

Elsevier A/S

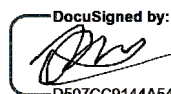
Niels Jernes Vej 10, 9220 Aalborg Øst

CVR no. 26 83 55 26

Annual report 2020

Approved at the Company's annual general meeting on [28 05 2021]

CEO:

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Joris Rogier Adriaan Vlug

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Statement by the Board of Directors of the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Elsevier A/S for the financial year 1 January - 31 December 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.


In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

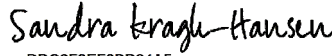
We recommend that the annual report be approved at the annual general meeting.

Aalborg, 28 May 2021

Executive Board:

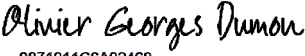
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Joris Rogier Adriaan Vlug

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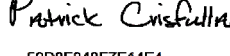
Sandra Skærup Højlund
Kragh-Hansen

Board of Directors:

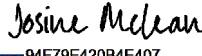
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Olivier Georges Alexis
Dumon

Chairman

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Patrick Crisfulla

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Josine McLean

Independent auditor's report**To the shareholders of Elsevier A/S****Opinion**

We have audited the financial statements of Elsevier A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section 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 the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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 override of internal control.

Independent auditor's report

- ▶ Obtain 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed; we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 28 May 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Lone Nørgaard Eskildsen
State Authorised
Public Accountant
mne32085

Management's review

Company details

Name	Elsevier A/S
Address, Postal code, City	Niels Jernes Vej 10, 9220 Aalborg Øst
CVR no.	26 83 55 26
Established	21 October 2002
Registered office	Aalborg
Financial year	1 January - 31 December
Board of Directors	Olivier Georges Alexis Dumon, Chairman Patrick Crisfulla Josine McLean
Executive Board	Joris Rogier Adriaan Vlug Sandra Skærup Højlund Kragh-Hansen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management commentary

The purpose of the Company is to provide IT consulting services, primarily focusing on the integration as well as all business areas related accordingly hereto.

Financial review

The income statement for the year ended 31 December 2020 is set out on page 7. The company's equity is reduced with DKK 7,955,203 after tax, due to correction of material misstatement in former years related to invoiced costs from Group. Comparison figures for 2019 have been corrected.

Development of activities and financial position in 2020

During 2020, the Company invested in the further development of PURE, in order to streamline and update technology platform for certain STM Journals. Development enhancement projects, which are self-funded, are undertaken as approved by the necessary Elsevier governance body(ies). The Company's financial position at the end of 2020 reflects sufficient liquidity to meet current obligations and well as capacity to fund existing and future projects.

Description of the company's expected development

In 2021, the Company intends to further invest in the product life-cycle development of PURE, with the necessary funding and approvals secured to complete these projects. Additional initiatives and investment opportunities are currently being explored and will be undertaken upon the determination of project feasibility and associated approvals.

Events after the balance sheet date

Covid-19 Our priority during the COVID-19 pandemic remains the health and safety of our colleagues, our customers, and the wider community in which we operate, whilst continuing to operate our businesses and provide services to our customers. Given the electronic nature of our business, almost all our staff are able to work from home and the business has been able to operate with service delivery and product quality being maintained at high levels.

Management's review

Financial highlights

	2020	2019	2018	2017	2016
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Key figures

Operating profit/loss	9,444	930	31,700	30,973	18,071
Profit/loss from net financials	9,444	930	32,131	29,619	17,804
Profit/loss for the year	6,507	769	25,020	23,075	14,187

Non-current assets	54,767	41,078	30,174	33,969	37,812
Total assets	133,966	114,945	102,810	69,523	50,143
Equity	73,988	67,481	66,712	41,692	18,617

Financial ratios

Current ratio	140.03	182.66	210.08	134.40	40.63
Return on equity	9.20	12.28	46.16	76.52	123.11

Average number of full-time employees	72	73	66	56	53
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The financial ratios have been prepared in accordance with the recommendations and guidelines of the Danish Finance Society.

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
	Gross margin	62,642	49,059
2	Staff costs	(44,477)	(42,419)
	Amortization/depreciation and impairment of intangible assets and property, plant and equipment	(8,651)	(5,110)
		<hr/>	<hr/>
	Profit before net financials	9,514	1,530
3	Financial expenses/ income	(70)	(600)
		<hr/>	<hr/>
	Profit before tax	9,444	930
4	Tax for the year	(2,937)	(161)
		<hr/>	<hr/>
	Profit for the year	<u>6,507</u>	<u>769</u>
		<hr/>	<hr/>
13	Recommended appropriation of profit		
	Retained earnings	<u>6,507</u>	<u>769</u>
		<u>6,507</u>	<u>769</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	22,630	26,402
	Capitalised development	31,493	13,360
		<u>54,123</u>	<u>39,762</u>
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	644	1,316
		<u>644</u>	<u>1,316</u>
	Total fixed assets	<u>54,767</u>	<u>41,078</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprise	73,199	72,422
	Other receivables	367	273
7	Prepayments	533	533
	Corporation tax payable	4,740	0
		<u>78,839</u>	<u>73,228</u>
	Cash	<u>360</u>	<u>639</u>
	Total non-fixed assets	<u>79,199</u>	<u>73,867</u>
	TOTAL ASSETS	<u>133,966</u>	<u>114,945</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	526	526
	Reserve for development cost	24,565	0
	Retained earnings	48,897	66,955
	TOTAL EQUITY	73,988	67,481
	Provisions		
9	Deferred tax	3,519	1,441
	Total provisions	3,519	1,441
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade Payables	403	397
	Payables to group enterprise	11,276	12,463
	Corporation tax payable	0	403
	Other payables	6,714	6,536
	Deferred income	38,066	26,224
	Total liabilities other than provisions	56,459	46,023
	TOTAL LIABILITIES AND EQUITY	133,966	114,945
1	Accounting policies		
10	Contractual obligations and contingencies, etc.		
11	Collateral		
12	Related parties		

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Reserve for development cost	Retained earnings	Total
Equity at 1 January 2019	526	0	66,186	66,712
Adjustment of hedging of future purchases and sales in foreign currencies				0
Transferred: see distribution of profit/loss			769	769
Equity at 1 January 2020	526	0	66,955	67,481
Reserve for development cost		24,565	(24,565)	0
Transferred: see distribution of profit/loss			6,507	6,507
Equity at 1 January 2020	526	24,565	48,897	73,988

Notes to the financial statements

1 Accounting policies

The annual report of Elsevier A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium size reporting class C entities.

In accordance with section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The company's equity is reduced with DKK 7,955,023 after tax, due to correction of material misstatement in former years related to invoiced costs from Group. Comparison figures for 2019 have been corrected.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the most recent financial statements is recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

Gross margin

Revenue items, change in inventories of finished goods and work in progress, work performed for own account and capitalized, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Notes to the financial statements**Staff costs**

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortization/depreciation

The item comprises amortization/depreciation of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

Balance sheet**Intangible assets**

Other intangible assets include development projects and other acquired intangible rights, including software licenses, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortization and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognized impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Notes to the financial statements

Receivables

Receivables are measured at amortized cost.

An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realizable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognized under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Income taxes

Current tax payables and receivables are recognized in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognized in the income statement.

Deferred income

Deferred income recognized as a liability comprises payments received concerning income in subsequent financial reporting years.

Notes to the financial statements

	DKK'000	2020	2019		
2	Staff costs				
	Wages/Salaries	42,735	41,062		
	Pensions	1,170	1,591		
	Other social security costs	572	(234)		
		44,477	42,419		
	Average number of FTE's	72	73		
3	Financial expenses				
	Other financial expenses/(income)	(70)	(600)		
		(70)	(600)		
4	Tax for the year				
	Estimated tax charge for the year	-	402		
	Deferred tax adjustments in the year	(635)	2,003		
		(635)	2,405		
5	Intangible assets				
	DKK '000				
		Acquired internal assets	Capitalised Development	Development projects in progress	Total
	Cost at 1 January 2020	37,717	4,342	9,876	51,935
	Additions		9,883	12,454	22,337
	Cost at 31 December 2020	37,717	14,225	22,330	74,272
	Amortisation and impairment losses at 1 January 2020	11,315	858	-	12,173
	Amortisation for the year	3,772	4,205	-	7,976
	Amortisation and impairment losses at 31 December 2020	15,087	5,063	-	20,149
	Carrying amount at 31 December 2020	22,630	9,163	22,330	54,123
	Amortised over	10 years	5 years		

Notes to the financial statements**6 Property, plant and equipment**

DKK '000

	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2020	1,767	245	2,012
Additions and Disposals	248	(245)	3
Cost at 31 December 2020	2,015	-	2,015
Depreciation and impairment losses at 1 January 2020	695	-	695
Depreciation for the year	676	-	676
Depreciation and impairment losses at 31 December 2020	1,371	-	1,371
Carrying amount at 31 December 2020	644	-	644

Depreciated over 3 years

	DKK'000	2020	2019
7 Prepayments			
Prepaid rent		533	533
Total prepayments		533	533

8 Share capital

The share capital consists of 526,315 shares of DKK 1 each. The share capital has remained unchanged for the past five years.

	2020	2019
9 Deferred tax		
Deferred tax at 1 January	3,685	1,682
Deferred tax adjustment for the year	(635)	2,003
Deferred tax at 31 December	3,050	3,685

Notes to the financial statements**10 Contractual obligations and contingencies, etc.****Other financial obligations**

Rent liabilities include a rent obligation totaling 1,297,647.67 interminable rent agreements up to 31 May 2021 and hereafter with 6 months' notice.

11 Collateral

The company has not provided any security or collateral in assets at 31 December 2020.

12 Related parties**Ownership**

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Elsevier B.V.	Radarweg 29 1043 NX Amsterdam The Netherlands

Group structure

The company is included in the consolidated financial statements of Elsevier B.V.

Transactions with related parties

Transactions with related parties are made at arm's – length.

13 Proposed distribution of profit/loss

	2020	2019
Transferred to equity reserves	<u>6,507</u>	<u>769</u>
	<u>6,507</u>	<u>769</u>