



AGC Biologics A/S

Annual Report for 2021

Reg. No. 25 95 09 41

*Vandtårnsvej 83B
2860 Søborg
Denmark*

Date of the Annual General Meeting

Chairman of the Annual General Meeting

24 June 2022 | 04:49 PDT

DocuSigned by:

Carsten Hornecker
Carsten Hornecker

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Company Information

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

Financial Highlights

	2021	2020	2019	2018	2017
Income statement					
<i>(DKK million)</i>					
Revenue	2,185	1,455	996	693	644
Gross profit	832	452	257	162	157
Operating profit	733	371	204	119	103
Financial income/expenses, net	1	-13	-5	4	-7
Profit before tax	734	357	198	124	96
Profit for the year	572	279	154	96	75
Statement of financial position					
<i>(DKK million)</i>					
Total assets	3,141	2,348	1,182	635	502
Investments in Tangible assets	253	152	60	103	32
Equity	634	340	215	317	291
Staff					
Average number of full-time employees	730	441	377	312	303
Key figures in percent*					
Return on assets	27	21	22	21	19
Equity ratio	20	15	18	50	58

* For definitions, see page 23

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 and Boulder, 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.

2021 was a year characterized by continued growth and strong business intake. Several late stage clinical programs both started and continued drug substance manufacturing at AGC in 2021. The Company will supply drug substance for final clinical registration trials and also supply drug substance for long-term commercial launch (if needed). During 2021, the Company continued being a supplier to several 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 2023.

Further, in 2021 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 2021 to strengthen its organization and production processes.

Financial review

In 2021, the Company's revenue grew to DKK 2,185.0m corresponding to an increase of 50% compared to 2020. Investments and increase in operational cost were made in anticipation of continued growing activity in 2022 and beyond, particularly aimed at strengthening the Company's platform for commercial manufacturing. The increased revenue resulted in growing operating profit to DKK 733.0m in 2021 (2020: DKK 370.5m).

After financial charges and tax, the Company generated a net profit in 2021 of DKK 571.7m (2020: DKK 278.5m).

The financial performance in 2021 exceeded the expectations of DKK 450m-550m as laid out in the annual report for 2020.

Research activities

In 2021, 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.

Corporate social responsibility

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

As an international company in the biopharmaceutical industry, AGC Biologics A/S has an important social responsibility. We are recognized by our stakeholders as reliable and responsible, and are proud of being known for our professionalism, honesty and integrity. We strive to live up to this responsibility. Each year our parent Company (AGC Inc.) publishes the "Sustainability Data Book", covering AGC and its consolidated subsidiaries (Group companies worldwide).

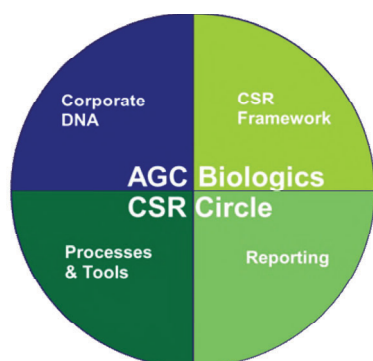
The Sustainability Data Books can be found here: <https://www.agc.com/en/csr/book/index.html>

The Company provides input for the AGC Inc. "Sustainability Data Book".

Our Sustainability Paradigm

AGC Biologics Group current mission ("To work side by side with our customers in order to improve patients' lives by bringing new biopharmaceuticals to market") is already addressing the mutual benefit for the company and society.

AGC Biologics Group has started the CSR journey and has developed a paradigm for our CSR work, consisting of four elements as shown in our CSR circle and AGC Biologics A/S is a part of this.



"Corporate DNA" means that efforts to promote sustainability are not the responsibility of one single function, office or person, but that sustainability should run in the veins of all the employees of the company.

The Company has chosen to use recognized and professional Processes & Tools, frameworks and reporting systems. 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 System which we have implemented.

Our sustainability paradigm is being put into practice in an ambitious plan for 2021-2024, that involves establishing ISO 14001, ISO 45001 and ISO 50001 at all sites, which has already been achieved at the Copenhagen Site.

An Environment and Energy Committee and an Occupational Health & Safety Committee have been set up, and both are chaired by the General Manager for the CPH Site with management representation from different relevant functions and site EHS manager. The committees ensure that the framework is in place for maintenance, operation and further development of the management systems in accordance with ISO 14001, ISO 45001 and ISO 50001.

By the end of 2023, we intend to present our sustainability strategy and policy. On our journey to develop strategy and policy, we will complete a comprehensive materiality assessment and carry out an ISO 26001 self-assessment. When we are closer to attaining our CSR ambitions, we will complete a Sustainable Development Goals (SDG) selection process as well.

When this phase (baseline) of the Sustainability Paradigm is implemented and the strategy has been developed further, sustainability work will be structured. Through setting sustainability performance measurements and goals, the Company will then be in a position to work on achieving continuous development, enabling it to fulfill the expectations, not only of its customers, but also of AGC Inc. and other stakeholders as well.

AGC Biologics A/S has already had established processes in place for several years, to identify environmental, climate and Health & Safety aspects of our activities, products and services that also effectively address risk and opportunities. These processes 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 2021, the Copenhagen Site was awarded the Ecovadis Silver Medal based on a sustainability scorecard. Ecovadis is a platform for CSR evaluation. The medal is only valid for one year and we intend to achieve a Silver Medal again this year as a way of tracking our progress.

Climate and environment

Our policies within environment, energy and climate are transformed into action through overall environmental and energy action plans.

Management teams prepare monthly KPIs to guide internal decision-making. AGC Biologics places a strong focus on continuous improvements with regards to environment and climate. We accomplish this through our ISO 14001 and ISO 50001 certification. In addition, ESG KPIs are established as shown in the table below regarding the environmental data.

Environmental data	Unit	2021
CO2e, scope 1	Metric tonnes	1,060
CO2e, scope 2	Metric tonnes	739
Energy Consumption GJ	GJ	37,953
Renewable Energy Share %	%	34
Water Consumption	m3	37,339

AGC Biologics has set objectives within the most important energy and environmental aspects that cover: Investigation of options for converting to more CO2 neutral energy sources, the reduction of selected compounds in wastewater and increase in the reuse of solid waste, and sustainability targets for our new mammalian facility. This is objectives that will continue in 2022.

In 2021, we implemented the ISO 50001 standard and already in December of the same year, were proud to achieve the certification at the conclusion of the external audit.

Social and staff matters

At AGC Biologics A/S, it is the people that are the driving force behind the business operation, which is why we strive to create and maintain an attractive and safe workplace with equal opportunities for all employees.

The people agenda is at the heart of the company, ensuring the continuous delivery of deep technical expertise and creative abilities to help our customers achieve their drug development needs. This is supported by a culture where the diversity of our people and each individual's ability and desire to take the initiative and search for innovative solutions is respected and valued. No type of discrimination is accepted, a principle which is clearly spelt out in our Code of Conduct.

Social data

As AGC Biologics is committed to providing a diverse workplace, where employees are engaged and can be at their best every day, we will report social data for 2021 and continue to work with the ESG KPIs moving forward.

Social data	Unit	2021
Full-Time Workforce	FTE	795*
Gender Diversity (women share)	%	53
Gender Diversity, Management (women share)	%	51
Gender Pay Ratio Times	Times	1.0
Sickness Absence	Days per FTE	2

*FTE is the number of employees with a salary pay out in December 2021 and excluding student assistants.

Well-being continues to be high on the agenda in 2022, targeting the areas the employees have pinpointed as critical. In general the employees are being involved and are ready to participate in the activities around improvement of well-being. This was also apparent in the increase in the participation rate of the engagement survey in 2021 (82,9%). The engagement survey score for 2021 remained stable. EHS and Management 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.) and sustainability targets 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. This initiative is still ongoing, and among other initiatives, we are working on keeping Fridays meeting-free.

Further initiatives will be rolled out in 2022, like individual development plans for all employees, stress prevention programs and a new leadership development program mandatory for all our leaders. The program will offer training in the fundamentals of leadership, as well as tactical knowledge and tools for the leader.

Full-time Workforce

The rapid growth in the number of full-time employees (FTEs) in 2021 has been supported by expansion of the office and laboratory space including additional canteen facilities and parking spaces. A Soft Facility Manager has been hired to ensure that the further expansion of the site in Søborg incorporates all 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 for talent, AGC Biologics has established a Global Talent Acquisition team, who 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 2022 as we prepare to increase our workforce to man a new facility in Søborg, which will be ready in 2023.

Gender diversity

AGC Biologics A/S wants to be an attractive workplace for every employee, regardless of gender identity. A workplace where equal opportunities for promotion and development are fair and rooted in the core competencies of the employee, not their gender.

We work to empower leaders to lean into their strengths and host various training opportunities to better equip them with the skills and tools necessary to advance and excel in such positions.

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 believe that diversity allows us to better understand the needs of our team, customers and the patients they serve. Furthermore, this enables us to attract and retain talented people from around the world and operate more effectively in a fast-growing global business environment by selecting the best candidate for a position.

In 2021, the objective with regard to the split between genders was to have an approximately 40:60 split. Clearly this is an ingrained part of the AGC Biologics culture, as we have ended the year with a 47:53 split (men:women).

We are proud that as of December 31, 2021, we have for all managers at our CPH site (Leadership Team and other managers) reached equal distribution with 51% women and the pay ratio was 1.

Sickness Absence Days per FTE

To support the well-being of the employee, AGC Biologics A/S offers a supplementary health insurance, which the employee can use for preventive care, examination and treatment. The company also funds sports and other activities, which support the health of the employee.

When an employee falls sick for a longer period, the leader will have contact with the person, and ensure that the necessary support is provided, as well as providing support resources (such as health insurance etc.).

Human rights

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 of people and we do not discriminate against anyone based on race, ethnicity, religion, nationality, gender, sexual orientation, age, ability or any status.

Achievements and targets

Referring to the section "Our Sustainability Paradigm" regarding Sustainable Development Goals (SDG) etc.

Governance

The Corporate governance of AGC Inc. is described in the Corporate Governance Report which can be found at: www.agc.com/en/company/governance

AGC Inc. has formulated the AGC Group Corporate Governance Basic Policy (the "Basic Policy") to further enhance the Company's corporate governance with the aim of achieving both sustainable growth and mid- to long-term enhancement of corporate value. Its full text is available at the website: www.agc.com/en/company/governance

Achievements and targets

In 2021, in compliance with Danish law requirements, AGC Biologics A/S 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.

Objectives regarding participation of women in the Board of Directors and Management Team

The Company wants to be an attractive workplace for both female and male managers where men and women consider that they have equal and fair opportunities for promotion to higher managerial positions and that their competences can be used in the best possible way irrespective of gender. Therefore, we work to encourage employees' talents and have training courses in place for all employees irrespective of gender, in order to provide them with the skills to advance and excel in such positions.

Achievements and targets

The company achieved the target in 2021 and now has 1 female board member out of 5 board members, and still aims to establish a Board of Directors where 2 out of the 5 board members are female before 2025. In 2021 the rotation of the members in the Board of Directors was not sufficient to achieve this target. We realize the difficulties involved in achieving the target, and we will strive to create an environment, where both genders have equal opportunities for leadership positions.

Also, in October 2021 Andrea Celia Porchia was appointed General Manager for AGC Biologics A/S.

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 strict adherence 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.

Achievements and targets

All employees are trained annually in the AGC Group Code of Conduct. No breaches of our Code of Conduct were identified in 2021. We are committed to continuing our training and compliance efforts in 2022.

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, 2021

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

Outlook for 2022

The market conditions experienced in 2021 appear to continue.

Today, the Company has a very strong backlog signed for 2022 and is also beginning to see the build-up of a solid backlog for 2023. Management expects operationally a result for 2022 better than in 2021. The expectations for 2022 on financial performance are naturally subject to uncertainty and in particular in regards to the global development including the geopolitical turmoil, the continued Covid-19 pandemic, supply disruptions, exchange rates and inflation.

For 2022 a result in the range of DKK 600m-700m 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 2021 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 2021 and results of the Company's activities in the accounting period 1 January - 31 December 2021.

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

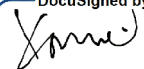
We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, June 20, 2022

Executive Board

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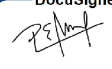
Board of Directors

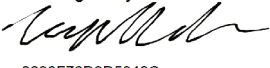
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Niels FF0E37C8816147B...
(Chairman)

DocuSigned by:
Tomoko Miyagawa
Ton 082B646C51D948B...

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Hiroshi Nishimura 14F833B449E6485...

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Palle A6221B75DF5D483...
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Kasper 8298F76D3D5048C...
Kasper

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 2021 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 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 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

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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Copenhagen, June 20, 2022

KPMG P/S

CVR no. 25 57 81 98

Statsautoriseret Revisionspartnerselskab



Kåre Kansonen Valtersdorf

State Authorised Public Accountant

MNE-no. 34490

Income Statement for the Period 1 January – 31 December 2021

(DKK '000)

	Note	2021	2020
Revenue	1	2,185,033	1,455,071
Production expenses	2,4	<u>1,353,128</u>	<u>1,003,100</u>
Gross profit	2,4	831,905	451,971
Sales and distribution expenses	2,4	21,337	17,362
Administrative expenses	2,3,4	<u>77,524</u>	<u>64,110</u>
Operating profit		733,044	370,499
Financial income	5	8,636	0
Financial expenses	6	<u>7,622</u>	<u>13,375</u>
Profit before tax		734,058	357,124
Tax on profit for the year	7	<u>162,323</u>	<u>78,586</u>
Profit for the year	8	<u><u>571,735</u></u>	<u><u>278,538</u></u>

Statement of Financial Position at 31 December 2021

(DKK '000)

	Note	2021	2020
Assets			
Finished development projects		21,946	23,953
Development projects in progress		674	2,389
Intangible assets	9	<u>22,620</u>	<u>26,342</u>
Land	10	33,224	32,000
Plant and machinery	10	137,972	141,810
Other fixtures and fittings, tools and equipment	10	7,541	5,004
Leasehold improvements	10	199,375	150,565
Assets under construction	10	227,420	68,360
Right-of-use asset	11	379,699	295,245
Tangible fixed assets		<u>985,231</u>	<u>692,984</u>
Investments in subsidiaries	12	300	100
Deposits	12	20,067	17,026
Financial fixed assets		<u>20,367</u>	<u>17,126</u>
Total fixed assets		<u>1,028,218</u>	<u>736,452</u>
Raw materials and consumables		419,001	210,790
Inventories		<u>419,001</u>	<u>210,790</u>
Work in progress	13	33,074	16,819
Trade receivables		375,927	515,950
Intercompany loan	14	743,223	0
Intercompany receivables		8,474	8,108
Income taxes, receivable		2,642	0
Other receivables		42,958	10,900
Prepayments	15	10,249	12,167
Receivables		<u>1,216,546</u>	<u>563,944</u>
Cash		<u>476,897</u>	<u>836,355</u>
Total current assets		<u>2,112,445</u>	<u>1,611,089</u>
Total assets		<u>3,140,663</u>	<u>2,347,541</u>

Statement of Financial Position at 31 December 2021

(DKK '000)

	Note	2021	2020
Liabilities and equity			
Share capital		42,853	42,853
Reserve for development costs		258	318
Reserve for fair value hedging		-23	0
Retained earnings		19,497	18,506
Proposed Dividend		571,000	278,000
Total equity	16	<u>633,585</u>	<u>339,677</u>
Provisions for deferred tax	17	19,111	18,840
Provisions		<u>19,111</u>	<u>18,840</u>
Lease obligations	11	366,304	286,857
Advances from customers	13	218,186	336,582
Other debt		20,843	32,725
Long-term liabilities other than provisions		<u>605,333</u>	<u>656,164</u>
Advances from customers	13	1,263,567	1,028,200
Lease obligations	11	25,034	17,575
Trade payables		146,619	93,005
Intercompany payable		264,841	36,361
Income taxes, payable		259	11,864
Other debt		182,313	145,855
Short-term liabilities other than provisions		<u>1,882,634</u>	<u>1,332,860</u>
Total liabilities		<u>2,507,078</u>	<u>2,007,864</u>
Total liabilities and equity		<u>3,140,663</u>	<u>2,347,541</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	42,853	318	0	18,702	278,000	339,873
Paid Ordinary Dividend	0	0	0	0	-278,000	-278,000
Proposed distribution of net profit	0	0	0	735	571,000	571,735
Value adjustment for hedging	0	0	-23	0	0	-23
Development costs amortized in the year	0	-61	0	61	0	0
Equity at 31 December	42,853	258	-23	19,497	571,000	633,585

Statement of Cash Flow

(DKK '000)

	2021	2020
Cash flow from operating activities		
Operating result	733,044	370,499
Depreciation and amortisation	73,078	58,061
Self-financing	806,122	428,560
Decrease (+) / Increase (-) in raw materials and consumables	-208,211	-85,511
Decrease (+) / Increase (-) in receivables	93,629	-244,458
Decrease (-) / Increase (+) in trade payables, advances from customers and other debt	203,456	949,219
Decrease (+) / Increase (-) in current assets	88,874	619,250
Financial income and expenses	7,389	-7,970
Paid Company Taxes	-176,299	-60,481
Operating Cash flow in the year	726,086	979,359
Cash flow generated from investing activities		
Investments in intangible assets	-1,206	-1,832
Investments in tangible fixed assets	-252,254	-120,226
Purchase of Land	-1,224	-32,000
Decrease (-) / Increase (+) in trade payables in connection with building project	-8,124	1,133
Investments in financial fixed assets, net	-3,241	-1,079
Investing Cash flow in the year	-266,050	-154,004
Cash flow generated from financing activities		
Paid Dividend	-278,000	-154,000
Lease repayment	-26,385	-21,995
Intercompany loan	-515,109	10,913
Financing Cash flow in the year	-819,494	-165,082
Cash flow in the year	-359,458	660,273
Cash at 1 January	836,355	176,082
Cash flow in the year	-359,458	660,273
Cash at 31 December	476,897	836,355

Accounting policies

The Annual Report for AGC Biologics A/S for 2021 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 2021 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

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
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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 - 10 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 - 10 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 recieved 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)

Note 1 - Revenue	2021	2020
Revenue, Denmark	141,232	155,832
Revenue, USA	863,670	371,064
Revenue, Ireland	788,251	496,752
Revenue, rest	391,880	431,422
	<u>2,185,033</u>	<u>1,455,070</u>
Production revenue	1,547,597	1,023,119
Raw material revenue	637,436	431,952
	<u>2,185,033</u>	<u>1,455,071</u>

Note 2 - Staff costs

Total staff costs constitute:

Wages and salaries, gross	641,067	459,607
Of this capitalised on internal projects	-9,153	-7,668
Wages and salaries, net	<u>631,915</u>	<u>451,939</u>
Pension schemes	34,342	31,976
Other expenses for social security	4,409	1,773
	<u>670,665</u>	<u>485,688</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>730</u>	<u>441</u>
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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 2019-program 273 thousand RSU's have been granted at at share parice of 7,46 DKK. For the 2020-program 738 thousand RSU's have been granted at at share parice of 7,46 DKK. For the 2021-program 1.308 thousand RSU's have been granted at at share parice of 7,46 DKK. Total value of the programs at 31 December 2021 is DKK 24.4 million.

Note 3 - Fee to auditor

KPMG

Audit	512	410
Other statements	32	0
Tax consulting (including VAT and charges)	0	0
Other services	8	8
	<u>552</u>	<u>418</u>

Notes

(DKK '000)

Note 4 - Amortisation, depreciation and impairment

2021

2020

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

Production expenses	72,395	57,564
Sales expenses	156	158
Administrative expenses	527	339
	<u>73,078</u>	<u>58,061</u>

Note 5 - Financial income

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

Note 6 - Financial expenses

Leasing interests	6,375	5,405
Other interest expenses	1,247	2,023
Foreign exchange loss, net	0	5,947
	<u>7,622</u>	<u>13,375</u>

Note 7 - Tax on net results

Current tax	161,105	68,043
Adjustment to prior years	947	1,046
Adjustment deferred tax	271	9,497
Total	<u>162,323</u>	<u>78,586</u>

Note 8 - Proposed distribution of net profit

Proposed dividends for the financial year	571,000	278,000
Transferred from / to retained earnings	735	538
Distribution, total	<u>571,735</u>	<u>278,538</u>

Notes

(DKK '000)

Note 9 - Intangible fixed assets

	Finished development projects	Ongoing development projects
Cost at 1 January	51,816	2,389
Addition in the year	532	674
Reclassification	2,389	-2,389
Cost at 31 December	54,736	674
Amortisation and write-down at 1 January	-27,862	0
Amortisation in the year	-4,928	0
Amortisation and write-down at 31 December	-32,791	0
Carrying amount at 31 December	21,946	674

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	32,000	276,919	11,100	262,699	68,360
Addition in the year	1,224	16,906	3,836	21,032	210,480
Transfer	0	0	0	51,420	-51,420
Disposals in the year	0	-29	0	0	0
Cost at 31 December	33,224	293,796	14,935	335,152	227,420
Depreciation and write-down at 1 January	0	-135,109	-6,095	-112,134	0
Depreciation in the year	0	-20,745	-1,299	-23,643	0
Depreciation reversed on disposed assets	0	29	0	0	0
Depreciation and write-down at 31 December	0	-155,825	-7,394	-135,777	0
Carrying amount at 31 December	33,224	137,972	7,541	199,375	227,420

Notes

(DKK '000)

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

Buildings

Cost at 1 January	333,798
Addition in the year	106,916
Cost at 31 December	440,715
Depreciation and write-down at 1 January	-38,553
Depreciation in the year	-22,463
Depreciation and write-down at 31 December	-61,016
Carrying amount at 31 December	379,699

Note 11 - Leasing (Lease obligations)

2021

Liabilities due:

Under 1 year	25,034
Between 1 and 5 years	108,365
Over 5 years	257,939

Total non-discounted lease obligations 31 December 2021

391,339

Recognized as

Current liabilities	25,034
Non-current liabilities	366,304

Note 12 - Financial fixed assets

Investment in Subsidiary

Deposits

Cost at 1 January	100	17,026
Additions in the year	200	3,041
Cost at 31 December	300	20,067
Carrying amount at 31 December	300	20,067

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%	215	-22

Notes

(DKK '000)

Note 13 - Work in progress

	2021	2020
Selling price of work performed	1,129,256	768,104
Progress billings	-2,577,936	-2,116,068
Work in progress, net	-1,448,680	-1,347,963

Recognised in the balance sheet as follows:

Work in progress, assets	33,074	16,819
Advances from customers, short-term liabilities	-1,263,567	-1,028,200
Advances from customers, long-term liabilities	-218,186	-336,582
	-1,448,680	-1,347,963

Liabilities due:

After 5 years	1,782	4,643
Between 1 and 5 years	216,404	331,939
Within 1 year	1,263,567	1,028,200
	1,481,754	1,364,782

Note 14 - Intercompany Loan

Within 1 year	743,223	0
	743,223	0

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
	42,853	42,853

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

Note 17 - Deferred tax

Deferred tax at 1 January	-18,840	-9,343
Changes to deferred tax in the year	-271	-9,497
Deferred tax at 31 December	-19,111	-18,840

Deferred tax consists of:

Intangible fixed assets	-4,828	-5,795
Tangible fixed assets	-16,844	-14,930
Right-of-use asset	2,561	1,885
	-19,111	-18,840

Notes

(DKK '000)

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.

Operating leases, low-value leases	2021	2020
Lease commitments falling due for payment within five years of the balance sheet date, total	8,784	5,299
Of this lease commitments falling due within one year	2,940	1,930

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 2021 intercompany balances with the Company (net Liability for AGC Biologics A/S of DKK 256,367 thousand) and a short term intercompany loan (receivable for AGC Biologics A/S of DKK 743,223 thousand), as well as transactions with the Company.

	2021	2020
<i>Related party transactions</i>		
Sale of services	43,905	35,903
Purchase of services	108,683	58,251
Sales of goods	0	291