

Elsevier A/S

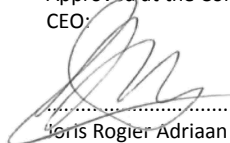
Niels Jernes Vej 10, 9220 Aalborg Øst

CVR no. 26 83 55 26

Annual report 2019

Approved at the Company's annual general meeting on 10 July 2020

CEO:



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Boris 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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 10 July 2020

Executive Board:



Joris Rogier Adriaan Vlug



Sandra Skærup Højlund
Kragh-Hansen

Board of Directors:

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Olivier Georges Alexis
Dumon

DocuSigned by:

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Patrick Crisfulla

Josine McLean

Chairman

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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, 10 July 2020
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	Ernst & Young 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 2019 is set out on page 9. The profit on ordinary activities after taxation is DKK 8,725 (2018:25,020). The directors do not recommend the payment of a dividend in the current year.

Development of activities and financial position in 2019

During 2019, 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 2019 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 2020, 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.

Management's review

Financial highlights

	2019	2018	2017	2016	2015
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Key figures

Revenue	71,626	76,876	77,249	55,405	40,832
Operating profit/loss	11,730	31,700	30,973	18,071	6,379
Profit/loss from net financials	11,130	32,131	29,619	17,804	5,755
Profit/loss for the year	8,725	25,020	23,075	14,187	4,156

Non-current assets	41,078	30,174	33,969	37,812	167
Total assets	125,145	102,810	69,523	50,143	25,255
Equity	75,437	66,712	41,692	18,617	4,431

Financial ratios

Gross margin	82.73	92.34	85.14	89.81	61.47
Current ratio	182.66	210.08	134.40	40.63	120.05
Return on equity	12.28	46.16	76.52	123.11	176.63

Average number of full-time employees	73	66	56	53	50
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The financial ratios have been prepared in accordance with the recommendations and guidelines of the Danish Finance Society.

Gross margin

$$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$$

Revenue

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Current liabilities

Return on equity

$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

Average equity

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.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross margin	59,259	70,990
2	Staff costs	(42,419)	(35,492)
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	(5,110)	(3,798)
		<hr/>	<hr/>
	Profit before net financials	11,730	31,700
3	Financial expenses/ income	(600)	431
		<hr/>	<hr/>
	Profit before tax	11,130	32,131
4	Tax for the year	(2,405)	(7,111)
		<hr/>	<hr/>
	Profit for the year	<u>8,725</u>	<u>25,020</u>
		<hr/>	<hr/>
13	Recommended appropriation of profit		
	Retained earnings	<u>8,725</u>	<u>25,020</u>
		<u>8,725</u>	<u>25,020</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
5	Intangible assets		
	Acquired intangible assets	26,402	30,174
	Capitalised development	13,360	-
		<u>39,762</u>	<u>30,174</u>
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	1,316	82
		<u>1,316</u>	<u>82</u>
	Total fixed assets	<u>41,078</u>	<u>30,256</u>
	Non-fixed assets		
	Receivables		
	Receivables from group enterprise	82,622	70,124
	Other receivables	273	1,434
7	Prepayments	533	532
		<u>83,428</u>	<u>72,090</u>
	Cash	<u>639</u>	<u>464</u>
	Total non-fixed assets	<u>84,067</u>	<u>72,554</u>
	TOTAL ASSETS	<u><u>125,145</u></u>	<u><u>102,810</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	526	526
	Retained earnings	74,911	66,186
	TOTAL EQUITY	75,437	66,712
	Provisions		
9	Deferred tax	3,685	1,682
	Total provisions	3,685	1,682
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade Payables	397	510
	Payables to group enterprise	12,463	2,415
	Corporation tax payable	403	6,807
	Other payables	6,536	5,623
	Deferred income	26,224	19,061
	Total liabilities other than provisions	46,023	34,416
	TOTAL LIABILITIES AND EQUITY	125,145	102,810
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	Retained earnings	Total
Equity at 1 January 2019	526	66,186	66,712
Transfer through appropriation of profit	<u>-</u>	<u>8,725</u>	<u>8,725</u>
Equity at 31 December 2019	<u><u>526</u></u>	<u><u>74,911</u></u>	<u><u>75,437</u></u>

Notes to the financial statements

1 Accounting policies

The annual report of Elsevier A/S for 2019 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 recognised 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 recognised in the most recent financial statements is recognised 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 capitalised, 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.

Amortisation/depreciation

The item comprises amortisation/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, amortisation 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 recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities were jointly taxed in the past. In May 2019 Danish another entity from the group was closed therefore the Company will be the single entity taxed in Denmark.

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 amortisation 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 recognised impairment losses are reversed when the reason for recognition no longer exists.

Notes to the financial statements

Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised 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 recognised 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 realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

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

Income taxes

Current tax payables and receivables are recognised 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 recognised 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 crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; 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 recognised in the income statement.

Deferred income

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

Notes to the financial statements

	DKK'000	2019	2018
2	Staff costs		
	Wages/Salaries	41,062	33,405
	Pensions	1,591	741
	Other social security costs	(234)	1,346
		<u>42,419</u>	<u>35,492</u>
	Average number of FTE's	<u>73</u>	<u>66</u>
3	Financial expenses		
	Other financial expenses/(income)	(600)	(431)
		<u>(600)</u>	<u>(431)</u>
4	Tax for the year		
	Estimated tax charge for the year	402	6,807
	Deferred tax adjustments in the year	2,003	304
		<u>2,405</u>	<u>7,111</u>

5 Intangible assets

DKK '000

	Acquired internal assets	Capitalised Development	Development projects in progress	Total
Cost at 1 January 2019	37,717	-	-	37,717
Additions	-	4,342	9,876	14,218
Cost at 31 December 2019	37,717	4,342	9,876	51,935
Amortisation and impairment losses at 1 January 2019	7,543	-	-	7,543
Amortisation for the year	3,772	858	-	4,630
Amortisation and impairment losses at 31 December 2019	11,315	858	-	12,173
Carrying amount at 31 December 2019	<u>26,402</u>	<u>3,484</u>	<u>9,876</u>	<u>39,762</u>
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 2019	297	-	297
Additions	1,470	245	1,715
Cost at 31 December 2019	1,767	245	2,012
Depreciation and impairment losses at 1 January 2019	215	-	215
Depreciation for the year	480	-	480
Depreciation and impairment losses at 31 December 2019	695	-	695
Carrying amount at 31 December 2019	1,072	245	1,316

Depreciated over 3 years

	2019	2018
DKK'000		
7 Prepayments		
Prepaid rent	533	532
Other prepaid expenses	-	-
Total prepayments	533	532

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.

	2019	2018
9 Deferred tax		
Deferred tax at 1 January	1,682	1,378
Deferred tax adjustment for the year	2,003	304
Deferred tax at 31 December	3,685	1,682

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

Rent liabilities include a rent obligation totaling 1,393,993 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 2019.

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	2019	2018
Transferred to equity reserves	8,725	25,020
	<u>8,725</u>	<u>25,020</u>