

---

# ***AGC Biologics A/S***

## Annual Report for 2022

---

*Reg. No. 25 95 09 41*

*Vandtårnsvej 83B*

*2860 Søborg*

*Denmark*

*Date of the Annual General Meeting*

---

*Chairman of the Annual General Meeting*

---

*Carsten Hornecker*

# Contents

	<b>Page</b>
<b>Management's Review</b>	
Company Information	3
Financial Highlights	4
Management's Review	5
<b>Statement by the Management and Auditor's report</b>	
Statement by the Management on the Annual Report	20
Independent Auditor's Report	21
<b>Financial Statements for 1 January – 31 December</b>	
Income Statement	24
Statement of Financial Position	25
Statement of Changes in Equity	27
Statement of Cash Flow	28
Accounting Policies	29
Notes	33

## Company Information

<b>The Company</b>	AGC Biologics A/S Vandtårnsvej 83B 2860 Søborg Denmark
	Telephone: +45 70 20 94 70 Homepage: <a href="http://www.agcbio.com">www.agcbio.com</a> E-mail: <a href="mailto:info@agcbio.com">info@agcbio.com</a>
	Reg. No.: 25 95 09 41 Established: 15 March 2001 Registered office: Copenhagen Financial year: 1 January – 31 December
<b>Board of Directors</b>	Noriyuki Komuro (Chairman) Tomoko Miyagawa Akira Nakamura Kasper Møller Patricio Ezequiel Massera
<b>Executive Board</b>	Andrea Celia Porchia
<b>Auditor</b>	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø Denmark

## Financial Highlights

	2022	2021	2020	2019*	2018
<b>Income statement</b>					
<i>(DKK million)</i>					
Revenue	2,518	2,185	1,455	996	693
Gross profit	937	832	452	257	162
Operating profit	793	733	371	204	119
Financial income/expenses, net	-25	1	-13	-5	4
Profit before tax	768	734	357	198	124
Profit for the year	599	572	279	154	96
<b>Statement of financial position</b>					
<i>(DKK million)</i>					
Total assets	3,439	3,141	2,348	1,182	635
Investments in Tangible assets	639	253	152	60	103
Equity	661	634	340	215	317
<b>Staff</b>					
Average number of full-time employees	894	730	441	377	312
<b>Key figures in percent**</b>					
Return on assets	24	27	21	22	21
Equity ratio	19	20	15	18	50

\* IFRS 16 was implemented as of 1 January 2019. Prior-period amounts have not been restated.

\*\* For definitions, see page 32

# Management's Review

## Activities and Business Model

AGC Biologics A/S ("AGC" or the "Company") is a Contract Development Manufacturing Organization (CDMO) that provides high value added process and analytical development, scale-up and production of biological drug substances such as antibodies to the biopharmaceutical industry.

The Company has a comprehensive service offering and is capable of taking a product from the early stage to commercial production. The service palette goes from cell line and process development over analytical testing and formulation development to both clinical and commercial manufacturing. All supported by quality services, including regulatory support.

The Company is owned by AGC Inc. and is a part of the AGC Biologics Group.

AGC Biologics Group has fully integrated process development and manufacturing operations in Copenhagen, Denmark (AGC Biologics A/S), Seattle, Boulder and Longmont, USA (AGC Biologics Inc.), Heidelberg, Germany (AGC Biologics GmbH) and Chiba, Japan (AGC Inc.). The AGC Biologics Group has also added cell & gene therapy facilities in Milan, Italy (AGC Biologics S.p.A.) and in Longmont, Colorado (AGC Biologics Inc.). AGC Biologics A/S is conducting all its activities out of the Danish facility.

2022 was a year characterized by continued growth and strong business intake. Several late stage clinical programs continued drug substance manufacturing at AGC in 2022. The Company will supply drug substance for final clinical registration trials and also supply drug substance for long-term commercial launch (if needed). During 2022, the Company continued being a supplier to COVID-19 vaccine programs.

In order to accommodate the strong business intake AGC has continued to strengthen its infrastructure and increased its workforce.

In 2021, the construction of a new mammalian production facility next to the existing production facility began. The DKK 1.2 billion investment will more than double the current mammalian production capacity when expectedly completed in late 2023/early 2024.

Further, in 2022 AGC continued to emphasize safety, compliance, quality, customer satisfaction, increased market reach, timely and reliable delivery, highest quality standards and "best-in-class" technology.

Since AGC was started in 2001, the Company's growth is a result of significant repeat business from customers, combined with an enlarged customer base and an important increase in the average customer contract size. This positive development has to a very large extent been possible due to the highly skilled and dedicated employees at AGC.

As the number of customers and projects increases and contracts become larger, higher demands are imposed on the Company's ability to manage a complex and increasingly differentiated production portfolio. To ensure flexibility, high quality, robustness and efficient production AGC continued also in 2022 to strengthen its organization and production processes.

## Financial review

In 2022, the Company's revenue grew to DKK 2,518.0m corresponding to an increase of 15% compared to 2021. Investments and increase in operational cost were made in anticipation of continued growing activity in 2023 and beyond, particularly aimed at strengthening the Company's platform for commercial manufacturing. The increased revenue resulted in growing operating profit to DKK 793.5m in 2022 (2021: DKK 733.0m).

After financial charges and tax, the Company generated a net profit in 2022 of DKK 599.0m (2021: DKK 571.7m).

Management expected revenue and result in 2022 to be better than 2021. These expectations were met. 2022 was impacted both by COVID-19 and inflation why the result was slightly below the expectations set in 2021. However as 2022 was significantly better than 2021 for both revenue and result, management consider 2022 to fulfil expectations.

## Research activities

In 2022, AGC continued to enhance its technologies and processes in the development laboratories and in the production lines. In particular, High Throughput Technologies are continuously being improved in the development laboratories. In several instances, these efforts lead to improved production yields, faster timelines, better-refined products and better characterization. It is the Company's strategy to continue to invest in technology with the objective to provide better value to our customers.

## Scientific resources

AGC also enhanced its already strong scientific and practical knowledge platforms within the areas of: development, scale-up, manufacturing, process characterization and validation, and the analysis of biopharmaceuticals covering all aspects of pre-clinical, cGMP clinical trials and commercial production.

## Increasingly high demands

Today, AGC provides manufacturing services for several late stage clinical products, which are expected to receive final approval by the health authorities to be marketed commercially in the coming years. As a "knowledge and experience based company" AGC has the need to retain and develop its employees. The Company is well aware of these challenges and is therefore working on increasing the career opportunities within AGC as well as introducing improvements in other aspects of the work life that are important to the employees.

## AGC Biologics' Commitment to Social Responsibility

As a Contract Development and Manufacturing Organization (CDMO), we recognize the importance of sustainability in our operations and in the Life Science industry as a whole.

At our core, we strive to develop and manufacture life-saving drugs and therapies while minimizing our negative sustainability impact.

We hold ourselves responsible for our values, which include Environment and Diversity, as part of our shared values with our parent company AGC Inc.

We are dedicated to embrace challenges and have a positive impact on our surroundings. We believe that diversity is a key factor in our ability to understand the needs of our employees, customers, and the patients we serve. Moreover, it allows us to attract and retain talented individuals from around the world, enabling us to operate more effectively in the fast-growing global business environment.

We have a long-standing commitment to reduce our environmental impact, and we continuously strive to improve our performance in areas such as consumption, emissions, and processes. As an integral part of AGC Inc., we provide annual input for the AGC Inc. "Sustainability Data Book" to contribute to the larger context of sustainability.

### Databox

Our parent Company (AGC Inc.) publishes the annual "Sustainability Data Book", covering AGC and its consolidated subsidiaries (Group companies worldwide), and AGC Biologics provides annual input for the AGC Inc. "Sustainability Data Book".

The Sustainability Data Books can be found here:  
<https://www.agc.com/en/csr/book/index.html>

At AGC Biologics, we understand that our responsibility to sustainability is an ongoing journey, and we are dedicated to continually improve our practices to ensure a better future for generations to come.

## Governance structure and business model

As part of AGC Inc., we are dedicated in upholding the AGC Group Corporate Governance Basic Policy which aims to enhance our corporate governance and achieve sustainable growth and long-term corporate value.

Our commitment to corporate responsibility is reflected in our business model which includes our mission, vision, and core values, as well as the AGC Group vision.

AGC Biologics strives to operate in a responsible, environmentally sustainable manner that prioritizes the health and safety of our employees and the community.

To achieve this, we continually work to improve in these areas in line with our organizational mission, vision, and core values.

Our Code of Conduct (CoC) covers principles related to workplace health and safety, the environment, and bribery. It applies to all AGC Group businesses and their employees, directors, and officers. We also aim to do business with individuals and organizations that share our commitment to these principles.

Furthermore, our AGC Group Charter of Corporate Behavior outlines the principles of Integrity, Environment and Safety, Diversity, and Harmony with Society that guide our actions. We hold ourselves accountable to these standards.

In our supplier relationships, we wish the sustainability behavior to be consistent with our AGC purchasing policy. We have therefore initiated work to ensure that ethical principles will be part of our contracts in the future.

All relevant information can be found on our corporate website:

- AGC Group Corporate Governance Basic Policy - [https://www.agc.com/en/company/pdf/governance\\_basic\\_e.pdf](https://www.agc.com/en/company/pdf/governance_basic_e.pdf)
- AGC Group Corporate Governance Report - [governance.pdf](https://www.agc.com/en/company/pdf/governance.pdf) (agc.com)
- Group vision, mission, and values-<https://www.agc.com/en/company/strategy/vision/index.html>
- Group Code of Conduct - [https://www.agc.com/en/sustainability/pdf/active\\_eu\\_english.pdf](https://www.agc.com/en/sustainability/pdf/active_eu_english.pdf)
- AGC Group Charter of Corporate Behavior -
- The Integrated Green Procurement Guideline

### **Our approach to working with sustainability**

To live up to our ambitions, our approach to working with sustainability must be serious and thorough. Reviews, analysis, and controls are carried out to continuously obtain a clear picture of our processes and sustainability impacts. We engage both internal and external experts in our efforts and have chosen to show our progress through certification, providing evidence of our advancements validated by external audits.

In 2022, we successfully achieved recertification in ISO 14001, which we were initially certified for in 2018, and a periodic audit of ISO 50001 and ISO 45001, both of which we obtained certifications for in 2021. In this way, we continuously improve our sustainability footprint.

#### **ISO certifications at Copenhagen site:**

- ISO 14001 - The Environmental Management System
- ISO 45001 - The Occupational Health & Safety Management System
- ISO 50001 - The Energy Management System

Additionally, we work to include Social Responsibility in all its forms according to our ambitious Sustainability Paradigm.

With regard to EHS (Environment, Health and Safety), we have two committees in place "Environment and Energy" and "Occupational Health & Safety". Both are chaired by the General Manager for the CPH Site including management representation from different relevant functions and site Sustainability & EHS manager. The goal of both committees is to ensure that the framework is in place for maintenance, operation, and further development of the EHS management system in accordance with ISO 14001, ISO 45001 and ISO 50001.

## Our Sustainability Paradigm

Fact Box

### SUSTAINABILITY

Sustainability is the integration of environmental health, social equity and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come. The practice of sustainability recognizes how these issues are interconnected and requires a systematic approach and an acknowledgement of its complexity. Our resources are finite and should be used conservatively and wisely consider long-term priorities and consequences of the ways in which resources are used.

The first, simplest and most often quoted definition comes from "Our Common Future" from 1987, prepared by the UN World Commission on Environment and Development (known as The Brundtland Commission):

*"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."*

### CSR

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way in which a company achieves a balance of economic, environmental, and social imperatives ("Triple-Bottom-Line-Approach"), while addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships, or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, and will directly enhance the reputation of a company, and strengthen its brand, the concept of CSR clearly goes beyond that.

### ESG

ESG stands for Environmental, Social and Governance, and refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company. Most socially responsible investors check companies out using ESG criteria to screen investments.

In practice, sustainability and CSR, in particular, are often used interchangeably. For example, the EU has introduced the CSR Directive (CSRD), which is the EU's way of bringing sustainability reporting in line with financial reporting.



**Fig. 1:** Sustainability Paradigm showing the elements of the AGC Biologics' CSR Circle and their temporal scope.

To support the sustainability work, a comprehensive Sustainability Paradigm covering our sustainability journey for 2021-2024 has been developed consisting of four elements Corporate DNA, CSR Framework, Reporting and Processes & Tools as shown in the AGC Biologics CSR circle. The four elements with corresponding colors are described in more detail below. The timeframes are shown in the Sustainability Paradigm.

The AGC Biologics sustainability work will gradually be developed through a number of activities, which together will lead to fulfillment of our Sustainability Paradigm.



**“Corporate DNA”** means that efforts to promote sustainability are not the responsibility of one single function, office or person, but will become second nature to all the employees at AGC Biologics.

To help determine what our sustainability goals and priorities should be and to develop processes to collect and report the information required for the fiscal year 2023, in 2022, we made a start and are now well underway with our Materiality Assessment.

The Materiality Assessment determines and ranks the most important topics in terms of materials and impact (The Material Topics) for our business, based on thorough assessment and stakeholder involvement. In 2023, we will launch a participatory process with relevant stakeholders as part of the prioritization of topics. This process will allow us to select the topics that are most material to AGC Biologics. These will be the areas that are most important in terms of ESG-related risks from the world around us that may have consequences for the corporate value of our company or impact from our company on the surroundings – environmentally, social and governance.

Once the Materiality Assessment has been completed and we have insight into which topics we should focus on, we will be ready to prepare both Sustainability Policy and Strategy. As stated in the Sustainability Paradigm, they will be prepared by the end of 2023. This insight will also provide very useful background material for setting sustainability goals.

**“Processes & Tools”** contains our methods, procedures, and tools. AGC Biologics has chosen to use recognized and professional Processes & Tools. Where relevant, we submit our work for an external audit to substantiate the seriousness with which we approach our work. This also applies, among other things, to the EHS Management Systems which we have implemented.

In 2022, we continued our work on selecting SDGs (Sustainable Development Goals) in parallel with our Materiality Assessment. In 2023 we will have all the data ready to select and prioritize the specific SDGs where our activities can have an impact and where we can improve our sustainability footprint.

**“Reporting”** is an important part of being open and transparent about our activities and progress – as well as our challenges. Among other things, our reporting helps to build and maintain a good relationship with our stakeholders.

Reporting should be understood in a broad context. This includes both the annual sustainability input to AGC Inc's Sustainability Data Book, to this Management Statement, and to various rating systems. E.g., we are proud again to be awarded a Silver Medal for corporate social responsibility and business sustainability from EcoVadis, the world's largest and most trusted provider of business sustainability ratings. Not only have we once again been awarded a silver medal, but in 2022 the medal has a significantly higher rating than in 2021.

### AGC BIOLOGICS AS

Soeborg - Denmark | [Manufacture of basic pharmaceutical products and pharmaceutical preparations](#)



62/100

84<sup>th</sup> percentile ⓘ

### AGC BIOLOGICS AS

Soeborg - Denmark | [Manufacture of basic pharmaceutical products and pharmaceutical preparations](#)



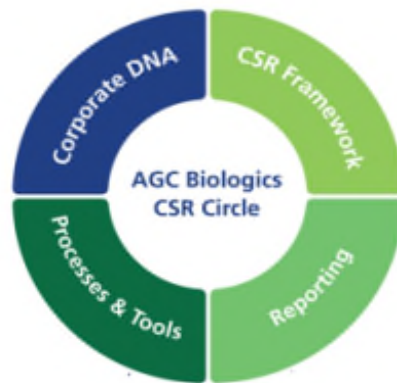
54/100

72<sup>nd</sup> percentile ⓘ

**“CSR Framework”** refers to models and conceptual structures that frame the CSR philosophy in our business setting. In AGC Biologics we rely on recognized and tested frameworks, such as ISO 26000. This means that we maintain a broad approach to CSR, not only settling for the topics we know we are already good at.

At the same time as working on the Materiality Assessment and the selection process of the SDGs, we expect to complete our Social Responsibility Self-Assessment in relation to ISO 26000 by the end of 2023.

Together the four elements from AGC Biologic's CSR Circle help AGC Biologics to communicate impacts and progress and make informed decisions based on verified data.

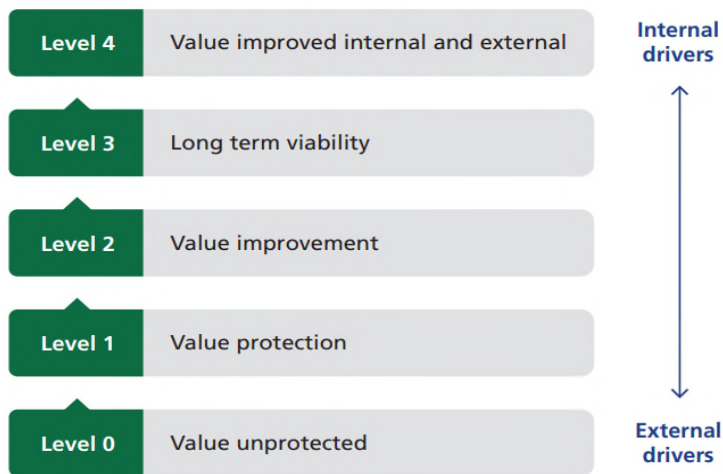


**Fig. 2:** AGC Biologic's CSR Circle showing the four elements of AGC Biologic's Corporate Social Responsibility work.

AGC Biologics has chosen to use recognized and professional Processes & Tools, frameworks, and reporting systems.

It is our goal to have a fully implemented Sustainability Paradigm by the end of 2023. With an implemented Sustainability Paradigm, AGC Biologics Sustainability Maturity will be raised from Value Protection to Value Improvement and will be ready for the next level of Long-Term Viability.

### Sustainability Maturity



**Fig. 3:** Sustainability Maturity showing the steps to go.

The ongoing work concerning Materiality Assessment and the SDG selection process will provide the necessary foundation for creating a strong and justified Sustainability Policy and Strategy focusing on the specific sustainability topics that are business critical for AGC Biologics.

## Our ESG Data for 2022

Considerations concerning the ESG data we report on, and objectives are described below, while developments in the year and examples of activities are described under the section Sustainability.

Environmental data			2021	2022
CO2e, scope 1		Metric tonnes	1,066	1,018*
CO2e, scope 2		Metric tonnes	543	834*
Energy Consumption GJ		GJ	32,980	42,243*
Renewable Energy Share %		%	29	41
Water Consumption		m3	37,339	40,007*
Social data				
Full-Time Workforce		FTE	795	856
Gender Diversity %		%	53	54
Gender Diversity, Management %		%	51	53
Gender Pay Ratio Times		Times	1.00	1.00
Sickness Absence Days per FTE		Days per FTE	2**	6.76
Governance data				
Gender Diversity, Board %		%	20	20

**Fig. 4:** ESG key figures. Refer to section regarding Gender Diversity on page 18

\*Some parts of the consumption take place in buildings shared with other companies. At the time of the inventory, we do not yet have access to the distribution key, which is why some of the figures have been estimated. For water consumption, these are the consumption in two office buildings (KH7 and VAT 83A), and for energy consumption only one of the buildings (VAT 83A). All other figures are measured. The estimated consumption represents only a small part of the total consumption.

\*\*It has come to our attention that the figures reported for 2021 do not accurately reflect reality. This is due to the implementation of a new time registration system, which was only fully operational in Q4 of 2021. If we were to extrapolate the sickness absence data from Q4 to cover the entire year, the projected sickness absence rate for 2021 would be 5.89, which we believe to be a more realistic estimate.

### Our choice

AGC Biologics report on selected topics within the 3 groups, Environmental, Social and Governance Data.

For environment, we report on CO<sub>2</sub> Scopes 1 and 2, Energy Consumption and Renewable Energy Share, as our emission of GHG is important to follow and reduce. The four sets of ESG-data give us a good overview of the impact, development and where it will be relevant for us to act. Our reported environmental ESG data relates to data necessary cf. Section 99 (a) of the Danish Financial Statements Act on Environment and Climate (see the Sustainability section) and is strongly supported by our work in relation to the ISO 14001 and ISO 5001 certification, where we focus on the consumption of energy and CO<sub>2</sub> emissions. The environmental ESG key figures are also in line with our sustainability reporting on "Climate and Environment" and statements follow NASDAQ guidance in terms of ESG numbers and formulas, allowing us to benchmark with other companies.

AGC Biologics is dedicated in enabling a diverse workplace where team members are committed, motivated and comfortable to be their true selves to reach their full potential. Therefore, we continue to work with the ESG KPIs moving forward. The reported social data for 2022 is Gender diversity and Pay ratio. Diversity – not only by gender – is a core value for AGC Inc., and with equal respect for gender follows equal pay. In addition, sickness absence is reported as this gives a picture of the employees' well-being, which is important to us.

For governance data, we report on Gender Diversity on the Board as diversity is a shared value for AGC Inc., also at top management level.

### Efforts to set targets

AGC Biologics in CPH is expanding rapidly both in the administrative area, where we have rented additional office facilities, and in production, where we are building a new factory. Therefore, we do not currently have a baseline from which to set specific goals.

We are currently examining how to set goals that can be related to e.g., turnover, number of batches, projects, or number of employees. We have not yet determined exactly which goals will be most useful in allowing us to follow and reduce the sustainability impact as much as possible. At the same time, we are still working on our Materiality Assessment, and we would like to incorporate it in the direction the focus on sustainability will take in the future in the goals we set. The goals we set in accordance with ISO 14001, 50001, 45001 – which support sustainability – are based on thorough mappings and impact assessment. Policy and objectives, as well as an annual review of progress (management review) are approved by management.

Our policies within environment, energy, and climate are transformed into action through overall environmental and energy action plans. As part of the certified EHS management system, it is mandatory to have policies and set targets for the 3 areas, Environment, Energy and Occupational Health and Safety. These can be very specific or overall targets, all of which ensure continuous improvement for the EHS.

Included in our Sustainable Paradigm are targets for the elaboration and completion of various topics. For example, the target for the Materiality Assessment is to be completed during 2023, and the policy and strategy for sustainability is to be prepared by the end of the year. The selection process for SDG should be completed at the end of the year as well.

## **Risks and Due Diligence**

For several years, AGC Biologics A/S has had established processes in place to identify environmental, climate and Health & Safety aspects of our activities, products and services that also effectively address risks and opportunities. These processes, e.g., as part of our ISO 14001, 50001, 45001 certifications, will still be part of our sustainability work. Identified significant aspects are wastewater, energy consumption, waste, psychological aspects, fire and ergonomic aspects. Detailed action plans address risks and opportunities.

In our production and in our laboratories, we handle substances that are both hazardous to health and/or the environment but also produce the medicine / active pharmaceutical ingredient that will ultimately be able to help our patients. This can - if not handled correctly - have negative effects on the environment and climate and on our employees. Our ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 45001 Occupational Health Management System, allow us to focus strongly on reducing these risks and ensuring compliance with all applicable laws and regulations.

Another risk for AGC Biologics is the problem of attracting sufficiently qualified personnel in a short time due to the rapid expansion of the CDMO market. Attracting and retaining qualified labor is a must for high-quality production. To reduce this risk, we promote employee opportunities e.g., by providing various training opportunities with particular emphasis on developing employee skills and we offer attractive working conditions.

Shortage of Materials has been identified as an external risk that can have an impact on production capacity. We have a global supply chain committee working diligently on this matter to secure that supplies reach all sites on time.

We do not intend to do business with suppliers who do not comply fully with human rights, law and regulations. Therefore, we have initiated to include a code of conduct for major supplier agreements and strive to continue to extend this work to all suppliers.

Breaches to any applicational laws or regulations by our employees or external partners present a risk to our business. We mitigate this risk by strictly enforcing all antitrust laws with those who work in collaboration with us and through yearly training of employees in our Code of Conduct ([www.agcbio.com/legal/group-business-ethics](http://www.agcbio.com/legal/group-business-ethics)). In addition, AGC Biologics A/S gives each employee the opportunity to make use of our anonymous whistleblower report and in this way, draw attention to risks if they witness activities that are in violation of rules, so that any risks can be stopped at the earliest opportunity and handled internally.

## **Sustainability**

This section is the Company's statement of compliance with the Danish Financial Statements Act, Sections 99 (a) and (b) (for Section (b) see Gender Diversity).

For each of the four areas (Climate and Environment, Social and Staff Matters, Human Rights and Ethics) we describe our policy, explain the development in 2022 on the ESG figures we report, and how we work with goals for next year. Additionally, we give examples on activities - completed or initiated - to strengthen the AGC Biologics Sustainability Profile.

As part of our work with the ISO certifications (ISO 14001, 45001 and 50001), there are, among other things, ongoing mapping, goals and action plans for these areas. Several activities have been initiated in order to fulfill the goals and continuously improve our EHS-performance.

At the more general level, through our Sustainability Paradigm, we have targets and timelines for major activities in a 3-year perspective.

#### Fact Box

#### **What is the value of our ISO certification?**

ISO certification provides independent validation proving our conformity to the standards to establish credibility and trust among our stakeholders. Obtaining and maintaining an ISO certification requires a lot of work from the entire organization developing processes to meet the ISO requirements and ensure fulfillment of compliance obligations. By having the internal processes under control, we are able to act preventively and be prepared to respond in case of an emergency. Top management commitment is vital and with the determination of policies and targets the ambitions are outlined for improving our performance continuously. The entire organization is involved, and compliance is a part of our DNA as it is crucial in everything we do. Internal and external audits as well as the management review ensure that we are in the loop.

AGC is certified according to ISO 14001 (Environment), ISO 45001 (Occupational Health and Safety) and ISO 50001 (Energy).

### **Climate and environment**

AGC Biologics has specific policies on Environment and Energy. In relation to the environment, it is essential for AGC Biologics to focus on pollution prevention, compliance with all environmental laws and regulations, and environmental sustainability while taking a life-cycle view.

The Environmental Policy (<https://www.agcbio.com/environmental-health-safety>) commits us to strive to ensure excellence in environmental performance. This is, among other things, accomplished by setting up an ISO-certified Environmental Management System, which is part of our ISO-certified EHS Management System, as mentioned in the above sections.

For example, environmental performance is achieved through plans for pollution prevention, procedures, and training to ensure conformance with existing and future regulations and communications to foster awareness of environmental matters and facilitate prompt response to environmental inquiries or concerns.

In relation to energy, it is essential for AGC Biologics to focus on continually reducing energy consumption, including CO<sub>2</sub> emissions.

The Energy Policy (<https://www.agcbio.com/environmental-health-safety>) ensures excellence in energy and climate performance. This is achieved through our ISO-certified Energy Management System, which is part of our ISO-certified EHS Management System, as mentioned in the above sections. This has led to the implementation of plans for energy efficiency and continuous improvements, the selection of renewable over non-renewable sources where feasible and the purchase of energy-efficient equipment and energy-efficient design when a change of process takes place, and new facilities are planned.

We have not only monitored environmental and energy data over a long period of time but have also initiated activities for reductions.

At the end of 2022, the new waste regulative was implemented and plastic and cardboard cups were phased out at the same time. Simultaneously, an energy-saving campaign was launched to create awareness about turning off lights, screens, and meeting room equipment and to promote general awareness of energy consumption.

Actions completed or initiated in 2022 include:

- Feasibility study to become independent of natural gas and transit to more sustainable heating in production facilities
- Replace light source with LED
- Initiating a feasibility study on the ventilation system in process
- Installing energy submeters in all parts of the company to monitor energy consumption closely enabling us to take action where most relevant.
- Requirements for energy reduction for our new factory have led to a significant reduction compared to the first proposals
- Energy-saving campaign calling for more energy-friendly behavior
- Phasing out plastic and cardboard cups
- Initiating a project to increase the amount of plastic for recycling

## **Developments in environmental data**

### *CO<sub>2</sub>-Equivalents*

Scope 1 only deals with AGC Biologics' natural gas consumption. In order to reduce natural gas consumption, one of our 2 gas-heated buildings was converted to district heating in August 2022. The converted building represents only a modest part of the total gas-heated area, but this has resulted in slightly reduced consumption compared to 2021.

Scope 2 for 2021 only dealt with electricity consumption. For 2022, electricity consumption as well as district heating consumption have been included, incl. the above-mentioned former gas-heated building, which, of course, has led to increased emissions.

### *Energy Consumption*

Energy consumption has increased significantly, but the figures are not comparable. Firstly, a larger area has been included as new buildings have been put into use in 2022 and, secondly, the district heating consumption of rented buildings has been included in the mapping.

Despite the replacement of light sources with LED, electricity consumption alone has increased approx. 10% due to increased activity in production, but the primary difference in total energy consumption is the district heating consumption.

### *Renewable energy share*

For electricity consumption, the supplier has reported a slight increase in the share of renewable energy from 68%-71.9% (the available figures for electricity are always for the previous year).

The share of renewable energy for district heating is 80% (the district heating company's website).

As district heating has become a significant part of the total consumption, this results in a large increase in renewable energy share.

### *Water consumption*

The largest water consumption, approx. 85%, takes place in the existing production building. Despite increased activity in production, water consumption here has decreased by about 7%. Water consumption is very process-dependent, as specific types of products produced require very different water consumption. Overall, water consumption has increased due to more employees and as a larger area has been put into use. New areas are therefore included in 2022 – e.g., an office building close to the site.

## **Social and staff matters**

Social and staff matters are an important component of sustainability.

Our Occupational Health & Safety Policy ([www.agcbio.com/environmental-health-safety](http://www.agcbio.com/environmental-health-safety)), considers both physical as well as psychological factors within the work area and safety planning process, training, and protection. The Occupational Health & Safety Policy also addresses effective communication in order to foster awareness of our Occupational Health & Safety and facilitate prompt response to any inquiries regarding concerns and commits us to strive to ensure excellence in Occupational Health & Safety performance.

This is accomplished through, among other things, the establishment of an ISO-certified OHS Management System, which is part of our ISO-certified EHS Management System, as mentioned in above sections.

The Global HR Playbook and HR Governance Framework (Human Resources Policies and Guidelines) are aimed to address the importance of sustainable and diverse recruitment processes, recognition, fair and inclusive promotion policies, onboarding, and talent retention. These updates promote a diverse, equitable, and inclusive workplace, while prioritizing the well-being of employees. To achieve this, the company promotes work-life balance, ensures a safe and healthy workplace and provides access to mental health resources.

The Code of Conduct ([www.agc.com/en/sustainability/pdf/active\\_eu\\_english.pdf](http://www.agc.com/en/sustainability/pdf/active_eu_english.pdf)) is a critical element of the company's approach to sustainable issues. It promotes ethical business practices, including honesty, fairness, and transparency in all business operations. Employees are required to comply with all applicable laws and regulations, including environmental regulations, labor laws, and anti-corruption laws. The Code of Conduct also establishes reporting mechanisms for employees to raise concerns about potential violations of any laws and regulations, including sustainability matters.

The company provides awareness programs for employees on relevant subjects and the company's commitment to sustainable and ethical practices. These programs ensure that employees are well-informed about the company's approach to sustainability issues and how they can contribute to creating a sustainable, diverse, and inclusive workplace.

In 2022, our EHS policies, Global HR Playbook, Code of Conduct (CoC), governance around recruitment, onboarding, training, and recognition led to, for example, the actions and initiatives mentioned below.

#### **Global Initiatives:**

2022 was a pivotal year for our global network in terms of sustainability. We launched our new AGC Biologics Core Values – Knowledge, Trust, Quality, Ingenuity, Accountability and Teamwork. These were created by representative team members from all sites via focus groups and surveys and by our global Executive Leadership Team. While we still retain the shared values that connect us to the AGC Group Companies, these core values provide a common foundation for the way we behave and the way we work together at AGC Biologics.

On a global scale, we also initiated our Diversity, Equity, and Inclusion [DE&I] effort with a Pride Panel in the middle of the year. In Copenhagen, this initiative was followed up with our first local pride event, part of Copenhagen Pride Week. This was the most visited event of the year, which indicates the internal support for these important events and initiatives.

We ended the DE&I calendar with a Women in Leadership event attended by inspirational female leaders from Copenhagen, Milan, Seattle, and Colorado representing different areas such as site head (General Manager), People & Culture, Process Development and Manufacturing. We had also invited an external speaker to provide insights on the development of gender equality within our industries of pharma and biotech.

Our DE&I efforts will continue into 2023 with more power and with great support from top management through our Global DE&I Counsel with two sponsors from the Executive Leadership Team.

#### **Local CPH Initiatives:**

- AGC Biologics champions Diversity, Equity, and Inclusion by establishing a DEI Board focused on promoting gender and ethnic diversity in leadership and the workforce, ensuring equal pay, and implementing anti-discrimination policies. In 2022, the company hosted various DEI campaigns and inspiring sessions
- AGC Biologics is assessed for its commitment to maintaining the health and safety of its employees through initiatives such as providing safe working conditions, training on safety protocols, and offering wellness programs. As part of this effort, the company initiated a well-being training program for managers in 2022, equipping them with the skills to identify early signs of burn-out and stress among their team members. AGC Biologics has several other initiatives in the works to further promote employee health and safety.
- AGC Biologics advocates for a recognition program that acknowledges employees who demonstrate a commitment to promoting diversity, integrity, and environmental protection
- The sourcing process aims to promote equality, fair and ethical treatment, and a bias-free approach

- Continuous efforts are made towards promoting work-life balance, which includes various training and program initiatives

Specific to our Copenhagen site, several initiatives were rolled out during 2022 to support different aspects of employee well-being and meet the increasingly high demands for attracting and retaining highly skilled team members.

Additional office space was leased during 2022, as AGC Biologics acquired more than 7.000 square meters, both in existing office buildings and office buildings nearby. The acquisition of office space and provision of extra parking spaces support the rapid growth in the number of full-time employees.

An office guideline and a campaign for showing consideration were launched to create awareness towards each other and the work of others. The campaign reminded employees about good office conduct such as not holding team meetings in the open offices, muting phones and respecting private space, etc. Several more initiatives are in the pipeline, to be implemented during 2023.

In 2022, we incorporated Ergonomics and Noise as special focus areas in our Workplace Assessment process conducted by the Occupational Health & Safety Groups. Over a 3-year period, we will work with specific risk assessments and action plans for these topics.

At the beginning of 2022, employee well-being was addressed in a survey, where employees were asked which initiatives, they would prefer introduced at AGC Biologics. The outcome led to the launching of several initiatives such as dry-cleaning services, access to benefit and discount portals, introduction of company bikes, car-pooling initiatives as well as modernization of prayer and relaxation rooms. On-site massage treatments were introduced as well as a gross deducted salary benefit with more than 50% of all employees signing up.

Well-being continues to be high on the agenda, targeting the areas the employees have pinpointed as critical. Employees are being involved and participate in the activities centered on improvement of well-being: in 2022, people voted on the list of employee experience projects; three groups of Employee Champions have been assembled to analyze the results of the 2022 engagement survey and to propose specific actions for further improvement.

This direct involvement of employees in their well-being resulted in the 2022 Engagement score increasing from 62% in the previous survey to 69% in the current one. The EHS and Management departments are working closely to ensure employee safety, and AGC Biologics has established objectives within the most significant Occupational Health and Safety aspects covering Work life balance, Ergonomic and Physical aspects (noise etc.) for our new mammalian facility.

Work-life balance of our employees is a continued focus area. In 2021, guidelines were agreed globally setting expectations in terms of total hours worked, limits for meetings outside of working hours and meeting corridors (Global Meeting Corridors Policy) . This initiative is still ongoing, and among other initiatives, we are working on keeping Fridays meeting-free. Based on the two pulse checks carried out in 2022, people have seen improvements in the areas of meeting corridors and number of meetings on Friday. More significantly, the work-life balance question in 2022 returned a 33% ppt increase versus 2019 base line. This clearly indicates that concerted efforts around a particular topic do bring positive results, and this motivates the whole team to continue with further improvements.

Further initiatives that were rolled out in 2022 include leadership fundamentals training, which encompassed most of the line leaders, and well-being training that included more than 50% of the line leaders. More than 200 employees have created an individual development plan and we envisage that this number will grow in 2023 and onwards. The strength of the leadership pipeline has been reviewed through the talent review and succession planning sessions, carried out by the Leadership Team. This work will continue going forward and will be carried out on an annual basis.

In order to support further development of our employees, the new Gross salary reduction scheme was approved and implemented in 2022.



## **Developments in social data**

### *Full-time Workforce*

The expansion of office and laboratory space has been necessary due to the continued and rapid increase in the number of full-time employees (FTEs) in 2022. The management remains committed to ensure employee well-being. A Workplace Manager has therefore been appointed to ensure that the further expansion of the site in Soeborg incorporates all the desired aspects of employee well-being. Also, support functions have been staffed to match the increase in FTEs, including extra focus on improving our on-boarding and technical training for new hires.

In order to be able to attract the right competencies to support the growth of the company, particularly in a market with an intense competition regarding talent, AGC Biologics has established a Global Talent Acquisition team which, since the spring of 2022, has been responsible for building a recruiting pipeline and partnering with the managers to manage the recruiting process.

This work will continue in 2023 as we prepare to increase our workforce to man a new facility in Soeborg, which will be ready in 2023.

*Gender diversity and Gender pay ratio have their own section.*

### *Sickness Absence Days per FTE*

During 2021, we introduced a new time registration system that was only fully implemented in Q4. We are now aware that the stated sickness absence figures from 2021 have not been in line with reality. If we extrapolate the sickness absence figures from Q4 to apply for the whole year, we will have a sickness absence of 5.89 for 2021, which is more realistic.

Compared to that, a sickness absence figure for 2022 of 6.76 is an increase of just under 13%, which can be explained by an increasing number of employees returning to the office after Covid-19. In 2022 absence due to sickness has been much more visible than in 2021 and consequently the registrations hereof have gone up.

## **Human rights**

AGC Biologic's Code of Conduct (CoC) aims to safeguard the fundamental dignity and equal entitlements of all individuals, irrespective of their culture, ethnicity, gender, sexual orientation, age, religion, ability, or any other personal traits. It seeks to guarantee that all employees of AGC Biologics have their fundamental rights respected. In addition, the CoC requires that management actions are accountable and transparent, and that provisions are in place for reporting and resolving human rights violations.

AGC Biologics believes that human resources are the driving force behind the business operation and strives to create equal opportunities for all employees. We respect and value diversity in people and we do not discriminate against anyone based on any of the above-named personal traits.

In the introduction to the section on social and staff matters, we have described a number of achievements for the year. Some of our activities have dealt with human rights issues. The company has, for example, provided awareness programs for employees on ethical practices. In 2022, the company hosted various campaigns and inspiring sessions on gender and ethnic diversity. In addition, a pride panel has been set up to put further focus on our diversity efforts.

In order to accommodate the rights of different faiths to practice their faith, our prayer rooms and relaxation rooms have been modernized.

## **Ethics**

AGC Biologics complies with all applicable laws and company policies/rules and conducts business activities with integrity. Any non-compliance with applicable laws and regulations on the part of our employees and third parties puts our business at risk, and we avoid this by strictly adhering to the AGC Group Code of Conduct. The AGC Group Code of Conduct includes, but is not limited to, internal rules on fair competition and antitrust, conflict of interest, anti-corruption, bribery, company and third-party assets, and confidential information.

All employees are trained annually in the AGC Group Code of Conduct. No breaches of our Code of Conduct were identified in 2022. We are committed to continuing our training and compliance efforts in 2023 to ensure that principles remain at the forefront of everyone's mind.

To make sure that our business partners and supply chain respect our ethical principles, the AGC Group has established a Sustainability-related policy, AGC Group Purchasing Policy, that describes the principles for how AGC governs its purchasing. We have initiated work to ensure that ethical principles will be part of our contracts in the future.

As an additional guarantee that any irregularities are detected and stopped, we have established a separate solution that enables employees to create and submit a whistleblower report. The solution is intended to be used to report serious or illegal breaches of conduct e.g., money laundering, IT security, corruption, anti-competitive behavior, foreign trade controls, data privacy, retaliation, threats to health, safety, and environment, insider trading, and sexual harassment or discrimination.

## **Gender diversity**

As AGC Biologics strives to be an attractive workplace for every employee. We also find it fundamental that every employee should have fair and equal opportunities for promotion and development which are regardless of gender and instead rooted in the core competencies of the employee.

We have provided figures concerning gender diversity since the fiscal year 2021. In 2022, a company-wide Diversity Equity and Inclusion Council was established, running regular review meetings across the network.

A new article of the Danish Financial Statements Act (Section 139 (c)) will enter into force in 2023, requiring targets for and reporting of the underrepresented gender, if the company has not already equal gender diversity. As AGC Biologics has already performed well during the past several years in relation to gender diversity at different management levels, it will not be necessary to set targets for those levels, as we can already document that we have equal gender diversity.

The equal gender diversity has been achieved, among other things, by focusing on competences when hiring. In addition, the company has the objective that the gender ratio should be close to 50:50 and minimum 40% of the underrepresented gender at all management levels, including the Management Team. To support gender pay equity, AGC Biologic's also conduct pay equity analysis and transparent pay policy.

As shown in the ESG key figures, on average and at management level, we continue to have an almost equal distribution as we have ended the year with a 46:54 split. This represents 1ppt growth (to 54%) in the women share vs. 2021.

To ensure that discussions include multiple perspectives – representing the rich and complex global pharmaceutical environment – the Board of Directors and Leadership Teams aspire to be diverse in both cultural and gender representation.

We are proud that in 2022 all managers at our CPH site (Leadership Team and other managers) reached an equal gender ratio of 47:53. In 2021, the equal gender ratio was 49:51. This puts us still comfortably within our target range. There are 112 people at management levels (not board). Based on that, we can conclude that equality has been achieved for other management levels.

As a consequence of our efforts on gender equality, we also achieved equal pay in 2022 as women's average salary divided by men's average salary is exactly 1,00.

Another initiative towards gender equality is the new Maternity, Paternity, and Parental Leave Policy which gives both partners equal 24 weeks full pay regardless of gender.

The Board of Directors has a ratio of 1:4 in favor of men (5 members). AGC Biologics still aims to achieve a more equal ratio of gender for our boards, which is why we had already in 2021 established a 2:3 target for the Board of Directors before 2025. A 2:3 split by the end of 2024 is still our intention and will be a topic for future replacement in the board, where we will work to bring in more strong, female members.

## **Data ethics statement**

This section is the Company's statement of compliance with the Danish Financial Statements Act, section 99 (d).

AGC Biologics A/S has several policies covering different parts of data ethics. The Employee Privacy Policy covers the GDPR regulations and what we do to be in compliance. The policies for IT Usage and IT Security cover handling of data collected through internal platforms or external partners, sharing of work files, password protection and how/when to use social media.

All employees handling data are required to complete an e-learning on IT Security. All decisions regarding data ethics and new system development are anchored within our corporate management. We constantly monitor potential cyber risks in relation to the collection of data. In the case where risks are identified, Management is notified, and sufficient actions are implemented.

### **Events after December 31, 2022**

No significant subsequent events occurred after the financial year-end that would have a material impact on these annual accounts.

### **Outlook for 2023**

The positive market conditions experienced in 2022 appear to become more challenging in 2023 as a result of the current situation in the global economy, the increasing inflation and interest levels and an increase in the global CDMO capacity. We however still see a high demand and interest from new clients.

The Company has a significant signed backlog for 2023 and is also beginning to see the build-up of the 2024 backlog. Management expects operationally a result for 2023 below 2022 due to the above mentioned reasons and also decrease in COVID-19 related revenue. The expectations for 2023 on financial performance are naturally subject to uncertainty and in particular in regards to the global development including the geopolitical turmoil, supply disruptions, interest rates and inflation.

In 2023 construction of our new facility continues and is expected to be operational early 2024.

For 2023 a result in range of DKK 325m-375m is expected.

### **Final remarks**

Since AGC Biologics A/S was started in 2001, the Company has experienced overall strong performance and demonstrated an ability to continue a successful development despite, at times, very challenging periods. We would like to thank all our customers, employees, shareholders, and other partners for making this possible.

## Statement by the Management on the Annual Report

Today the Board of Directors and the Executive Board presented the Annual Report for 2022 of AGC Biologics A/S.

The Annual Report has been presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements provide a true and fair view of the Company's assets, liabilities, equity and cash flow, financial position at 31 December 2022 and results of the Company's activities in the accounting period 1 January - 31 December 2022.

In our opinion, the Management's Review provides a fair review of the matters the review deals with.

We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, June 7, 2023

### Executive Board

---

Andrea Celia Porchia

### Board of Directors

---

Noriyuki Komuro  
(Chairman)

---

Tomoko Miyagawa

---

Akira Nakamura

---

Patricio Ezequiel Massera

---

Kasper Møller

# Independent Auditor's Report

To the Shareholders of AGC Biologics A/S

## Opinion

We have audited the financial statements of AGC Biologics A/S for the financial year 1 January – 31 December 2022 comprising income statement, balance sheet, statement of changes in equity, cash flow statement 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

## 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, 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 financial statement 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
- 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 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.

Copenhagen, June 7, 2023

## **KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

---

Kåre Kansonen Valtersdorf

State Authorised Public Accountant

MNE-no. 34490

## Income Statement for the Period 1 January – 31 December 2022

(DKK '000)

	Note	2022	2021
Revenue	1	2,517,996	2,185,033
Production expenses	2,4	<u>1,581,038</u>	<u>1,353,128</u>
<b>Gross profit</b>		936,958	831,905
Sales and distribution expenses	2,4	34,166	21,337
Administrative expenses	2,3,4	<u>109,329</u>	<u>77,524</u>
<b>Operating profit</b>		793,463	733,044
Financial income	5	22	8,636
Financial expenses	6	<u>25,015</u>	<u>7,622</u>
<b>Profit before tax</b>		768,469	734,058
Tax on profit for the year	7	<u>169,520</u>	<u>162,323</u>
<b>Profit for the year</b>	8	<u><u>598,949</u></u>	<u><u>571,735</u></u>



## Statement of Financial Position at 31 December 2022

(DKK '000)

	Note	2022	2021
<b>Assets</b>			
Finished development projects		20,033	21,946
Development projects in progress		0	674
<b>Intangible assets</b>	9	<u>20,033</u>	<u>22,620</u>
Land	10	33,723	33,224
Plant and machinery	10	149,022	137,972
Other fixtures and fittings, tools and equipment	10	12,401	7,541
Leasehold improvements	10	202,483	199,375
Assets under construction	10	799,391	227,420
Right-of-use asset	11	748,119	379,699
<b>Tangible fixed assets</b>		<u>1,945,140</u>	<u>985,231</u>
Investments in subsidiaries	12	300	300
Deposits	12	22,465	20,067
<b>Financial fixed assets</b>		<u>22,765</u>	<u>20,367</u>
<b>Total fixed assets</b>		<u>1,987,938</u>	<u>1,028,218</u>
Raw materials and consumables		493,498	419,001
<b>Inventories</b>		<u>493,498</u>	<u>419,001</u>
Work in progress	13	27,780	33,074
Trade receivables		567,659	375,927
Intercompany loan	14	0	743,223
Intercompany receivables	19	84,895	8,474
Income taxes, receivable		0	2,642
Other receivables		46,104	42,958
Prepayments	15	12,157	10,249
<b>Receivables</b>		<u>738,595</u>	<u>1,216,546</u>
<b>Cash</b>		<u>219,395</u>	<u>476,897</u>
<b>Total current assets</b>		<u>1,451,488</u>	<u>2,112,445</u>
<b>Total assets</b>		<u>3,439,426</u>	<u>3,140,663</u>

## Statement of Financial Position at 31 December 2022

(DKK '000)

	Note	2022	2021
<b>Liabilities and equity</b>			
Share capital	16	42,853	42,853
Reserve for development costs		197	258
Reserve for fair value hedging		-280	-23
Retained earnings		20,508	19,497
Proposed Dividend		598,000	571,000
<b>Total equity</b>		<u>661,277</u>	<u>633,585</u>
Provisions for deferred tax	17	21,125	19,111
<b>Provisions</b>		<u>21,125</u>	<u>19,111</u>
Lease obligations	11	743,470	366,304
Advances from customers	13	49,453	218,186
Other debt		24,793	20,843
<b>Long-term liabilities other than provisions</b>		<u>817,716</u>	<u>605,333</u>
Advances from customers	13	1,333,920	1,263,567
Lease obligations	11	18,612	25,034
Trade payables		180,305	146,619
Intercompany payable	19	35,264	264,841
Income taxes, payable		152,041	0
Income taxes, joined taxation		735	259
Other debt		218,430	182,313
<b>Short-term liabilities other than provisions</b>		<u>1,939,308</u>	<u>1,882,634</u>
<b>Total liabilities</b>		<u>2,778,149</u>	<u>2,507,078</u>
<b>Total liabilities and equity</b>		<u>3,439,426</u>	<u>3,140,663</u>
Contingent assets and liabilities etc.	18		
Related parties	19		

## Statement of Changes in Equity

(DKK '000)

	Share capital	Reserve for development costs	Reserve for fair value hedging	Retained earnings	Proposed Dividend	Total
Equity at 1 January 2022	42,853	258	-23	19,497	571,000	633,585
Paid Ordinary Dividend	0	0	0	0	-571,000	-571,000
Proposed distribution of net profit	0	0	0	949	598,000	598,949
Value adjustment for hedging	0	0	-257	0	0	-257
Development costs amortized in the year	0	-61	0	61	0	0
Equity at 31 December 2022	42,853	197	-280	20,508	598,000	661,277

## Statement of Cash Flow

(DKK '000)

	2022	2021
<b>Cash flow from operating activities</b>		
Operating result	793,463	733,044
Depreciation and amortisation	84,775	73,078
Self-financing	<u>878,303</u>	<u>806,122</u>
Decrease (+) / Increase (-) in raw materials and consumables	-74,497	-208,211
Decrease (+) / Increase (-) in receivables	-191,493	93,629
Decrease (-) / Increase (+) in trade payables, advances from customers and other debt	-47,604	203,456
Decrease (+) / Increase (-) in current assets	-313,594	88,874
Financial income and expenses	-17,159	7,389
Paid Company Taxes	-12,347	-176,299
<b>Operating Cash flow in the year</b>	<u>535,203</u>	<u>726,086</u>
<b>Cash flow generated from investing activities</b>		
Investments in intangible assets	-2,622	-1,206
Investments in tangible fixed assets	-638,633	-252,254
Purchase of Land	-499	-1,224
Decrease (-) / Increase (+) in trade payables in connection with building project	22,724	-8,124
Investments in financial fixed assets, net	-2,398	-3,241
<b>Investing Cash flow in the year</b>	<u>-621,493</u>	<u>-266,050</u>
<b>Cash flow generated from financing activities</b>		
Paid Dividend	-571,000	-278,000
Lease repayment	-37,439	-26,385
Intercompany loan	437,226	-515,109
<b>Financing Cash flow in the year</b>	<u>-171,214</u>	<u>-819,494</u>
<b>Cash flow in the year</b>	<u>-257,504</u>	<u>-359,458</u>
Cash at 1 January	476,897	836,355
Cash flow in the year	-257,504	-359,458
Cash at 31 December	<u>219,394</u>	<u>476,897</u>

## Accounting policies

The Annual Report for AGC Biologics A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act regarding large sized class C companies.

The accounting policies are unchanged compared to last year.

The Annual Report for 2022 is presented in DKK.

### Omission of Consolidated Financial Statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The Company is a part of the consolidated financial statement AGC Inc. (1-5-1, Marunouchi, Chiyoda-ku, Tokyo 100-8405 JAPAN, Code number 5201; TSE 1st section), which is both the smallest and the largest group in which the Company is included as a subsidiary.

The consolidated financial statement of AGC Inc. can be obtained by contacting the company at the addresses above.

### Recognition and measurement

Income is recognised in the income statement as earned. All expenses including depreciation/amortisation and impairment losses are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable.

On initial recognition, assets and liabilities are recognised at cost. Subsequently, assets and liabilities are measured as described below for each item.

### Income statement

#### Revenue

IFRS 15 is used as interpretation.

Revenue comprises revenue from the contract manufacturing and development of high value added process development, scale-up and production of biopolymers such as protein material and antibodies to the biopharmaceutical industry.

The Company provides contract development services and contract manufacturing solutions that are specifically customised to each customer. When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively based upon the percentage completion of project stages and completion of contract milestone activity at the reporting date.

Contract development services consist of developing and analysing customer products and related processes. Contract manufacturing solutions consist of producing the customer product. Raw materials used in relation to contract development services and contract manufacturing solutions are recognised as revenue.

Gross profit comprises revenue with deduction of production costs.

#### Production costs

Production costs include staff expenses, consumables, expenses related to Company premises, depreciation etc.

#### Sales expenses

Sales expenses include expenses for salesmen, advertising, marketing etc.

#### Administrative expenses

Administrative expenses include staff expenses, expenses related to Company premises, office costs, and costs related to operating leases etc.

## Net financials

Financial income and financial expenses are recognised in the income statement with the amounts related to the financial year. Financial income and financial expenses include interest receivable and payable, financial expenses related to finance leases, exchange gains and losses on transactions denominated in foreign currencies, and charges related to the Danish Scheme for Payment of Tax on Account etc.

## Corporation tax and deferred tax

The Company is jointly taxed with the Danish companies in the AGC Inc. Ltd. Group. The Danish corporation tax is allocated between the jointly taxed Danish companies with the portion of taxes related to their taxable incomes (full allocation with refund regarding tax losses).

Tax on results for the year which comprises current tax and changes in deferred tax is recognised in the income statement with the portion of taxes related to the taxable income for the year whereas the portion attributable to entries on equity is recognised directly in equity.

## Statement of financial position

### Intangible assets

Intangible assets consist of finished development projects and development projects. Directly attributable costs capitalised as part of the development projects include employee costs and an appropriate portion of relevant overheads.

Development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Assets are amortised by the straight-line method over the finite expected useful lives of assets as follows:

Finished development projects	3-10 years
-------------------------------	------------

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposal.

### Fixed assets

Technical equipment and machinery, other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation. Assets are depreciated by the straight-line method over the expected useful lives of assets as follows:

Land	Not depreciated
Plant and machinery	10 - 20 years
Other fixtures and fittings, tools and equipment	3 years
Right of use assets	3 - 20 years
Leasehold improvements in the lease period	9 - 15 years

### Leases

IFRS 16 is used as interpretation.

Leases are recognised at present value of the right of use received and liabilities for the payment obligations entered into for all leases in the balance sheet. Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be determined. Otherwise, discounting is at the incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:

- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs and
- restoration obligations.

Right-of-use assets are depreciated over the term of the lease using the straightline method, normally depreciation period of 3 - 20 years.

The Company has used the exemption options provided for leases of low-value assets (DKK 31,000) and short-term leases (shorter than twelve months) and expense the payments in the income statement according to the straight-line method.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Company the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. Changes due to the exercise or non-exercise of such options are considered in determining the lease term only if they are sufficiently probable.

### **Investments in subsidiaries**

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

### **Inventories**

Inventories are measured at cost using the first-in, first-out (FIFO) formula. Where net realisable value is lower than cost, inventories are written down to the lower value.

Cost of goods for resale as well as raw materials and consumables comprises the acquisition price plus landed costs and indirect production costs.

### **Work-in-progress**

Work-in-progress is measured at sales value of the work carried out. The sales value is measured on the basis of the level of completion on the balance sheet date and the total expected income from the individual work-in-progress.

If the sales value cannot be calculated reliably, the sales value is measured at expenses incurred or net realisation value, if lower.

The individual work-in-progress is recognised in the statement of financial position under receivables or debt depending on the net value of the sales price with deduction of invoicing on account and prepayments.

### **Receivables**

Receivables are measured at amortised cost which usually equals nominal value. Provisions made for bad debts reduce the value.

### **Current and deferred tax**

Current tax liabilities and current tax receivables are recognised in the statement of financial position as tax calculated on the taxable income for the year adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured at temporary differences between the carrying amount and the tax base of assets and liabilities measured on the basis of the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets including the tax value of tax loss carry forwards are measured at the expected realisable value.

### **Prepayments and advances from customers**

Prepayments from customers are payments received for work not initiated.

Advances from customers are payments received for work both initiated and not initiated and included in work in progress.

### **Liabilities other than provisions**

Debt to credit institutes is measured at amortised cost including transaction cost.

## Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognised in the income statement as financial income or expenses.

Receivables, debt and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated by applying the exchange rates at the balance sheet date. Differences arising between the rate at the balance sheet date and the rate at the date of the arising of the receivable or debt are recognised in the income statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

## Statement of cash flow

Statement of Cash Flow shows the Company's cash flow split on operating, investing and financing activities during the year, change in cash for the year and cash balances at year beginning and year end.

Cash flow generated from operating activities is calculated as operating result adjusted for non-cash positions, changes in working capital and paid taxes.

Cash flow generated from investing activities include payment related to purchase and sale of companies and purchase and sale of immaterial, material and financial assets.

Cash flow generated from financing activities include changes in shared capital and related costs and borrowing, repayment of interest-bearing debt and payment of dividends to shareholders.

## Financial highlights

Explanation of financial ratios

$$\text{Return on assets} = \frac{\text{Operating profit} \times 100}{\text{Average assets}}$$

$$\text{Equity ratio} = \frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$



## Notes

(DKK '000)

<b>Note 1 - Revenue</b>	<b>2022</b>	<b>2021</b>
Revenue, Denmark	275,580	141,232
Revenue, USA	974,879	863,670
Revenue, Ireland	680,534	788,251
Revenue, rest	587,003	391,880
	<u>2,517,996</u>	<u>2,185,033</u>
Production revenue	1,772,042	1,547,597
Raw material revenue	745,954	637,436
	<u>2,517,996</u>	<u>2,185,033</u>

### Note 2 - Staff costs

*Total staff costs constitute:*

Wages and salaries, gross	789,974	641,067
Of this capitalised on internal projects	-21,567	-9,153
Wages and salaries, net	<u>768,407</u>	<u>631,915</u>
Pension schemes	55,451	34,342
Other expenses for social security	4,737	4,409
	<u>828,595</u>	<u>670,665</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98b (3) of the Danish Financial Statements Act.

The Company's Board of Directors are representatives of the Group. As representatives of the Group, no remuneration are paid in their capacity as members of the Board of Directors. In case an allocation of remuneration would be made this proportion would be clearly immaterial.

Average number of full time employees	<u>894</u>	<u>730</u>
---------------------------------------	------------	------------

Management and a number of key employees are participating in the Company's long term incentive program. The program was established in 2019 and gives the participants the right to receive a number of Restricted stock Units ("RSU's") in the subsidiary AGC Biologics Copenhagen ApS, calculated as a certain percentage of each participants base salary at the grant date. The RSU's vest three years from the grant date. For the 2020-program 0.7 million RSU's have been granted at at share parice of 7.46 DKK. For the 2021-program 1.3 milion RSU's have been granted at at share parice of 7.46 DKK. For the 2022-program 1.7 million RSU's have been granted at at share parice of 7.46 DKK. Total value of the programs at 31 December 2022 is DKK 32.3 million

### Note 3 - Fee to auditor

*KPMG*

Audit	570	512
Other statements	0	32
Tax consulting (including VAT and charges)	0	0
Other services	369	8
	<u>939</u>	<u>552</u>

## Notes

(DKK '000)

### Note 4 - Amortisation, depreciation and impairment

2022

2021

*Amortisation, depreciation and write-downs on intangible and tangible fixed assets for the year have been recognised in the following items:*

Production expenses	82,028	72,395
Sales expenses	525	156
Administrative expenses	3,266	527
	<u>85,818</u>	<u>73,078</u>

### Note 5 - Financial income

Other interest income	22	738
Foreign exchange gain, net	0	7,898
	<u>22</u>	<u>8,636</u>

### Note 6 - Financial expenses

Leasing interests	7,834	6,375
Other interest expenses	3,258	1,247
Foreign exchange loss, net	13,923	0
	<u>25,015</u>	<u>7,622</u>

### Note 7 - Tax on net results

Current tax	167,478	161,105
Adjustment to prior years	28	947
Adjustment deferred tax	2,014	271
Total	<u>169,520</u>	<u>162,323</u>

### Note 8 - Proposed distribution of net profit

Proposed dividends for the financial year	598,000	571,000
Transferred from / to retained earnings	949	735
Distribution, total	<u>598,949</u>	<u>571,735</u>

## Notes

(DKK '000)

### Note 9 - Intangible fixed assets

	Finished development projects	Ongoing development projects
Cost at 1 January 2022	54,736	674
Addition in the year	2,622	0
Transfer	674	-674
Disposals in the year	0	0
Cost at 31 December 2022	<u>58,033</u>	<u>0</u>
Amortisation and write-down at 1 January 2022	-32,791	0
Amortisation in the year	-5,209	0
Amortisation and write-down at 31 December 2022	<u>-37,999</u>	<u>0</u>
Carrying amount at 31 December 2022	<u><u>20,033</u></u>	<u><u>0</u></u>

### Note 10 - Tangible fixed assets

	Land	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Assets under construction
Cost at 1 January 2022	33,224	293,796	14,935	335,152	227,420
Addition in the year	499	11,695	3,890	14,755	608,292
Transfer	0	20,853	3,610	11,859	-36,321
Disposals in the year	0	0	0	0	0
Cost at 31 December 2022	<u>33,723</u>	<u>326,344</u>	<u>22,435</u>	<u>361,766</u>	<u>799,391</u>
Depreciation and write-down at 1 January 2022	0	-155,825	-7,394	-135,777	0
Depreciation in the year	0	-21,497	-2,640	-23,505	0
Depreciation reversed on disposed assets	0	0	0	0	0
Depreciation and write-down at 31 December 2022	<u>0</u>	<u>-177,322</u>	<u>-10,034</u>	<u>-159,283</u>	<u>0</u>
Carrying amount at 31 December 2022	<u><u>33,723</u></u>	<u><u>149,022</u></u>	<u><u>12,401</u></u>	<u><u>202,483</u></u>	<u><u>799,391</u></u>

## Notes

(DKK '000)

### Note 11 - Leasing (Right-of-use assets)

	<b>Buildings</b>
Cost at 1 January 2022	440,715
Addition in the year	400,344
Disposals in the year	-295
Cost at 31 December 2022	<u>840,764</u>
Depreciation and write-down at 1 January 2022	-61,016
Depreciation in the year	-31,924
Depreciation reversed on disposed assets	295
Depreciation and write-down at 31 December 2022	<u>-92,645</u>
Carrying amount at 31 December 2022	<u><u>748,119</u></u>

### Note 11 - Leasing (Lease obligations)

**2022**

*Liabilities due:*

Under 1 year	18,612
Between 1 and 5 years	94,849
Over 5 years	<u>648,621</u>

Total non-discounted lease obligations 31 December 2022 762,082

*Recognized as*

Current liabilities	18,612
Non-current liabilities	743,470

### Note 12 - Financial fixed assets

**Investment in  
Subsidiary          Deposits**

Cost at 1 January 2022	300	20,067
Additions in the year	0	2,398
Cost at 31 December 2022	<u>300</u>	<u>22,465</u>
Carrying amount at 31 December 2022	<u><u>300</u></u>	<u><u>22,465</u></u>

Investment in Subsidiary is specified as follows:

Name	Domicile	Share capital	Voting and ownership share	Equity	Profit for the year
AGC Biologics Copenhagen ApS	Søborg, Demark	300	100%	193	-22

## Notes

(DKK '000)

<b>Note 13 - Work in progress</b>	<b>2022</b>	<b>2021</b>
Selling price of work performed	1,399,028	1,129,256
Progress billings	-2,754,621	-2,577,936
Work in progress, net	<u>-1,355,593</u>	<u>-1,448,680</u>

*Recognised in the balance sheet as follows:*

Work in progress, assets	27,780	33,074
Advances from customers, short-term liabilities	-1,333,920	-1,263,567
Advances from customers, long-term liabilities	-49,453	-218,186
	<u>-1,355,593</u>	<u>-1,448,680</u>

*Liabilities due:*

After 5 years	430	1,782
Between 1 and 5 years	49,024	216,404
Within 1 year	1,333,920	1,263,567
	<u>1,383,374</u>	<u>1,481,754</u>

### **Note 14 - Intercompany Loan**

Within 1 year	0	743,223
	<u>0</u>	<u>743,223</u>

### **Note 15 - Prepayments, current asset**

Prepayments primarily comprise prepaid expenses in relation to service contracts and insurance premium.

### **Note 16 - Share capital**

*The share capital comprises the following classes of shares:*

Class A shares, 4,176,495 shares of a nominal value of DKK 1	4,176	4,176
Class B shares, 38,676,478 shares of a nominal value of DKK 1	38,677	38,677
	<u>42,853</u>	<u>42,853</u>

The B-shares carry certain preferences regarding subscription of capital and distribution of dividend.

No changes have occurred the last 5 years.

## Notes

(DKK '000)

### Note 17 - Deferred tax

Deferred tax at 1 January	-19,111	-18,840
Changes to deferred tax in the year	-2,014	-271
Deferred tax at 31 December	<u>-21,125</u>	<u>-19,111</u>

*Deferred tax consists of:*

Intangible fixed assets	-4,407	-4,828
Tangible fixed assets	-19,790	-16,844
Right-of-use asset	3,072	2,561
	<u>-21,125</u>	<u>-19,111</u>

### Note 18 - Contingent liabilities etc.

The Company has a restoration and renovation liability of the facilities towards the landlords. The amount is unknown but it is not expected to have significant impact on the Company's financial position.

The Company is administration company in relation to joint taxation with Danish companies in the AGC Inc. Group. The companies are jointly and severally liable for tax on the consolidated taxable income.

<b>Operating leases, low-value leases</b>	<b>2022</b>	<b>2021</b>
Lease commitments falling due for payment within five years of the balance sheet date, total	<u>8,257</u>	<u>8,784</u>
Of this lease commitments falling due within one year	<u>3,599</u>	<u>2,940</u>

### Note 19 - Related parties

Related parties consist of the Board of Directors and Executive Board together with enterprises affiliated with the parent company AGC Inc, Japan. The parent company and the sister companies AGC Biologics Inc., AGC Biologics GmbH, AGC Inc had as of December 2022 intercompany balances with the Company (net receivable for AGC Biologics A/S of DKK 49.630 thousand), as well as transactions with the Company.

	<b>2022</b>	<b>2021</b>
<i>Related party transactions</i>		
Sale of services	63,470	43,905
Purchase of services	149,118	108,683
Sales of goods	0	0