Lonza Copenhagen ApS

Strandhaven 12
2665 Vallensbæk Strand
Denmark

CVR no. 21 59 58 88

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting on

27 August 2020

Ralf Manfred Geler-Cibin
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lonza Copenhagen ApS for the financial year 1 January – 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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.

Vallensbæk, 27 August 2020
Executive Board:

Henrik Larsen

Board of Directors:

Ralf Manfred Geier-Cibin Chairman	Daniel Blättler	Henrik Larsen

Independent auditor's report

To the shareholder of Lonza Copenhagen ApS

Opinion

We have audited the financial statements of Lonza Copenhagen ApS for the financial year 1 January – 31 December 2019 comprising 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 Company's assets, liabilities and financial position 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 the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Management's responsibility 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 that 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.

Independent auditor's report

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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 company 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.

- 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 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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 27 August 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

Management's review

Company details

Lonza Copenhagen ApS
Strandhaven 12
2665 Vallensbæk Strand
Denmark

Telephone:	+45 43 56 74 00
Fax:	+45 43 56 74 03
CVR no.:	21 59 58 88
Established:	1 January 1999
Registered office:	Vallensbæk Kommune
Financial year:	1 January – 31 December

Board of Directors

Ralf Manfred Geier-Cibin, Chairman
Daniel Blättler
Henrik Larsen

Executive Board

Henrik Larsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The Companys main activity is production of agarose, primarily to the life science and health care markets.

Change of accounting principles for right of use assets (Leasing)

The balance sheet total is affected by the fact that the Company has changed its principles for recognition and measurement of leases (right of use assets) to IFRS 16. As of 1 January 2019 the Company recognized the balance of Right of use assets in an amount of DKK 15,204,931 and a corresponding lease obligation of DKK 15,132,038.

In the income statement, EBITDA and EBIT for 2019 are affected, whereas profit for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability being substantially equal the operating lease costs previously recognised in the income statement.

EBITDA was affected by DKK 0 thousand and EBIT by DKK 949 thousand.

Development in activities and financial position

The sale of Chromotography agarose to the Health care market decreased compared to last year (decreased demand from main customer). The profit figures are lower than 2018 due the decreased sales. Lonza Copenhagen acts as a manufacturing partner of Lonza Sales AG. The contractual agreement between Lonza Copenhagen and Lonza Sales AG guarantees a constant profit margin.

Outlook

The industrial use of agarose continues to develop and management expects that the level of activites continues on a high level.

Events after the balance sheet date

The COVID-19 outbreak is not expected to have any significant negative impact on the Company's financial position.

No events, which have an effect on the annual report, have accured after the closing of the financial year.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2019	2018
Gross profit		5,849,215	5,051,046
Distribution costs		-177,014	-213,876
Administrative expenses		-3,238,989	-2,274,061
Operating profit		2,433,212	2,563,109
Financial income	3	37,036	22,336
Financial expenses		-441,424	-81,181
Profit before tax		2,028,824	2,504,264
Tax on profit/loss for the year	4	-446,829	-550,938
Profit for the year		1,581,995	1,953,326

Proposed profit appropriation

Retained earnings		1,581,995	1,953,326
		1,581,995	1,953,326

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets			
Software		14,747	23,595
Property, plant and equipment	5		
Plant and machinery		34,469,992	18,886,199
Fixtures and fittings, tools and equipment		1,055,757	892,377
Leasehold improvements		548,589	627,123
Property, plant and equipment in progress		581,603	2,020,204
		36,655,941	22,425,903
Total fixed assets		36,670,688	22,449,498
Current assets			
Inventories			
Raw materials and consumables		6,925,453	7,826,418
Work in progress		1,397,910	3,862,799
Finished goods and goods for resale		6,545,386	1,275,126
		14,868,749	12,964,343
Receivables			
Receivables from group entities		24,381,946	26,434,386
Other receivables		125,473	421,523
Prepayments		0	20,000
		24,507,419	26,875,909
Cash at bank and in hand		14,783,744	12,773,590
Total current assets		54,159,912	52,613,842
TOTAL ASSETS		90,830,600	75,063,340

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	6	150,000	150,000
Retained earnings		68,781,212	67,199,217
Total equity		68,931,212	67,349,217
Provisions			
Provisions for deferred tax		2,579,681	2,426,079
Total provisions		2,579,681	2,426,079
Liabilities other than provisions			
Non-current liabilities other than provisions			
Lease obligations		14,215,808	0
Other payables		355,407	0
		14,571,215	0
Current liabilities other than provisions			
Current portion of non-current liabilities		580,436	0
Trade payables		803,493	954,839
Payables to group entities		134,027	26,861
Corporation tax		151,065	238,226
Other payables		3,079,471	4,068,118
		4,748,492	5,288,044
Total liabilities other than provisions		19,319,707	5,288,044
TOTAL EQUITY AND LIABILITIES		90,830,600	75,063,340

Staff costs	2
Contractual obligations, contingencies, etc.	
Related party disclosures	7

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	150,000	67,199,217	67,349,217
Transferred over the profit appropriation	0	1,581,995	1,581,995
Equity at 31 December 2019	150,000	68,781,212	68,931,212

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Lonza Copenhagen ApS for 2019 has been prepared in accordance with the provisions applying to reporting class B entites under the Danish Financial Statements Act.

Explanation of the accounting effect of the transition to the amended Danish Financial Statements Act regarding recognition of right of use assets in the balance sheet:

With effect from 1 January 2019, the Company has chosen to apply the lease accounting method in accordance with IFRS 16.

- Short-term leases with a maximum lease term of 12 months
- Leases for low-value assets

are recognised on a straight-line basis in the income statement over the lease term.

When changing its basis of interpretation, the Company has used the lessee accounting model for right of use assets under IFRS 16 from 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Company has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

- Applied a single discount rate to a portfolio of leased assets with reasonably similar characteristics.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.
- Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.
- At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.
- Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Reclassifications to comparative figures in the financial statement have been made.

Except for the above mentioned changes the accounting policies are unchanged.

Accounting policies for leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Lease liabilities recognised as "Lease obligations" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

- The value of the index or rate on which the lease payments are based is changed.
- The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.
- The lease term is changed if the option is exercised in order to extend or terminate the lease.
- Estimated residual value guarantee is changed.
- The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally costs are recognised, including depreciations and reservals.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.
Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

ln initial recognation, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.
In recognising and measuring assets and liabilities, any gains, losses and risks occuring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue from the sale of products and services is recognised in the income statement concurrently with the deliverance to the customer.

Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Distribution costs

Distribution costs include costs in the form of salaries to sales and distribution staff, advertising costs and depreciation. Furthermore, these costs include selling costs to distributors in the European market in respect of the Company's other products.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Administrative expenses

Administration costs comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, office premises and depreciation etc.

Financial income and expenses

Financial income and expenses comprise interest income and expense, market gains and losses in respect of payables and transactions denominated in foreign currencies and refund under the on-accout tax scheme etc.

Tax on profit/loss for the year

Tax of profit for the year, consisting of current taxes and deviations in deferred taxes, is recognised in the income statement with the share relating to the profit for the year and directly on the capital and reserves with the share relating to entries directly on the capital and reserves.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Software

Software are measured at cost less accumulated deprecitiation and impairment.

The basis of depreciation is calculated as cost less any residual value at the expiry of the expected useful life of the asset.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The amortization is usually 5 years.

Accounting policies for leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

Property, plant and equipment

Leasehold, plant and maschinery and fixtures and fiftings, tools and equipment are measured at cost less accumulated deprecitiation and impairment.

The basis of depreciation is calculated as cost less any residual value at the expiry of the expected useful life of the asset.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as seperate items, which are derpreciated seperately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and machinery	10-20 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-30 years

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixed assets under construction, property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price, disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and direct production overheads.

Receivables

Receivables are measured at amortised cost. Provision is made for anticipated losses.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash and cash equivalents comprise cash

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised as the expected value of their utilisation; either as a sef-off a gainst tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

	2019	2018
Average number of full-time employees	15	16

3 Financial income

DKK	2019	2018
Interest income from group entities	21,943	21,921
Other financial income	15,093	415
	37,036	22,336

4 Tax on profit/loss for the year

DKK	2019	2018
Current tax for the year	288,024	236,456
Deferred tax for the year	153,602	313,261
Adjustment of tax concerning previous years	5,203	1,221
	446,829	550,938

5 Property, plant and equipment

DKK	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2019	25,562,940	1,216,922	1,202,498	2,020,204	30,002,564
Right of use assets 1 January 2019	15,204,931	0	0	0	15,204,931
Additions for the year	1,118,327	343,764	0	581,603	2,043,694
Transfers for the year	1,979,149	41,055	0	-2,020,204	0
Cost at 31 December 2019	43,865,347	1,601,741	1,202,498	581,603	47,251,189
Depreciation and impairment losses at 1 January 2019	-6,676,741	-324,545	-575,375	0	-7,576,661
Depreciation for the year	-2,718,614	-221,439	-78,534	0	-3,018,587
Depreciation and impairment losses at 31 December 2019	-9,395,355	-545,984	-653,909	0	-10,595,248
Carrying amount at 31 December 2019	34,469,992	1,055,757	548,589	581,603	36,655,941
Assets held under finance leases	14,470,912	0	0	0	0

Financial statements 1 January – 31 December

Notes

6 Equity

The contributed capital consists of 150 shares of a nominal value of DKK 1.000 each.

All shares rank equally.

7 Related party disclosures

Lonza Copenhagen ApS' related parties comprise the following:

Ownership

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

Lonza Bioproducts AG, Muenchenstrasse 38, Basel. Switzerland.

The group financial statements of Lonza Bioproducts AG, in which the Company is consolidated, may be obtained from the Company.