
| Total finance income | 108 | 72 |

| Finance expense | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Interest expenses on credit facilities measured at amortized cost | -87 | -63 |
| Interest expenses on interest bearing loans measured at amortized cost | -124 | -93 |
| Interest expenses on lease liabilities | -82 | -52 |
| Foreign exchange rate differences | 0 | 0 |
| Total finance expense | -293 | -208 |

21. Earnings per share

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

| Earnings per share | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Net income | -3,465 | 3,036 |
| 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) | -1.85 | 1.62 |

22. 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.

22.1 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) | <u>2022</u> | <u>2021</u> |
|--|--------------|--------------|
| Supervisory Board | 91 | 90 |
| Management Board | 1,239 | 1,233 |
| Total paid remuneration | 1,330 | 1,323 |
| Variable payout accrued in the prior year | -185 | -368 |
| Variable component accrued in the current year | 175 | 204 |
| Net expense for executive remuneration | 1,320 | 1,159 |

See the remuneration report for more information.

22.2 Subsidiaries

The subsidiaries of Koninklijke Brill N.V. are summarized below.

| | City | Country | Share in company | |
|-------------------------------------|------------|-------------|------------------|------------|
| | | | 31-12-2022 | 31-12-2021 |
| Brill USA, Inc. | Boston | USA | 100 % | 100 % |
| Brill Asia Pte Ltd | Singapore | Singapore | 100 % | 100 % |
| Brill Consulting Beijing Ltd | Beijing | China | 100 % | 100 % |
| Brill Deutschland GmbH | Paderborn | Germany | 100 % | 100 % |
| Brill Österreich GmbH | Vienna | Austria | 100 % | 100 % |
| Wageningen Academic Publishers B.V. | Wageningen | Netherlands | 100 % | 0 % |

Brill Deutschland GmbH makes use of disclosure exemptions pursuant to section 264, paragraph 3 of the German Commercial Code (HGB).

23. Events after balance sheet date

See note 11 Equity for the proposed dividend for the year.

On February 13 our CEO John Martin resigned, at the date of publication Peter Hendriks is serving as interim CEO and the search for a new CEO is ongoing.

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COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

In thousands of euros (before appropriation of profit)

| | <u>31-12-2022</u> | <u>31-12-2021</u> | |
|-------------------------------------|-------------------|-------------------|--------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets [3] | 33,836 | 33,200 | |
| Property, plant and equipment [4] | 4,174 | 877 | |
| Non-current financial assets [5] | <u>9,261</u> | <u>7,682</u> | |
| | 47,271 | | 41,759 |
| Current assets | | | |
| Inventories | 1,868 | 2,139 | |
| Trade and other receivables [6] | 8,329 | 9,341 | |
| Cash and cash equivalents [7] | <u>1,470</u> | <u>3,153</u> | |
| | 11,667 | | 14,633 |
| Total assets | <u>58,938</u> | <u>56,392</u> | |
| EQUITY AND LIABILITIES | | | |
| Equity [8] | | | |
| Share capital | 1,125 | 1,125 | |
| Share premium | 343 | 343 | |
| Legal reserves | 11,575 | 11,868 | |
| Retained earnings | 10,135 | 8,411 | |
| Profit for the year | <u>-3,465</u> | <u>3,036</u> | |
| | 19,713 | | 24,783 |
| Provisions [9] | 4,859 | | 5,161 |
| Non-current liabilities [10] | 8,897 | | 4,937 |
| Current liabilities [11] | 25,470 | | 21,511 |
| Total Liabilities and Equity | <u>58,938</u> | <u>56,392</u> | |

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

In thousands of euros

| | <u>2022</u> | <u>2021</u> |
|--|----------------|----------------|
| Revenue | 34,625 | 31,608 |
| Cost of Goods Sold | <u>-10,874</u> | <u>-8,547</u> |
| Gross profit | 23,751 | 23,061 |
| Expenses [14] | | |
| Selling and distribution expenses | -7,485 | -4,765 |
| General and administrative expenses | -18,408 | -14,443 |
| Net impairment on goodwill and intangible assets | <u>-1,607</u> | <u></u> |
| Total expenses | <u>-27,500</u> | <u>-19,208</u> |
| Operating profit | -3,749 | 3,853 |
| Finance income [15] | 97 | 136 |
| Finance expenses [15] | <u>-241</u> | <u>-152</u> |
| Profit before income tax | -3,894 | 3,837 |
| Income tax expense | 983 | -1,102 |
| Results from subsidiaries, net of tax [5] | <u>-555</u> | <u>301</u> |
| Profit after tax | <u>-3,465</u> | <u>3,036</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 Public Limited Company incorporated in the Netherlands (Naamloze Vennootschap), 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 and measurement assets, liabilities, income and expenses, as applied in the Consolidated Financial Statements in accordance with section 362.8, Title 9, Book 2 of the DCC, except for investments in group companies. The accounting policies are included in note 2 *Basis of preparation of the financial statements* in the Consolidated Financial Statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

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.

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

2.1 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.

2.2 Investments in Group companies

Investments in group companies are measured using the net asset value-method. The carrying amounts are based on the measurement of assets and liabilities and the determination of profit or loss based on the accounting policies applied in the Consolidated Financial Statements. Group companies with a negative equity are measured at nil, unless the Company has an obligation for liabilities of or a receivable on the group company. In case a receivable (or loan) is provided to the group company, the loan provided is decreased with the negative amount of the equity value. A provision is recognised, when subsequently a liability remains for the Company.

2.3 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, if any. 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 | Information systems and other | Capitalized content | Goodwill | Assets under constructi on | Total |
|--|----------------------|-------------------------------------|------------------------|--------------|-------------------------------------|---------------|
| 2022 | | | | | | |
| As at 1 January | | | | | | |
| Cost | 16,268 | 7,134 | 52,736 | 3,113 | 1,082 | 80,333 |
| Accumulated impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated amortization | -388 | -5,876 | -40,869 | 0 | 0 | -47,133 |
| Carrying amount as at 1 January | 15,880 | 1,258 | 11,867 | 3,113 | 1,082 | 33,200 |
| Changes in the year | | | | | | |
| Acquisition | 200 | 0 | 0 | 1,718 | 0 | 1,918 |
| Investment | 0 | 0 | 2,899 | 0 | 1,432 | 4,331 |
| Transfer | 0 | 1,005 | 0 | 0 | -1,005 | 0 |
| Reclass and Disposals – at cost | 0 | -18 | 0 | 0 | 0 | -18 |
| Impairment | -578 | 0 | 0 | -1,029 | 0 | -1,607 |
| Amortization | -95 | -737 | -3,156 | 0 | 0 | -3,988 |
| Total changes | -473 | 251 | -258 | 689 | 426 | 635 |
| As at 31 December | | | | | | |
| Cost | 16,468 | 8,121 | 55,635 | 4,830 | 1,508 | 86,563 |
| Accumulated impairment | -578 | 0 | 0 | -1,029 | 0 | -1,607 |
| Accumulated amortization | -483 | -6,612 | -44,025 | 0 | 0 | -51,121 |
| Carrying amount as at 31 December | 15,407 | 1,509 | 11,610 | 3,801 | 1,508 | 33,836 |

| 2021 | Publishing | Informati on systems and other | Capitalized content | Goodwill | Assets under construction | Total |
|--|---------------|---|------------------------|--------------|---------------------------------|---------------|
| As at 1 January | | | | | | |
| Cost | 16,068 | 6,703 | 49,185 | 3,113 | 309 | 75,378 |
| Accumulated amortization | -289 | -5,100 | -37,803 | 0 | | -43,193 |
| Carrying amount as at 1 January | 15,779 | 1,602 | 11,382 | 3,113 | 309 | 32,185 |
| Changes in the year | | | | | | |
| Acquisition | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment | 0 | 0 | 3,551 | 0 | 1,404 | 4,955 |
| Transfer | 200 | 431 | 0 | 0 | -631 | 0 |
| Reclass and Disposals – at cost | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization | -99 | -776 | -3,066 | 0 | 0 | -3,941 |
| Total changes | 101 | -345 | 485 | 0 | 773 | 1,014 |
| As at 31 December | | | | | | |
| Cost | 16,268 | 7,134 | 52,736 | 3,113 | 1,082 | 80,333 |
| Accumulated amortization | -388 | -5,876 | -40,869 | 0 | 0 | -47,133 |
| Carrying amount as at 31 December | 15,880 | 1,258 | 11,868 | 3,113 | 1,082 | 33,200 |

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 |
|--|--------------------------------|-------------------------|-----------------|-------------------------|--------------|
| 2022 | | | | | |
| As at 1 January | | | | | |
| Investment | 890 | 428 | 650 | 1,734 | 3,702 |
| Depreciation | -857 | -425 | -493 | -1,050 | -2,826 |
| Carrying amount as at 1 January | 33 | 2 | 157 | 684 | 877 |
| Changes in the year | | | | | |
| Investment | 0 | 0 | 224 | 3,535 | 3,759 |
| Reclass and Disposal | 0 | 0 | 0 | 0 | 0 |
| Depreciation | -24 | -2 | -83 | -352 | -462 |
| Total changes | -24 | -2 | 140 | 3,184 | 3,297 |
| As at 31 December | | | | | |
| Cost | 890 | 428 | 874 | 5,269 | 7,461 |
| Accumulated depreciation | -882 | -428 | -576 | -1,402 | -3,288 |
| Carrying amount as at 31 December | 9 | 0 | 297 | 3,868 | 4,174 |
| Useful life in years | 10 | 5 - 10 | 3 | 0 - 10 | |
| | | | | | |
| | Leasehold improve- ments | Furniture & fixtures | IT- hardware | Right-of- use assets | Total |
| 2021 | | | | | |
| As at 1 January | | | | | |
| Investment | 890 | 428 | 533 | 1,616 | 3,467 |
| Depreciation | -819 | -419 | -436 | -679 | -2,353 |
| Carrying amount as at 1 January | 72 | 9 | 97 | 936 | 1,114 |
| Changes in the year | | | | | |
| Investment | 0 | 0 | 117 | 118 | 236 |
| Depreciation | -38 | -7 | -57 | -371 | -472 |
| Total changes | -38 | -7 | 61 | -253 | -237 |
| As at 31 December | | | | | |
| Cost | 890 | 428 | 650 | 1,734 | 3,702 |
| Accumulated depreciation | -857 | -425 | -493 | -1,050 | -2,826 |
| Carrying amount as at 31 December | 33 | 2 | 157 | 684 | 877 |

The right-of-use assets consist of offices for 242 thousand (2021: 597 thousand) and company cars for 64 thousand (2021: 87 thousand).

5. Non-current financial assets

| | Investments in group companies | Loans to group companies | Other investments | Total |
|--|-----------------------------------|-----------------------------|-------------------|--------------|
| 2022 | | | | |
| Carrying amount as at 1 January | 2,963 | 4,448 | 271 | 7,682 |
| Acquired | 783 | 0 | 0 | 783 |
| Capital contribution | 750 | -400 | 0 | 350 |
| New loans/repayments | 0 | 965 | 0 | 965 |
| Result for the year | -555 | 0 | 0 | -555 |
| Revaluations | | 0 | 0 | 0 |
| Foreign currency differences | 36 | 0 | 0 | 36 |
| Carrying amount as at 31 December | 3,977 | 5,013 | 271 | 9,261 |
| 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 |

See note 22.2 of the Consolidated Financial Statements for details of the group companies.

Investments in group companies

On 15 April, 2022, the Company has acquired Wageningen Academic Publishers B.V., see note 3 of the Consolidated Financial Statements.

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 5.1% (2021: between 1.9% and 2.3%), the duration of the loans varies between 5 and 7 years (2021: between 5 and 7 years), the loans are subordinated to other obligations of the group companies (2021: subordinated). The carrying amount is a reasonable approximation of fair value of the loans.

On 22 December, 2022, the Company converted an amount of 400 thousand from the loans provided to Brill Deutschland GmbH into capital, to strengthen the equity of Brill Deutschland GmbH. The Expected Credit Loss (ECL) on Loans to group companies is not significant.

Other investments

Other investments are minority investments in other publishing companies.

6. Trade and other receivables

| As at 31 December | 2022 | 2021 |
|----------------------------------|--------------|--------------|
| Trade receivables | 4,166 | 6,359 |
| Amounts due from group companies | 2,560 | 739 |
| Income tax receivable | 194 | 130 |
| Derivative financial instruments | 54 | 0 |
| Other receivables | 1,355 | 2,113 |
| | 8,330 | 9,341 |

The trade and other receivables fall due within one year (2021: one year). Amounts due from group companies bear no interest and no securities have been provided (2021: no interest and no securities). The Expected Credit Loss (ECL) on amounts due from group companies is not significant. See note 9 Trade and other receivables of the Consolidated financial statements for more details.

7. Cash and cash equivalents

As at year-end 2022, cash and cash equivalents were 1,470 thousand (year-end 2021: 3,153 thousand). Included in this amount is 107 thousand restricted cash that serves as a guarantee for the lease contract of the Leiden office (2021: 107 thousand).

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 2022 (2021: 1,874,444). The number of authorized shares was 2,500,000 in 2022 (2021: 2,500,000). In 2022, share capital was 1,125 thousand (2021: 1,125 thousand).

The Company proposes to charge the loss of -3,465 thousand for the year to the retained earnings (in 2021 1,349 thousand was added to retained earnings and 1,687 thousand or 0.90 per share dividend was distributed to shareholders).

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 the DCC. A legal reserve is constituted for the capitalized content on the statement of financial position equal to the carrying amount of the capitalized content and the legal reserve group companies separates the share in profit of group companies since the first valuation where these are subject to distribution restrictions.

| | As at 1 January | Profit for the year | Dividends paid | Exchange rate and hedge differences | Appro- priation of result | Changes legal reserve | As at 31 December |
|--------------------------------------|--------------------|------------------------|-------------------|--|---------------------------------|-----------------------------|----------------------|
| 2022 | | | | | | | |
| Share Capital | 1,125 | 0 | 0 | 0 | 0 | 0 | 1,125 |
| Share premium | 343 | 0 | 0 | 0 | 0 | 0 | 343 |
| Currency translation reserve | -303 | 0 | 0 | 36 | 0 | 0 | -267 |
| Cash flow hedge reserve | -4 | 0 | 0 | 45 | 0 | 0 | 41 |
| Legal reserve capitalized content | 11,868 | 0 | 0 | 0 | 0 | -293 | 11,575 |
| Legal reserve group companies | 0 | 0 | 0 | 0 | 0 | 130 | 130 |
| Retained earnings | 8,718 | 0 | -1,687 | 0 | 3,036 | 163 | 10,231 |
| Profit for the year | 3,036 | -3,465 | 0 | 0 | -3,036 | 0 | -3,465 |
| | <u>24,783</u> | <u>-3,465</u> | <u>-1,687</u> | <u>81</u> | <u>0</u> | <u>0</u> | <u>19,713</u> |
| 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 |
| Legal reserve group companies | | | | | | | 0 |
| 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> |

Stichting Luchtman 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 Luchtman 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 2022, no preference shares were issued (as per 31 December 2021: no preference shares were issued).

The legal reserve group companies relates to the interest in the subsidiary in China for which we can not realize an equity distribution without limitations.

9. Provisions

| | Deferred tax liabilities | Other provisions | Total |
|--|-------------------------------------|-------------------------|--------------|
| Carrying amount as at 1 January 2022 | 5,161 | 0 | 5,161 |
| Changes in the year | | | |
| Additions | 0 | 495 | 495 |
| Charged/credited (-) to profit or loss | (797) | 0 | (797) |
| Carrying amount as per 31 December 2022 | 4,364 | 495 | 4,859 |
| | Deferred tax liabilities | Other provisions | Total |
| Carrying amount as at 1 January 2021 | 4,226 | 0 | 4,226 |
| Changes in the year | | | |
| Additions | 6 | 0 | 6 |
| Charged/credited (-) to profit or loss | 929 | 0 | 929 |
| Carrying amount as per 31 December 2021 | 5,161 | 0 | 5,161 |

See note 7 Income tax of the Consolidated financial statements for further disclosure for the deferred tax liabilities and note 15 Provisions of the Consolidated financial statements for the Other provisions.

10. Non-current liabilities

| | Interest-bearing loans | Lease liabilities | Total |
|--|---------------------------|-------------------|---------------|
| Carrying amount as at 1 January 2022 | 6,154 | 371 | 6,525 |
| Changes in the year | | | |
| Additions | 2,200 | 3,688 | 5,888 |
| Redemptions | (1,588) | (178) | (1,766) |
| Transaction costs loan expensed | 15 | 0 | 15 |
| Carrying amount as per 31 December 2022 | 6,781 | 3,881 | 10,662 |
| Remaining lifetime | | | |
| Within 1 year | 1,588 | 178 | 1,766 |
| Between 1 and 5 years | 5,193 | 1,851 | 7,044 |
| After 5 years | 0 | 1,852 | 1,852 |
| | 6,781 | 3,881 | 10,662 |
| | | | |
| | Interest-bearing loans | Lease liabilities | Total |
| Carrying amount as at 1 January 2021 | 4,583 | 371 | 4,954 |
| Changes in the year | | | |
| Additions | 2,900 | | 2,900 |
| Redemptions | (1,334) | | (1,334) |
| Transaction costs loan expensed | 5 | | 5 |
| Carrying amount as per 31 December 2021 | 6,154 | 371 | 6,525 |
| Remaining lifetime | | | |
| Within 1 year | 1,588 | 178 | 1,766 |
| Between 1 and 5 years | 4,566 | 193 | 4,759 |
| | 6,154 | 371 | 6,525 |

See note 5 Leases, note 12 Interest bearing loans and note 17 Financial risk management in the Consolidated financial statements for additional disclosures.

11. Current liabilities

| | 31-12-2022 | 31-12-2021 |
|--------------------------------|---------------|---------------|
| Interest bearing loans | 1,588 | 1,588 |
| Trade payables | 4,786 | 1,760 |
| Amounts due to group companies | 4,508 | 2,339 |
| Income tax | 0 | 0 |
| Pension liabilities | 197 | 99 |
| Other liabilities | 2,401 | 4,268 |
| Lease liabilities | 178 | 372 |
| Accruals | 2,079 | 2,592 |
| Deferred income | 9,733 | 8,493 |
| | <u>25,470</u> | <u>21,511</u> |

The amounts of amounts are payable within one year (2021: one year). Amounts due to group companies are payable within twelve months, bear no interest and no securities have been provided (2021: no interest and no securities). See note 5 Leases, note 12 Interest bearing loans, 13 Trade creditors and other payables, note 14 Deferred income in the Consolidated financial statements.

12. Commitments

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

13. 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 17 Financial risk management of the Consolidated Financial Statements).

Fair value

The carrying amounts of the other current financial assets (such as trade and other receivables and cash and cash equivalents) and financial liabilities (like trade and other payables) are a reasonable approximation of the fair value of these financial assets.

14. Expenses

Personnel expenses

The personnel expenses included in the expenses are specified below.

| Personnel costs | 2022 | 2021 |
|---|---------------|---------------|
| Salaries | 8,827 | 8,038 |
| Severance payments | 593 | -124 |
| Social security payments | 1,003 | 1,071 |
| Defined contribution pension arrangement | 1,197 | 1,185 |
| | 11,619 | 10,170 |
| Capitalized in content in intangible assets | -1,113 | -1,139 |
| | 10,506 | 9,031 |

The number of FTE at year end, divided by department (instead of function) was as follows:

| FTEs | Year end 2022 | Year end 2021 |
|-------------------------|---------------|---------------|
| Publishing | 55.1 [42,8%] | 53.5 [41,6%] |
| Operations & Technology | 39.7 [30,9%] | 40.9 [31,8%] |
| Sales & Marketing | 21.9 [17,0%] | 19.7 [15,3%] |
| Finance, HR, Other | 12.0 [9,3%] | 14.5 [11,3%] |
| Total | 128.7 [100%] | 128.6 [100%] |

2.0 FTEs worked outside of the Netherlands in 2022 (2021: 2.0 FTEs), namely in the UK and in Switzerland.

The general and administrative expenses included the expenses disclosed in note 19 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, see the remuneration report for more information.

Depreciation and amortization

The depreciation and amortization are summarized below.

| | 2022 | 2021 |
|--------------|--------------|--------------|
| Amortization | 5,595 | 3,969 |
| Depreciation | 462 | 535 |
| | 6,057 | 4,504 |

15. Finance income and expenses

The financial income includes interest amount of EUR 24 thousand of group companies (2021: 93 thousand). The financial expenses include an interest amount of 55 thousand of group companies (2021: 38 thousand).

16. Events after balance sheet date

See note 23 of the Consolidated Financial Statements.

Leiden, 12 April, 2023

Supervisory Board

Robin Hoytema van Konijnenburg (Chairman)

Anneke Blok

Theo van der Raadt (Vice-Chairman)

Jeanine van der Vlist

Jan Niessen

Management Board

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 |
|--------------|---|
| Jan Niessen | 462,875 |
| Jasmin Lange | 500 |

Jan Niessen, who joined the Supervisory Board on December 14 2022, is a non-independent Board Member (art. 2.1.8 of the Corporate Governance Code) as he indirectly holds an interest of more than 20% in Brill, via Mont Cervin. See note 11 of the consolidated financial statements

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 2022

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 2022, 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 2022 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 2022 of Koninklijke Brill N.V., Leiden. The financial statements comprise 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 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022; 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 2022;
- the company statement of profit or loss for the year ended 31 December 2022; and
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

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

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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

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach on fraud risks and the audit approach on going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

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. 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.

As disclosed in the management board's report for the year 2022, the developments at Brill's main UK-based distributor heavily impacted the financial year 2022. On 28 September 2022 Brill's main distributor filed a notice of intent to appoint an administrator. On 7 October 2022, an administrator was appointed, and the distributor ceased operations on the same day. The distributor provided fulfilment services to part of Brill's journal and book portfolio. Brill accelerated the already-planned move to another service organisation for its global distribution. The developments had a significant impact on the Company's performance and our audit approach as described in the section 'Key audit matters' of this report.

On 15 April 2022, the Company acquired all shares and obtained control of Wageningen Academic Publishers ('WAP'), as disclosed in note 3 to the consolidated financial statements. The business combination is a significant transaction for Brill and had an impact on our audit. Given the complexity of accounting for business combinations, we consider this as a key audit matter as set out in the section 'Key audit matters' of this report.

Koninklijke Brill N.V. - CZ4VCFN7DWER-1580171013-46

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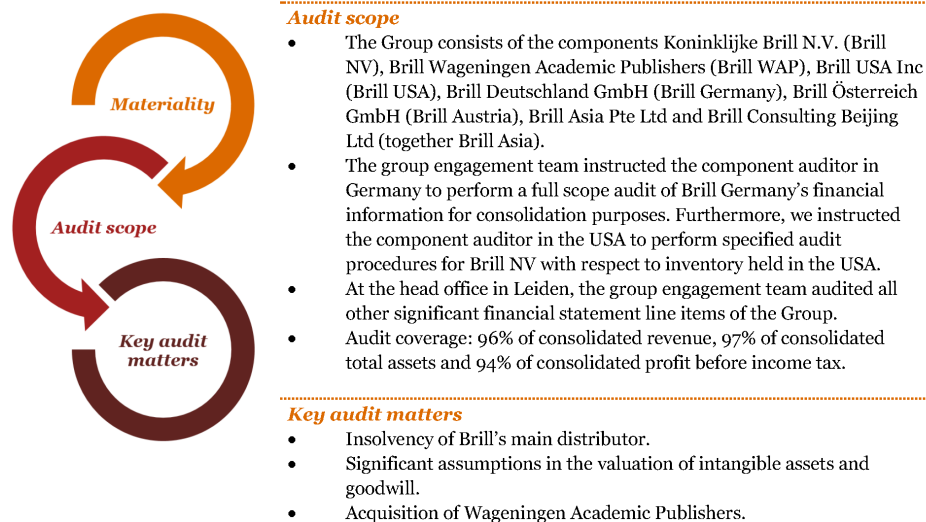


As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions 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 and goodwill, we considered 'Significant assumptions in the valuation of intangible assets and goodwill' to be a key audit matter as set out in the section 'Key audit matters' of this report.

Brill assessed the possible effects of climate change on its financial position, refer to the section 'Corporate Social Responsibility'. 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 audit we made use of experts in the areas of valuation of intangible assets and tax.

The outline of our audit approach was as follows:





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 | €405,000 (2021: €420,000). |
| 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 €405,000. |
| 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 | Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between €150,000 and €400,000. |

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 any misstatement identified during our audit above €40,000 (2021: €41,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

We tailored the scope of our audit to ensure that we, 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 NV and Brill Germany. For Brill NV, we performed an audit of the full set of financial information. In addition, we 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, Brill Asia and Brill WAP in order to achieve appropriate coverage on the consolidated financial statements as a whole.

Koninklijke Brill N.V. - CZ4VCFN7DWER-1580171013-46

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Furthermore, we instructed the component auditor in the USA to perform specified audit procedures for Brill NV with respect to inventory held in the USA.

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

| | |
|--------------------------|-----|
| <i>Revenue</i> | 96% |
| <i>Total assets</i> | 97% |
| <i>Profit before tax</i> | 94% |

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 USA, Brill Austria, Brill Asia and Brill WAP. For component Brill Germany, we instructed our network firm's local component auditor, who is familiar with the local laws and regulations, to perform the work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their 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 the scope of the work. We explained to the component audit teams the structure of the Group, the main developments that were relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams both 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, that could be of relevance for the consolidated financial statements.

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

Audit approach on 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 Koninklijke Brill N.V. and its environment and the components of the internal control system. This included the management board's risk assessment process, the management board's process for responding to the risks of fraud and monitoring the internal control system and how the supervisory board exercised oversight, as well as the outcomes. We refer to 'Fraud risk' under the section 'Risk Management' of the management board's report for management's fraud risk assessment and section 'Principal Activities' of the supervisory board's report in which the supervisory board discusses the fraud risk assessment.



We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct and whistle-blower procedures. We evaluated the design and determined the implementation of controls designed to mitigate fraud risks.

We asked members of the management board and the supervisory board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

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 to fraud is present. We identified the following fraud risks and performed the following specific procedures:

| <i>Identified fraud risks</i> | <i>Our audit work and observations</i> |
|--|---|
| <p><i>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 particular 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 of WAP. • Significant estimates. | <p>We evaluated the design and determined the implementation of the relevant internal control measures in the processes of journal entries, significant estimates and revenue. We also paid attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties.</p> <p>We have identified significant deficiencies in the internal control system and reported our findings in writing to the management board and the supervisory board. We identified these internal control deficiencies as opportunities for fraud but these did not lead to specific fraud risks based on our fraud risk assessment.</p> <p>We performed our audit procedures primarily substantive based.</p> <p>We selected journal entries based on risk criteria, such as unusual account combinations and unexpected users and conducted specific audit procedures for these entries. Where we identified high-risk journal entries through our data analytics, we performed additional procedures, e.g. inspection of the entries to source documentation.</p> <p>Furthermore, we performed substantive audit procedures on significant transactions outside the normal course of business, refer to key audit matter 'Acquisition of Wageningen Academic Publishers'.</p> <p>We also performed specific audit procedures related to important assumptions and estimates of management, e.g. in the impairment assessment, the purchase price allocation for the acquisition of WAP and the valuation of receivables. Please refer to the section 'Key audit matters' for more details. We specifically paid attention to potential management bias.</p> <p>Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.</p> |



Risk of fraudulent financial reporting due to overstating online revenue

As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated for which types of revenue there are fraud risks.

We distinguish between online revenue and all other revenue, where the latter mainly consists of sales of print books.

For online revenue we conclude that management is likely to feel incentive or pressure to overstate online revenue (i.e. eBooks and online journals), because of the strategic importance of this revenue stream. Overstating online revenue could be achieved by recognising fictitious revenue transactions, affecting the assertion existence/occurrence, and intentional premature recognition of online (subscription) revenues, affecting the cut-off assertion.

For all other revenue (mainly print books) we concluded that it is appropriate to rebut the risk of fraud in revenue recognition, because incentive or pressure for fraud is not likely considering the developments with respect to the administration of the Company's main distributor and the Company's press releases in which the financial outlook for 2022 was withdrawn.

In our fraud-risk assessment we also considered management's bonus targets and the bank covenants with respect to the Company's external debt.

We evaluated the design and determined the implementation of relevant internal controls in the revenue process. We examined whether changes were made to the internal controls during the financial year.

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.

We performed substantive audit procedures related to the existence/occurrence of revenue transactions in the financial year. For our work on the existence/occurrence of revenue transactions we leveraged upon the related work performed for trade receivables, 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 recognised.

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 (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.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence/occurrence and the cut-off of online revenue.



We incorporated an element of unpredictability in our audit. That is, we assessed expense reimbursements of leavers that held certain positions within the Company. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures. This did not lead to indications of fraud potentially resulting in material misstatements.

Audit approach on going concern

As disclosed in section 'Going concern' in note 2 to the consolidated 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.

The management board performed their assessment of the entity's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks). Our procedures to evaluate the management board's going-concern assessment included, amongst others:

- considering whether the management board's going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the management board regarding the management board's most important assumptions underlying its going-concern assessment;
- evaluating the management board's current budget including cash flows for at least twelve months from the date of preparation of the financial statements taken into account current developments in the industry and all relevant information of which we are aware as a result of our audit;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations, including compliance with bank covenants;
- performing inquiries of the management board as to its knowledge of going-concern risks beyond the period of the management board's assessment.

We concluded that the management board's use of the going-concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

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 goodwill' and 'Acquisition of Wageningen Academic Publishers' are similar in nature to key audit matters we reported in 2021. The risks related to the 2021 key audit matter 'Reliance on third-party service organisation' have materialised during 2022 which resulted in key audit matter 'Insolvency of Brill's main distributor'.



Key audit matter
Insolvency of Brill's main distributor

Refer to the section 'Financial Report' in the management board's report. Also refer to 'Significant accounting estimates, judgements and assumptions' (note 2), 'Inventories' (note 8) and 'Trade and other receivables' (note 9) in the financial statements.

In prior years, Brill engaged an external UK-based service organisation, that globally provided significant services for the Group including invoicing, account handling, credit control, warehousing & stock control and reporting.

On 28 September 2022, Brill's main distributor filed a notice of intent to appoint an administrator. On 7 October 2022, an administrator was appointed, and the service organisation ceased operations on the same day. The developments with respect to this third-party service organisation had a significant impact on the business and our audit approach. The following areas were impacted:

Revenue

In prior years the Company relied on the controls operating at the third-party service organisation related to the revenue and receivables cycle for print books.

Inventories

Brill has stored material inventories (print books) in the warehouse of the third party's service organisation in the UK and its subservice organisation in the US. Brill decided to partly transfer the books from the warehouse in the UK to the warehouse of another third-party service organisation. However, it was also decided to destroy a part of the books.

Receivables

Brill has written off a part of its receivable on the third-party service organization in the profit and loss statement. On 31 December 2022, the carrying amount of the related receivable amounts to approx. €200 thousand.

Our audit work and observations

The below audit procedures have been performed in relation to the significantly impacted areas. Based on the procedures performed we obtained sufficient and appropriate audit evidence to mitigate the risk of material misstatement to an acceptably low level.

Revenues

Since we were not able to rely on the ISAE 3402 type 2 report from the third-party service provider, we adjusted our initial audit approach. We performed a fully substantive-based audit with respect to the revenue and receivables cycle for print books. Our audit procedures included test of details on revenue transactions and substantive analytical procedures on the revenue based on our audit work on goods movements in inventory (including obtaining supplier confirmations of print book purchases).

Inventory

We performed a year-end stock count at the warehouse of the distributor in the UK. For a sample of ISBNs we performed counts from list-to-floor as well as from floor-to-list. For several ISBNs differences were noted, mainly because we were not able to find them.

Similarly, we instructed the local component auditor to perform a year-end stock count at the warehouse of the (former) (sub)service organisation in the US. For a sample of ISBNs counts were performed from list-to-floor as well as from floor-to-list.

Furthermore, we obtained inventory confirmations from the third-party to which books were transferred from the UK-based distributor.

Finally, we assessed the valuation of the inventory and paid attention to the additional write-off of print Books that Brill decided to destroy.

Receivables

We obtained Brill's position paper and examined underlying contracts as well as communications with the administrator of the UK-based distributor and Brill's legal advisors. We challenged management's assumptions with respect to the collectability of receivables and found these to be reasonable based on discussions with management and supporting documentation. Finally, we verified the adequacy of the disclosures in the financial statements.



Key audit matter
Significant assumptions in the valuation of intangible assets and goodwill

Refer to 'Significant accounting estimates, judgements and assumptions' (note 2) and 'Intangible assets' (note 6) in the financial statements.

As of 31 December 2022, the intangible assets include goodwill (€5,721 thousand) and publishing rights (€17,812 thousand), among other balances. Given the balances are highly material and the valuation is based on significant assumptions and is therefore subject to significant risk of misstatement, 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. 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 2022 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.

As part of enhanced 'stand back' requirements, we evaluated the audit evidence obtained, including both corroborative as well as contradictory evidence. Based on the results of the impairment assessment performed as at 31 December 2022, an impairment charge of €1,6 million was recognised in relation to goodwill and/or intangible assets within the CGUs HIS, LLA and LAW.

Based on the procedures performed we assessed the valuation of intangible assets and goodwill to be supported with available evidence.



Acquisition of Wageningen Academic Publishers

Refer to the 'Introduction by the Management Board' in the management board's report and 'Business combinations' (note 3) in the financial statements.

On 15 April 2022, Brill acquired all shares of WAP and obtained control on that date. As disclosed in note 3 to the consolidated 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 €2,500 thousand in accordance with IFRS 3). The company completed the purchase price allocation for WAP with the assistance of external experts.

The recognition, measurement, and disclosure of this acquisition in the 2022 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 intangible assets and goodwill.

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 expert engaged by the group.

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.

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.

Finally, we assessed the adequacy of the disclosures for the business combinations in the notes to the financial statements.

Based on the audit procedures performed, we found management's estimates and judgement used in the fair value calculations to be supported by available evidence.



Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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; and
- 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 directors' 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 report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

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. This followed the passing of a resolution by the shareholders at the annual general meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of eight years.

European Single Electronic Format (ESEF)

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

In our opinion, the annual report prepared in XHTML format, including the (partially) marked-up consolidated financial statements, as included in the reporting package by Koninklijke Brill N.V., complies in all material respects 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 whether the annual report in this reporting package complies with the RTS on ESEF.

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We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assuranceopdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
 - 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 have been prepared 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 mark-ups 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.

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, 12 April 2023
PricewaterhouseCoopers Accountants N.V.

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



Appendix to our auditor's report on the financial statements 2022 of Koninklijke Brill N.V.

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

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

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

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

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



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

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

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 2022 (nominal value of 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 43 thousand in 2022 (53 thousand in 2021). The trust office's chairman receives a remuneration of 9 thousand on an annual basis and the other two board members each receive a remuneration of 7.5 thousand on an annual basis.

Activities

The Board met in person on 14 April 2022. During this meeting, the 2021 Annual Report and financial statements, the company's strategy and its implementation, the general course of events within the company and the succession of the CEO were discussed. Given the desire for continuity in the Board, the Board unanimously resolved to re-appoint Mr. Kuiper as a Board member, for a term of two years. 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, the Board had meetings with the management board of the company and the chairman of the Supervisory Board jointly, as well as with each of them separately. During these meetings, the company's management board and the chairman of the Supervisory Board gave an explanation about Brill's strategy and operational and financial performance and the succession of the CEO.

In the company's General Meeting of Shareholders, which took place on 25 May 2022, 97.8% of the company's issued capital was represented. The trust office granted authorization to holders of 63.3% 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.

Further, the chairman of the Board had an introductory meeting with the CEO to be appointed. Separately, the Board had various telephone and email discussions on inter alia the (consequences of the) administration of Brill's main distributor, Turpin.

In advance of the company's extraordinary General Meeting of Shareholders, which took place on 14 December 2022, the Board had various (telephone) discussions on the composition of the company's Supervisory Board. The Board decided to refrain from voting in relation to all motions tabled, such in accordance with the trust office's voting policy.

In the company's extraordinary General Meeting of Shareholders, 97.9% of the company's issued capital was represented. The trust office granted authorization to holders of 55.8% 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.

Board Composition

On 31 December 2022, 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, 12 April, 2023

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 2022, 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 A. Pabbruwe, Drs. | 2022 | 2025 | Member |
| 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, and did so on 21 April 2022. At this meeting, the following topics were discussed: the company’s 2021 results, the implementation of the strategy, financing, acquisitions, market developments, and the general course of business. Also, recent developments in the management of the company were discussed.

At the end of the meeting Drs. Ing. Herman Spruijt stepped down as member and vice-chair of the Board after having served since May 2001. The Board would like to thank Herman for his invaluable and constructive contribution during all those years. Herman’s profound knowledge of and insights in the publishing industry have been hugely beneficial to the Board.

The Board was very pleased that Herman Pabbruwe was willing to be appointed as Herman Spruijt’s successor. Herman has made his career in the publishing world and has served as CEO of Brill from 2004 – 2018. The Board appointed Mr. Pabbruwe for a first 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, 12 April, 2023

Stichting Luchtmans,
The Board

ABOUT THIS ANNUAL REPORT

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

