

Half-year report 2021

**A leading CDMO for
complex peptide
manufacturing**

Innovation – Excellence – Trust

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For purpose of this report, unless the context otherwise requires, the terms "PolyPeptide", "the Group", "we", "us" and "our" mean PolyPeptide Group AG and its consolidated subsidiaries. In various tables, the use of "-" indicates not meaningful or not applicable.

Overview

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Committed to the future



Peter Wilden, Chairman of the Board of Directors



Raymond de Vré, Chief Executive Officer

It is with pleasure and satisfaction that we present the first half-year report of PolyPeptide Group AG following the successful IPO and listing on SIX Swiss Exchange at the end of April. In a business environment still very much impacted by the global coronavirus pandemic, the whole Group continued to strive for flawless execution and for the delivery of high-quality services to our customers. At the same time, we have opened a new chapter in the history of the Group with our listing alongside other leading life sciences peers.

Successful IPO and CEO transition completed

The successful IPO reflects PolyPeptide's strong position in the peptide CDMO market and its commitment to customer satisfaction, cutting-edge technology and continued innovation. It is also a testimony to the successful leadership of Jane Salik who, during a tenure of more than 15 years as CEO, positioned PolyPeptide as a global leader in the industry. Following a smooth transition of responsibilities to Raymond De Vré, Jane is now fully focusing on her new role as a member of the Board of Directors. We are delighted that we can continue to benefit from her knowledge and expertise.

The decision to become a publicly listed company underscores our ambition to further develop the business. We are convinced that we are well positioned for accelerated growth in an increasingly dynamic and competitive environment. Our business model is well proven as evidenced by our track record and the encouraging feedback from our customers. The IPO gives us the possibility to invest in our infrastructure to expand capacity and to integrate new capabilities. In addition, new therapies and treatments allow us to explore adjacent fields to expand our offering and fuel further growth.

Strong half-year results confirming momentum

During the first half of the year, we were able to respond to increasing demand from new and existing customers. Order levels and expanding R&D pipelines continued to underpin the increasing relevance of peptides as therapeutics with broadening indications, innovative development approaches and new

formulations. In addition, our generic segment also experienced increased demand alongside the growing attention of customers to oligonucleotides. During the reporting period we kept responding to these emerging needs.

In the first half of 2021, we achieved revenue growth of 53.9% to EUR 135.1 million compared to the same period in 2020, with a particular strong performance within our custom projects pipeline, where segment revenue more than doubled. This was driven by the progress of several late-stage projects and by a substantial contribution from Novavax, which PolyPeptide is proud to support with the large-scale GMP production of two key intermediates for the novel coronavirus vaccine NVX-CoV2373.

Adjusted EBITDA for the first half of 2021 reached EUR 43.2 million with a margin of 32.0%, notably up by 10.9 percentage points, reflecting strong operating performance.

Increased guidance for 2021

The result of the reporting period in comparison to last years' numbers, however, also mirrors the effect of a rather slow first half of 2020, with an uneven phasing of a few large orders as well as customers reprioritizing their activities at the onset of the coronavirus pandemic.

Given the momentum in the first half of 2021 and our expectation of a continued favorable market environment for the remainder of the year, we are increasing our guidance for the full year of 2021. We now expect revenue growth of around 25%, an adjusted EBITDA margin of around 32% and capital expenditures as percent of revenue of slightly above 20%.

Embracing the needs of stakeholders

As part of our growth and capacity expansion, we remain committed to green technologies and sustainable business conduct. As a publicly listed company, we have decided to formalize our approach to environmental, social and governance matters by establishing an ESG roadmap that we plan to report on in our Annual Report for 2021 onwards. We thank our new shareholders, as well as all other stakeholders, for being part of our journey and for their trust in PolyPeptide.

Last but not least, on behalf of the Board of Directors and the Executive Committee, we would like to thank all our staff for their continued dedication and commitment during the first half of 2021. In an environment of strong growth, they have also been able to successfully deal with the operational challenges related to the coronavirus pandemic, while at the same time delivering on the IPO.

Zug, 16 August 2021

Sincerely,

Peter Wilden
Chairman of the Board of Directors

Raymond De Vré
Chief Executive Officer

Key figures*

| kEUR | H1 2021 | H1 2020 | Change |
|--|---------|---------|-----------|
| Revenue | 135,136 | 87,808 | 53.9% |
| Custom Projects | 76,207 | 33,504 | 127.5% |
| Contract Manufacturing | 45,765 | 42,901 | 6.7% |
| Generics & Cosmetics | 13,164 | 11,403 | 15.4% |
| EBITDA | 39,889 | 18,519 | 115.4% |
| Adjusted ¹ EBITDA | 43,240 | 18,519 | 133.5% |
| Adjusted ¹ EBITDA in % of revenue | 32.0% | 21.1% | 10.9 ppts |
| Operating result (EBIT) | 30,803 | 10,160 | 203.2% |
| Operating result (EBIT) in % of revenue | 22.8% | 11.6% | 11.2 ppts |
| Result for the period | 24,623 | 7,831 | 214.4% |
| Result for the period in % of revenue | 18.2% | 8.9% | 9.3 ppts |
| Earnings per share (EUR), basic | 0.79 | 0.26 | 203.6% |
| Return on net operating assets (RONOA) | 25.6% | 12.2% | 13.4 ppts |
| Cash and cash equivalents (end of period) | 187,362 | 8,727 | – |
| Net cash flow from operating activities | 41,038 | 13,949 | 194.2% |
| Capital expenditures | 24,989 | 9,465 | 164.0% |
| Capital expenditures in % of revenue | 18.5% | 10.8% | 7.7 ppts |
| Total assets (end of period) | 571,950 | 313,888 | 82.2% |
| Equity ratio (end of period) | 67.4% | 50.0% | 17.4 ppts |
| Employees (# of FTEs, average) | 1,026 | 896 | 14.5% |

* This table and report include references to operational indicators, such as customer projects and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, please refer to the section "Definitions and reconciliations" of this report.

¹ Adjusted EBITDA excludes one-off IPO costs of EUR 5.7 million, partly offset by US government loans of EUR 2.4 million waived in context of the coronavirus pandemic.

Revenue structure and project pipeline

Helping patients across multiple diseases

revenue split by therapeutic areas

■ Metabolic ■ Gastrologic ■ Oncologic ■ Cardio- and neurologic ■ Other



Servicing a diversified customer base

revenue split by customer type

■ Large pharma ■ Biotech ■ Other pharma & academia



Providing solutions along the value chain

revenue split by business segments

■ Custom Projects ■ Contract Manufacturing ■ Generics & Cosmetics



Focusing on innovation

number of custom projects by stage of development

■ Pre-clinical ■ Phase I ■ Phase II ■ Phase III

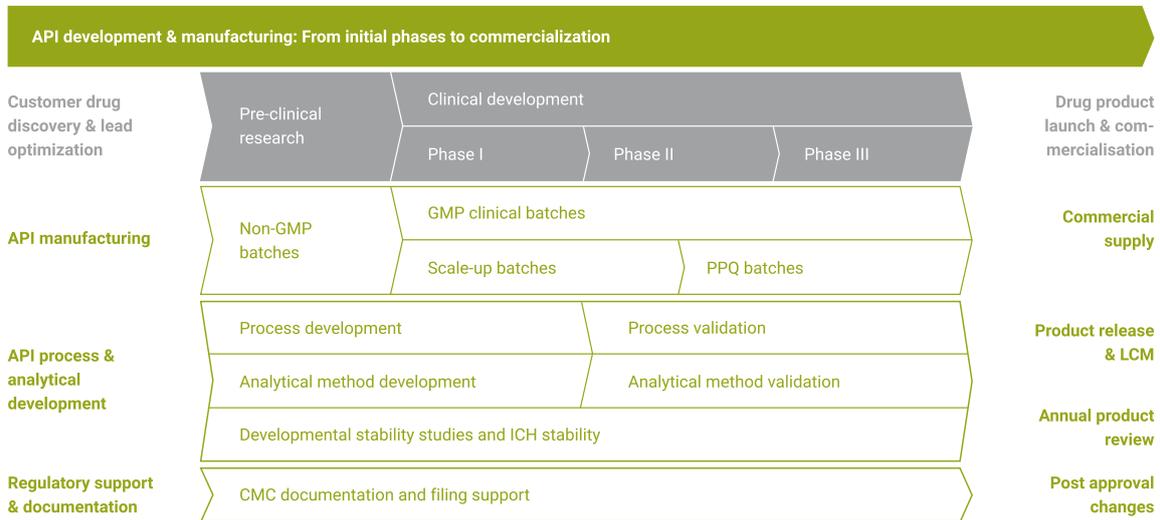


Approximate splits as per 30 June 2021

Business model and values

Start here – stay here

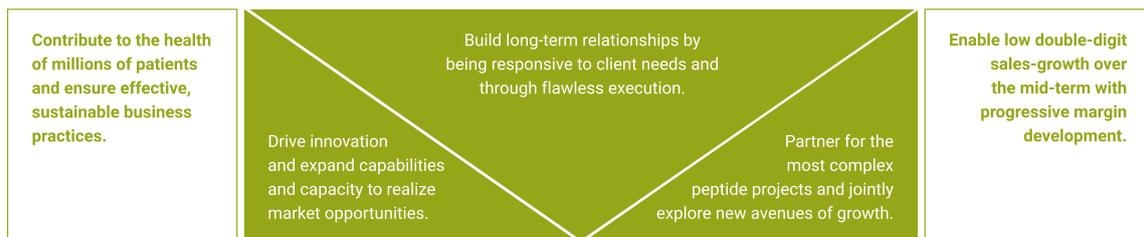
Providing expert knowledge for Active Pharmaceutical Ingredients (API) along the peptide drug value chain of customers



API – Active Pharmaceutical Ingredient; CMC – Chemistry, Manufacturing & Controls; GMP – Good Manufacturing Practice; ICH – International Council for Harmonization; LCM – Life Cycle Management; NDA – New Drug Application; PPQ – Process Performance Qualification.

Innovation – Excellence – Trust

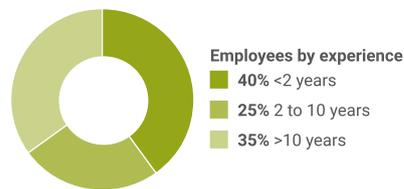
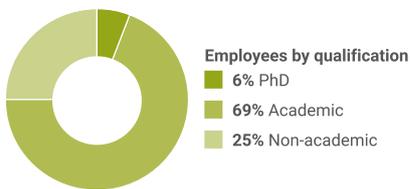
Developing the project pipeline to support customers over the life cycle of their products



Footprint and financial trend

Being close to the customer

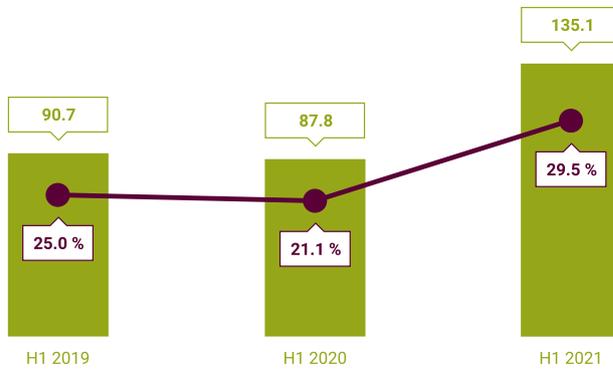
Global footprint with an experienced team and a GMP-certified manufacturing network



Full-time equivalents as per 30 June 2021

Striving for profitable growth

■ Revenue (EUR m) ● EBITDA margin (%)



Business review

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Strong revenue growth and operating leverage amidst encouraging trends

Revenue growth driven by late-stage custom projects

Reporting for the first time since its IPO on SIX Swiss Exchange on 29 April 2021, PolyPeptide's results underscore the company's position as a leader in the peptide CDMO industry, which is marked by increasing demand for peptide-based drugs and a continued trend towards outsourcing and specialization. In the first half of the year, the company responded to a continuously high and promising number of requests from customers, who kept their research and development activities at elevated levels.

PolyPeptide thus generated EUR 135.1 million of revenue for the first half of 2021, representing growth of 53.9% compared to the prior-year period. The increase, however, mirrors the base effect from a subdued first half of 2020, resulting from the uneven phasing of a few large orders as well as from customers reprioritizing their activities at the onset of the coronavirus pandemic.

First-half 2021 revenue was driven by the progress of PolyPeptide's late-stage projects, as evidenced by the Custom Projects segment more than doubling revenue to EUR 76.2 million. This included a substantial contribution from Novavax, which PolyPeptide supports with the large-scale GMP production of two key intermediates for its novel coronavirus vaccine NVX-CoV2373. During the first half of 2021, the custom projects pipeline of PolyPeptide continued to increase, reaching 181 projects as per mid-2021, of which 30 were in phase III of clinical development.

The Contract Manufacturing segment grew by 6.7% to EUR 45.8 million in the first half of 2021, reflecting a healthy product mix, partly offset by lower demand for certain maturing products.

The Generics and Cosmetics segment grew by 15.4% to EUR 13.2 million with higher volumes despite some pricing pressure. Certain initiatives incurred delays as a result of customers' and regulators' focus on coronavirus-related medications.

Increased margins with operating leverage

EBITDA for the period more than doubled to EUR 39.9 million. Excluding one-off IPO costs of EUR 5.7 million, of which EUR 1.3 million related to a cash bonus awarded by the company to certain non-executive employees involved in the IPO process, and excluding the income from US government loans of EUR 2.4 million, which were waived in the context of the coronavirus pandemic, adjusted EBITDA was EUR 43.2 million for the first half of 2021. The adjusted EBITDA margin was 32.0%, up from 21.1% for the first half of 2020.

With the disproportionately lower increase of cost of sales and operating expenses, up by 35.0% and 46.6%, respectively, on a reported basis, PolyPeptide's operating result reached EUR 30.8 million, displaying operating leverage.

The result for the period was EUR 24.6 million, with basic earnings per share amounting to EUR 0.79.

Cash management and strengthened financial position

The net cash flows from operating activities were EUR 41.0 million for the period and included an inflow from the changes in net working capital of EUR 3.2 million, whereby inventories were up by 11.3%, trade receivables down by 14.8% and contract liabilities up by 36.5%, the latter driven by the increase in customer commitments. With net cash flows from investing activities of EUR -35.2 million, the free cash flow amounted to EUR 5.8 million.

PolyPeptide continued to invest in its manufacturing network in the first half of 2021 to provide the additional capacities and technologies needed for the short to mid-term and to improve productivity. Capital expenditures reached EUR 25.0 million compared to EUR 9.5 million in the prior-year period with investments including the installation of large-scale capacities for solid phase synthesis, chromatography and freeze drying at several sites, the build-up of new capabilities, further digitalization efforts and the refurbishing of certain buildings.

Cash and cash equivalents as per mid-2021 reached EUR 187.4 million, including net inflows of EUR 172.0 million from the IPO, compared to EUR 17.2 million as per the end of 2020. With total financial debt of EUR 56.1 million, the net cash position of the company was EUR 131.3 million as per mid-2021, up from EUR -47.1 million at end-2020.

Following the IPO, PolyPeptide refinanced an existing EUR 25 million term loan and instead agreed to a money market loan, which it plans to repay during the second half of the year. Total equity increased to EUR 385.7 million, up from EUR 177.7 million as per the end of 2020, bringing the equity ratio to 67.4%.

The return on net operating assets for the period (based on the last twelve months' rolling numbers) reached 25.6%, compared to 12.2% in the first half of 2020, driven by the higher operating result and the disproportionately lower increase of the average net operating assets by 8.5% to EUR 253.9 million.

Organizational and strategic progress

To support growth, PolyPeptide hired additional employees across sites, with average full-time equivalents in the first half of 2021 up by 14.5% to 1,026 compared to the prior-year period. With the IPO, a new Board of Directors was elected, along with the establishment of the Innovation & Technology, the Remuneration & Nomination and the Audit & Risk committees. The leadership transition to Raymond De Vré, who was appointed CEO as of the first trading day on SIX Swiss Exchange on 29 April 2021, was completed during the reporting

period. As already announced, the group's previous long-time CEO, Jane Salik, has now stepped down from the Executive Committee and will exclusively devote her time to her role as a member of the Board of Directors. In June 2021, PolyPeptide announced the creation of a General Counsel function at the Executive Committee level and appointed Christina Del Vecchio for the role, who will start on 1 September 2021.

Further efforts included the roll-out of an ESG roadmap to address environmental, social and governance topics in a more structured approach, building on the foundation laid over recent years, mostly at site level. As per the reporting date, four out of the six manufacturing sites have been assessed by EcoVadis and rated with silver or gold.

In terms of customer and staff satisfaction, both the annual customer survey and an inaugural employee engagement survey showed positive results, confirming PolyPeptide's strong customer orientation and corporate culture.

Given the business momentum, PolyPeptide reviewed its investment plans to meet enhanced mid-term capacity requirements. It maintained its efforts to also address the emerging market for oligonucleotides with current customers expanding their activities into this new area, which has an industrial logic very similar to the peptide market. The group has hired an expert team and plans to serve its first customers around end-2021 with lab space and a pilot GMP facility currently under construction at the site in Torrance, California.

Outlook

PolyPeptide expects the market environment to remain favorable throughout the remainder of the year. Against the backdrop of its first-half 2021 performance and to meet the enhanced capacity requirements, it raises its full-year guidance for 2021 to revenue growth of around 25% (previously 16% to 18%), adjusted EBITDA margin of around 32% (around 28%) and capital expenditures as percent of revenue of slightly above 20% (around 17%).

Over the medium term, the group continues to expect revenue growth in the low teens with an adjusted EBITDA margin of around 30%. With the proceeds from the IPO, PolyPeptide believes that it is well positioned to grow through a strong focus on innovation, new state-of-the-art infrastructures and accelerated organic growth, complemented by bolt-on M&A, subject to suitable opportunities.

Financial report

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Interim consolidated income statement

For the six months ended 30 June 2021 (unaudited)

| kEUR | Note | H1 2021 | H1 2020 |
|--|------|----------------|----------------|
| Revenue | 4 | 135,136 | 87,808 |
| Other operating income | | 2,936 | 619 |
| Total income | | 138,072 | 88,427 |
| Cost of sales | | -86,839 | -64,327 |
| Gross profit | | 51,233 | 24,100 |
| Marketing and sales expenses | | -2,133 | -1,791 |
| Research expenses | | -696 | -599 |
| General and administrative expenses | | -17,601 | -11,550 |
| Total operating expenses | | -20,430 | -13,940 |
| Operating result | | 30,803 | 10,160 |
| Financial income | | 6 | 44 |
| Financial expenses | | -1,282 | -904 |
| Total financial result | | -1,276 | -860 |
| Result before income taxes | | 29,527 | 9,300 |
| Income tax charges | | -4,904 | -1,469 |
| Result for the period | | 24,623 | 7,831 |
| Attributable to shareholders of PolyPeptide Group AG | | 24,623 | 7,831 |
| Result for the period | | 24,623 | 7,831 |
| Earnings per share in EUR, basic | | 0.79 | 0.26 |
| Earnings per share in EUR, diluted | | 0.79 | 0.26 |

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2021 (unaudited)

| kEUR | Note | H1 2021 | H1 2020 |
|--|------|---------------|--------------|
| Result for the period | | 24,623 | 7,831 |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Exchange differences on translation of foreign operations, net of tax | | 1,553 | -299 |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | | 1,553 | -299 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Remeasurement gains (losses) on defined benefit plans | | 3,877 | -132 |
| Income tax effect | | -889 | 37 |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | | 2,988 | -95 |
| Other comprehensive result for the period, net of taxes | | 4,541 | -394 |
| Total comprehensive result for the period, net of taxes | | 29,164 | 7,437 |
| Attributable to shareholders of PolyPeptide Group AG | | 29,164 | 7,437 |

Interim consolidated statement of financial position

(Unaudited)

| Assets, kEUR | Note | As at 30 June 2021 | As at 31 December 2020 |
|----------------------------------|------|--------------------|------------------------|
| Non-current assets | | | |
| Intangible assets | | 12,961 | 12,556 |
| Property, plant and equipment | | 174,667 | 156,930 |
| Right-of-use assets | | 13,858 | 12,878 |
| Deferred income tax assets | | 13,065 | 13,548 |
| Other financial assets | | 211 | 201 |
| Total non-current assets | | 214,762 | 196,113 |
| Current assets | | | |
| Inventories | | 104,879 | 94,269 |
| Trade receivables | | 45,579 | 53,494 |
| Contract assets | | 685 | 2,044 |
| Corporate income tax receivables | | 6,395 | 5,826 |
| Other current assets | | 12,289 | 7,021 |
| Cash and cash equivalents | | 187,362 | 17,208 |
| Total current assets | | 357,189 | 179,862 |
| Total assets | | 571,950 | 375,975 |

Interim consolidated statement of financial position (continued)

| Equity and liabilities, kEUR | Note | As at 30 June 2021 | As at 31 December 2020 |
|--|------|--------------------|------------------------|
| Equity attributable to equity holders of the parent | | | |
| Share capital | 10 | 302 | 33,000 |
| Share premium | 10 | 212,800 | 2,340 |
| Translation reserve | | -4,063 | -5,616 |
| Treasury shares | 10 | -1,370 | - |
| Other capital reserves | 10 | 2,468 | - |
| Retained earnings | | 175,547 | 147,936 |
| Total equity | | 385,684 | 177,660 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 854 | 876 |
| Pensions | | 36,458 | 39,128 |
| Provisions | | 5,690 | 4,312 |
| Interest-bearing loans and borrowings | 9 | 0 | 25,000 |
| Lease liabilities | | 11,119 | 10,454 |
| Other financial liabilities | | 10,808 | 16,697 |
| Total non-current liabilities | | 64,929 | 96,467 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 9 | 25,000 | 0 |
| Lease liabilities | | 2,175 | 1,979 |
| Other financial liabilities | | 6,955 | 10,199 |
| Corporate income tax payable | | 6,262 | 8,276 |
| Trade payables | | 13,134 | 28,359 |
| Contract liabilities | | 45,709 | 33,480 |
| Other current liabilities | | 22,103 | 19,555 |
| Total current liabilities | | 121,338 | 101,848 |
| Total liabilities | | 186,267 | 198,315 |
| Total equity and liabilities | | 571,950 | 375,975 |

Interim consolidated statement of changes in equity

For the six months ended 30 June 2021 (unaudited)

| kEUR | Attributable to equity holders of the parent | | | | | | Total |
|--|--|---------------|---------------------|-----------------|------------------------|-------------------|----------------|
| | Share capital | Share premium | Translation reserve | Treasury shares | Other capital reserves | Retained earnings | |
| Balance as at 1 January 2020 | 33,000 | 2,340 | -2,694 | 0 | 0 | 116,770 | 149,416 |
| Result for the period | | | | | | 7,831 | 7,831 |
| Re-measurement losses on defined benefit plans | | | | | | -95 | -95 |
| Currency exchange differences | | | -299 | | | | -299 |
| Total comprehensive income | | | -299 | 0 | 0 | 7,736 | 7,437 |
| Balance as at 30 June 2020 | 33,000 | 2,340 | -2,993 | 0 | 0 | 124,506 | 156,853 |

| kEUR | Attributable to equity holders of the parent | | | | | | Total |
|---|--|----------------|---------------------|-----------------|------------------------|-------------------|----------------|
| | Share capital | Share premium | Translation reserve | Treasury shares | Other capital reserves | Retained earnings | |
| Balance as at 1 January 2021 | 33,000 | 2,340 | -5,616 | 0 | 0 | 147,936 | 177,660 |
| Result for the period | | | | | | 24,623 | 24,623 |
| Re-measurement losses on defined benefit plans | | | | | | 2,988 | 2,988 |
| Currency exchange differences | | | 1,553 | | | | 1,553 |
| Total comprehensive income | 0 | 0 | 1,553 | 0 | 0 | 27,611 | 29,164 |
| Business restructuring | -33,000 | 33,000 | | | | | 0 |
| Incorporation of PolyPeptide Group AG | 273 | | | | | | 273 |
| Issue of new shares | 29 | 182,112 | | | | | 182,141 |
| IPO-related costs charged to equity | | -4,652 | | | | | -4,652 |
| Purchase of own shares | | | | -5,464 | | | -5,464 |
| Share-based payment | | | | | 3,564 | | 3,564 |
| Transfer of own shares | | | | 4,094 | -4,094 | | 0 |
| Repayment by Draupnir Holding B.V. related to IPO bonus | | | | | 2,998 | | 2,998 |
| Balance as at 30 June 2021 | 302 | 212,800 | -4,063 | -1,370 | 2,468 | 175,547 | 385,684 |

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim consolidated statement of cash flows

For the six months ended 30 June 2021 (unaudited)

| kEUR | H1 2021 | H1 2020 |
|---|----------------|----------------|
| Cash flow from operating activities | | |
| Result for the period | 24,623 | 7,831 |
| <i>Adjustments to reconcile cash generated by operating activities:</i> | | |
| Depreciation and amortization | 9,086 | 8,974 |
| Movement in provisions | 1,429 | 1,889 |
| Movement in pensions | 1,363 | 401 |
| Share-based payment expense | 567 | 0 |
| Financial income | -6 | -44 |
| Financial expenses | 1,282 | 904 |
| Income tax charge | 4,903 | 1,469 |
| Government grant income | -2,370 | 0 |
| IPO-related transaction costs | 5,721 | 0 |
| <i>Changes in working capital:</i> | | |
| (Increase) / decrease in inventories | -10,610 | -17,075 |
| (Increase) / decrease in trade receivables | 7,915 | -3,976 |
| (Increase) / decrease in contract assets | 1,359 | 1,044 |
| (Increase) / decrease in other financial assets | -10 | 71 |
| (Increase) / decrease in other current assets | -5,268 | 4,013 |
| Increase / (decrease) in trade payables | -4,980 | -614 |
| Increase / (decrease) in contract liabilities | 12,229 | 12,546 |
| Increase / (decrease) in other current liabilities | 2,548 | 2,537 |
| Cash generated from operations | 49,781 | 19,970 |
| Interest income received | 6 | 44 |
| Interest expenses paid | -1,060 | -1,668 |
| Income taxes paid | -7,689 | -4,397 |
| Net cash flows from operating activities | 41,038 | 13,949 |
| Cash flow from investing activities | | |
| Acquisition of intangible assets | -1,969 | -1,550 |
| Acquisition of property, plant and equipment | -33,265 | -13,544 |
| Disposal of property, plant and equipment | 57 | 70 |
| Net cash flows from investing activities | -35,177 | -15,024 |

Interim consolidated statement of cash flows (continued)

| kEUR | H1 2021 | H1 2020 |
|---|----------------|---------------|
| Cash flow from financing activities | | |
| Proceeds from the issue of ordinary shares | 182,141 | 0 |
| Purchase of own shares | -5,464 | 0 |
| IPO-related transaction costs | -4,690 | 0 |
| Repayment of long-term borrowings from banks | -25,000 | 0 |
| Proceeds from short-term borrowings from banks | 25,000 | 0 |
| Repayment of lease liabilities | -1,005 | -382 |
| Repayment of other financial liabilities | -7,296 | -6,554 |
| Net cash flow from financing activities | 163,686 | -6,936 |
| Net movement in cash and cash equivalents | 169,547 | -8,011 |
| Cash and cash equivalents at the beginning of the period | 17,208 | 17,508 |
| Net foreign currency exchange differences | 607 | -770 |
| Cash and cash equivalents at the end of the period | 187,362 | 8,727 |

Notes to the interim consolidated financial statements

1 Basis of preparation

Since 2007, PolyPeptide Laboratories Holding B.V. (incorporated under the laws of The Netherlands) was the holding company of the Group, consisting of six integrated operating subsidiaries located in Sweden, USA, France, India, and Belgium plus a dormant company located in Denmark and a dormant company in the process of liquidation in Germany.

As part of the preparations for the IPO on SIX Swiss Exchange (SIX) on 29 April 2021, all the shares of PolyPeptide Laboratories Holding B.V. were contributed into a new Swiss entity, PolyPeptide Group AG, in the form of a capital contribution. As a result, PolyPeptide Group AG became the new parent holding company of the Group.

PolyPeptide Group AG (the "Company") was incorporated in Switzerland on 6 April 2021. The registered office of the Company is Dammstrasse 19, 6300 Zug, Switzerland. The Company is a 60% subsidiary of Draupnir Holding B.V., a company registered in The Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Foundation Mamont, a foundation registered on Guernsey of which Mr. Frederik Paulsen (1006 Lausanne, Vaud, Switzerland) is at present the principal beneficiary pursuant to the charter of the Mamont Foundation governed by the laws of Guernsey.

In accordance with the International Financial Reporting Standards (IFRS) the aforementioned reorganisation is not considered to be a business combination under IFRS 3 *Business Combinations*, but rather the continuation of the existing business activities of the Group with a new parent entity. As a result, the interim consolidated financial statements of PolyPeptide Group AG are presented using the values from the consolidated financial statements of the previous group holding entity, PolyPeptide Laboratories Holding B.V. Equity figures for the comparative period are based on actual circumstances, and therefore presented for the preceding holding company PolyPeptide Laboratories Holding B.V. A detailed reconciliation is set out in note 10.

These condensed consolidated financial statements are the unaudited, interim consolidated financial statements (hereafter "the half-year report") of PolyPeptide Group AG and its subsidiaries (hereafter "the Group") for the six-month period ended 30 June 2021 (hereafter "the interim period"). The half-year report is prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting*. The half-year report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020 (hereafter "the annual report") as it provides an update of the previously reported information. The accounting policies adopted in the half-year report are

consistent with those of the previous financial year. The half-year report does not include all of the information required for a complete set of IFRS financial statements.

The preparation of the half-year report requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the half-year report, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

There were no new standards or amendments to existing standards that have a material effect on the Group's half-year report. However, share-based payment to eligible members of the Board of Directors, the Executive Committee and certain other senior managers was introduced during the first half year of 2021. As a result, IFRS 2 – *Share-based Payment* now applies for the preparation and presentation of the interim consolidated financial statements.

All amounts are stated in thousands of Euros, unless otherwise stated.

The half-year report was approved by the Board of Directors as at 16 August 2021.

2 Segment information

The segment disclosures provided below reflect the information used by the Executive Committee for allocating resources and assessing the performance of the business.

The segments have been derived from internal reporting and the performance is assessed by revenues generated.

Revenue - business segments

| kEUR | H1 2021 | H1 2020 |
|------------------------|----------------|---------------|
| Custom Projects | 76,207 | 33,504 |
| Contract Manufacturing | 45,765 | 42,901 |
| Generics and Cosmetics | 13,164 | 11,403 |
| Total revenue | 135,136 | 87,808 |

Geographical areas

Shown below are the carrying amounts of non-current assets other than deferred income tax assets and other financial assets, broken down by location of the assets. Related additions to intangible assets and property, plant and equipment (PP&E) during the year and revenues generated from the location of the assets are shown as well.

| H1 2021, kEUR | USA | Europe & Asia | Total |
|---|--------|---------------|---------|
| Revenue | 37,577 | 97,559 | 135,136 |
| Additions to intangible assets and PP&E | 15,259 | 9,730 | 24,989 |
| Non-current assets, carrying amount | 60,331 | 141,155 | 201,486 |

| H1 2020, kEUR | USA | Europe & Asia | Total |
|---|--------|---------------|---------|
| Revenue | 27,958 | 59,850 | 87,808 |
| Additions to intangible assets and PP&E | 3,337 | 6,128 | 9,465 |
| Non-current assets, carrying amount | 38,181 | 144,183 | 182,364 |

3 Seasonality

The activities of PolyPeptide are not subject to seasonal or cyclical variations in the underlying business. However, PolyPeptide may experience variability in its revenue across periods as a result of, among other things, the timing of customer purchase orders and payments, investments made during the period, increased competition, the number of selling days in a period and fluctuation of foreign currency exchange rates.

4 Revenue

Revenue from contracts with customers

| H1 2021, kEUR | API | Related services | Total |
|---|----------------|------------------|----------------|
| <i>Timing of transfer of goods and services</i> | | | |
| Point in time | 126,353 | | 126,353 |
| Over time | | 8,783 | 8,783 |
| Total revenue | 126,353 | 8,783 | 135,136 |

| H1 2020, kEUR | API | Related services | Total |
|---|---------------|------------------|---------------|
| <i>Timing of transfer of goods and services</i> | | | |
| Point in time | 78,988 | | 78,988 |
| Over time | | 8,820 | 8,820 |
| Total revenue | 78,988 | 8,820 | 87,808 |

Revenues from Active Pharmaceutical Ingredients (API) fully relate to the sale of goods and revenues from related services relate to the rendering of services. All revenues from contracts with customers classify as business-to-business.

Revenue by geographical area

| kEUR | H1 2021 | H1 2020 |
|----------------------|----------------|----------------|
| Americas | 51,962 | 41,783 |
| Europe | 75,340 | 38,433 |
| Asia Pacific | 5,766 | 7,330 |
| Others | 2,068 | 262 |
| Total revenue | 135,136 | 87,808 |

Revenue is attributed to the individual geographical area based on the invoice address of the respective customer.

5 IPO costs

The following IPO-related expenses are included within 'General and administrative expenses' in the income statement for the six months ended 30 June 2021:

| Item | kEUR |
|-----------------------|---------------|
| Consultancy services | -1,381 |
| IPO cash bonus | -1,342 |
| IPO share bonus | -2,998 |
| Total IPO cost | -5,721 |

The IPO cash bonus amount relates to the bonus award made by the Company after the IPO to selected non-executives involved in the IPO process. The IPO share bonus amount relates to expenses incurred by the Company in relation to the shares awarded by Draupnir Holding B.V. in the IPO process, such expenses will be fully reimbursed by Draupnir Holding B.V.

In addition, an amount of kEUR 4,652 relating to consultancy services, Swiss Federal Issue Stamp Tax and Bank Commissions has been charged directly to the share premium reserve in accordance with IAS 32 – *Financial Instruments: Presentation*.

6 Share-based payment

Share-based payment was introduced as part of the IPO on SIX on 29 April 2021. Eligible members of the Board of Directors and the Executive Committee as well as other eligible employees and a former Director of PolyPeptide Laboratories Holding B.V. were granted shares at an amount of kEUR 2,998 which vested immediately upon the listing. As a result, the amount was recognized as an expense in the income statement.

In addition, at least half of the base fee to members of the Board of Directors is paid in shares in the Company and the remainder in cash, whereby board members have the option to elect to be paid up to 100% of their base fee in shares. For board members electing to receive more than 50% of their base fee in shares, the shares exceeding the 50% portion will be granted at a discount of 20% to market price. For the current period (i.e. until the annual shareholders' meeting in 2022), the Board of Directors are compensated on a pro-rata basis for the period of service even in the case of early termination or removal. An amount of kEUR 415 has been recognized as an expense in the income statement for the six months ended 30 June 2021 relating to the share-based payment to members of the Board of Directors.

Furthermore, as compensation for the loss of unvested options from his previous employer, CEO Raymond de Vré was granted a one-time grant of shares at a value of CHF 750,000 which was calculated at a 20% discount to the IPO offer price of CHF 64. The shares are vesting over a period of three years, one-third each year. The shares are entitled to dividends, if any, also during the vesting period.

To further compensate Raymond de Vré for his loss of variable payments for 2020 and 2021, he has been granted CHF 100,000 in shares at 15% discount to the IPO offer price of CHF 64 vesting at the end of June 2022. An amount of kEUR 152 has been recognized as an expense in the income statement for the six months ended 30 June 2021 relating to the shares granted to Raymond de Vré.

7 Investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below. Details of investments in subsidiaries as at 30 June are as follows:

| Name | Location | Percentage of ownership | |
|---|----------------------------|-------------------------|------------------|
| | | 30 June 2021 | 31 December 2020 |
| PolyPeptide Laboratories Holding B.V. | Hoofddorp, The Netherlands | 100% | 100% |
| PolyPeptide Laboratories Holding (PPL) AB | Malmö, Sweden | 100% | 100% |
| PolyPeptide S.A. | Braine, Belgium | 100% | 100% |
| PolyPeptide Laboratories (Sweden) AB | Malmö, Sweden | 100% | 100% |
| PolyPeptide Laboratories A/S | Hillerød, Denmark | 100% | 100% |
| PolyPeptide Institute Spol S.r.o. | Prague, Czech Republic | 0% | 100% |
| PolyPeptide Laboratories GmbH | Wolfenbüttel, Germany | 100% | 100% |
| PolyPeptide Laboratories Inc. | Torrance, USA | 100% | 100% |
| PolyPeptide Laboratories San Diego LLC | San Diego, U.S.A. | 100% | 100% |
| PolyPeptide Labs Pvt Ltd | Mumbai, India | 100% | 100% |
| PolyPeptide Laboratories France SAS | Strasbourg, France | 100% | 100% |

Percentage of voting shares is equal to percentage of ownership.

PolyPeptide Institute Spol S.r.o. has been liquidated during the first six months of 2021 and PolyPeptide Laboratories GmbH is in the process of liquidation. No further financial impact is expected related to the final liquidation of this company.

8 Related party disclosure

The following transactions have been entered into with related parties:

| H1 2021, kEUR | Income from related parties | Purchases from related parties | Amounts due from related parties | Amounts due to related parties |
|---|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| <i>Entity with control over the company</i> | | | | |
| Draupnir Holding B.V. | 4,299 | -221 | 4,299 | - |
| <i>Other related entities</i> | | | | |
| Thalamus | - | -87 | - | - |
| Ferring Group | 18,483 | -3 | 51 | -3 |
| Monedula AB | - | -611 | - | -124 |
| Amzell B.V. | 35 | - | - | - |

| H1 2020, kEUR | Income from related parties | Purchases from related parties | Amounts due from related parties | Amounts due to related parties |
|-------------------------------|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| <i>Other related entities</i> | | | | |
| Draupnir Holding B.V. | - | -442 | - | - |
| Thalamus | - | -93 | - | - |
| Ferring Group | 24,521 | - | 116 | - |
| Monedula AB | - | -659 | - | -137 |
| Amzell B.V. | 84 | - | 77 | - |

All disclosed related parties are either related through the C&P Investors Group ownership structure or through managerial control.

Purchases from and amounts due from Draupnir Holding B.V. relate to service and insurance fees.

Purchases from and amounts due to Thalamus AB relate to rental of premises. Income from the Ferring Group and amounts due from the Ferring Group relate to sale of goods.

Purchases from Monedula AB relates to the lease of premises. Income from Monedula relates to property management fees and recharged improvements to the premises.

Income from and amounts due from Amzell B.V. relates to sale of goods.

9 Short-term borrowings from banks

As at 31 December 2020, the Group had a EUR 25.000.000 Term loan from Danske Bank (due 29 August 2022) included as non-current liabilities.

The Group refinanced this Term loan in June 2021 and instead agreed to a EUR 25.000.000 short term Money Market loan from Danske Bank, which is scheduled to be paid back in Q3 2021. The short-term Money Market loan is included as current liabilities as at 30 June 2021.

10 Shareholders' equity

The parent company of the Group, PolyPeptide Group AG, was incorporated on 6 April 2021 with 30,000,000 shares with a nominal value of CHF 0.01 each, corresponding to a share capital of CHF 300,000.

The contribution of all the shares of PolyPeptide Laboratories Holding B.V. into PolyPeptide Group AG increased the share capital by CHF 0.01.

In connection with the IPO, PolyPeptide Group AG increased its initial share capital by issuing 3,125,000 shares with a nominal value of CHF 0.01 each, corresponding to an increase in its share capital of CHF 31,250. This transaction increased the share premium reserve by CHF 199,968,750.

As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 shares of CHF 0.01 each as of 30 June 2021. All shares are fully paid.

On 29 April 2021, PolyPeptide Group AG purchased 93,750 own shares to be held as treasury shares at the IPO offer price of CHF 64.

11 Earnings per share

Basic earnings per share has been calculated by dividing the result for the period attributable to the owners of the Company by the weighted average number of shares outstanding during the period. Treasury shares are not considered as outstanding shares. As described in note 1, the parent company of the Group changed during 2021. However, due to the predecessor accounting for this reorganization, basic earnings per share for the first six months of 2020 has been calculated based on the total number of outstanding shares of 30,000,001, corresponding to the share capital of PolyPeptide Group AG prior to the capital increase of 3,125,000 shares, cf. the description above in note 10.

Diluted earnings per share is calculated by dividing the result for the period attributable to the owners of the Company by the weighted average number of shares outstanding adjusted for all potentially dilutive shares. Dilutive shares arise from the share-based payment described in note 6. Since share-based payment was not introduced in 2020, there is no dilution effect on earnings per share for the first six months of 2020.

12 Subsequent events

There have been no significant events subsequent to the balance sheet date, which would require additional disclosure in the interim financial statements.

Definitions and reconciliations

Selected information provided in this report include operational indicators or alternative financial performance measures (APM) that are not accounting measures defined by IFRS. The Group believes that investor understanding of PolyPeptide's performance is enhanced by disclosing such indicators and measures, since they provide additional insights into the underlying business, strategic progress and/or financial performance. Operational indicators and alternative financial performance measures should not be considered as substitutes to the Group's consolidated financial results based on IFRS. They may not be comparable to similarly titled measures by other companies. This section includes the definitions of the main operational indicators and financial performance measures provided as well as a reconciliation of selected alternative financial measures to the most directly reconcilable IFRS line item.

| | |
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Abbreviations

API – Active Pharmaceutical Ingredient

APM – Alternative Financial Performance Measure

CAGR – Compound Annual Growth Rate

CDMO – Contract Development and Manufacturing Organization

CMC – Chemistry, Manufacturing & Controls

GMP – Good Manufacturing Practice

ICH – International Council for Harmonization

IPO – Initial Public Offering

LCM – Life Cycle Management

NDA – New Drug Application

PPQ - Process Performance Qualification

SIX – SIX Swiss Exchange

Operational indicators

As part of our financial disclosure we report revenue from our custom projects segment, and we occasionally make implicit or explicit reference to the underlying project pipeline as an indicator to measure operational performance. This includes the number of projects in total or in categories. Our project count for a given period includes only projects that are invoiced to our customers. Projects with parallel activities at more than one site, or which are transferred from one site to another, or which included multiple peptides are counted as one project. The synthesis or on-time manufacturing of small quantities of peptides, mostly for research or academic use, is not considered as a project.

Our reference to

- **pre-clinical projects** includes non-GMP manufacturing for the lead candidate selection, and subsequent non-GMP manufacture of the selected API for pre-clinical & toxicological studies;
- **phase I and phase II** projects include GMP manufacturing of the API for phase I and II clinical trials, including stability studies, process and analytical development as well as regulatory documentation;
- **phase III projects** includes GMP manufacturing of an API for the use in phase III clinical trials, including process validation (manufacturing of PPQ batches) and analytical methods validation as well as regulatory documentation (NDA filing support).

Alternative financial performance measures (APM)

EBITDA: Operating result (EBIT) plus depreciation, amortization and impairment charges (if any).

EBITDA Margin: EBITDA as a percentage of revenue.

Adjusted EBITDA: EBITDA adjusted for non-recurring expenses or income to better reflect the underlying performance of the business.

Adjusted EBITDA Margin: Adjusted EBITDA as a percentage of revenue.

Capital expenditures (Capex): Investments in property, plant and equipment assets and intangible assets capitalized during a reporting period.

Net operating assets: The sum of Non-current assets plus Current assets less Cash and cash equivalents less Current liabilities.

Return on net operating assets (RONOA): Last twelve months Operating result in percent of average Net operating assets.

Equity ratio: Equity at the end of the period divided by Total assets at the end of the period.

Free Cash Flow (FCF): Net cash flows from operating activities less cash paid for acquisition of intangible assets less cash paid for acquisition of property, plant and equipment assets.

Net Cash: Cash and cash equivalents less interest-bearing loans and borrowings less lease liabilities less other financial liabilities.

Reconciliations

Operating result to EBITDA and Adjusted EBITDA

| kEUR | H1 2021 | H1 2020 |
|--|---------------|---------------|
| Operating result | 30,803 | 10,160 |
| Depreciation, amortization and impairment charges (if any) | 9,086 | 8,359 |
| EBITDA | 39,889 | 18,519 |
| Government loans waived | -2,370 | 0 |
| IPO consultancy services | 1,381 | 0 |
| IPO cash bonus | 1,342 | 0 |
| IPO share bonus | 2,998 | 0 |
| Adjusted EBITDA | 43,240 | 18,519 |

For further information, see also note 5 to the financial statements.

Free Cash Flow

| kEUR | H1 2021 | H1 2020 |
|--|--------------|---------------|
| Net cash flows from operating activities | 41,038 | 13,949 |
| Acquisition of intangible assets | -1,969 | -1,550 |
| Acquisition of property, plant and equipment | -33,265 | -13,544 |
| Free Cash Flow | 5,804 | -1,145 |

Net Cash

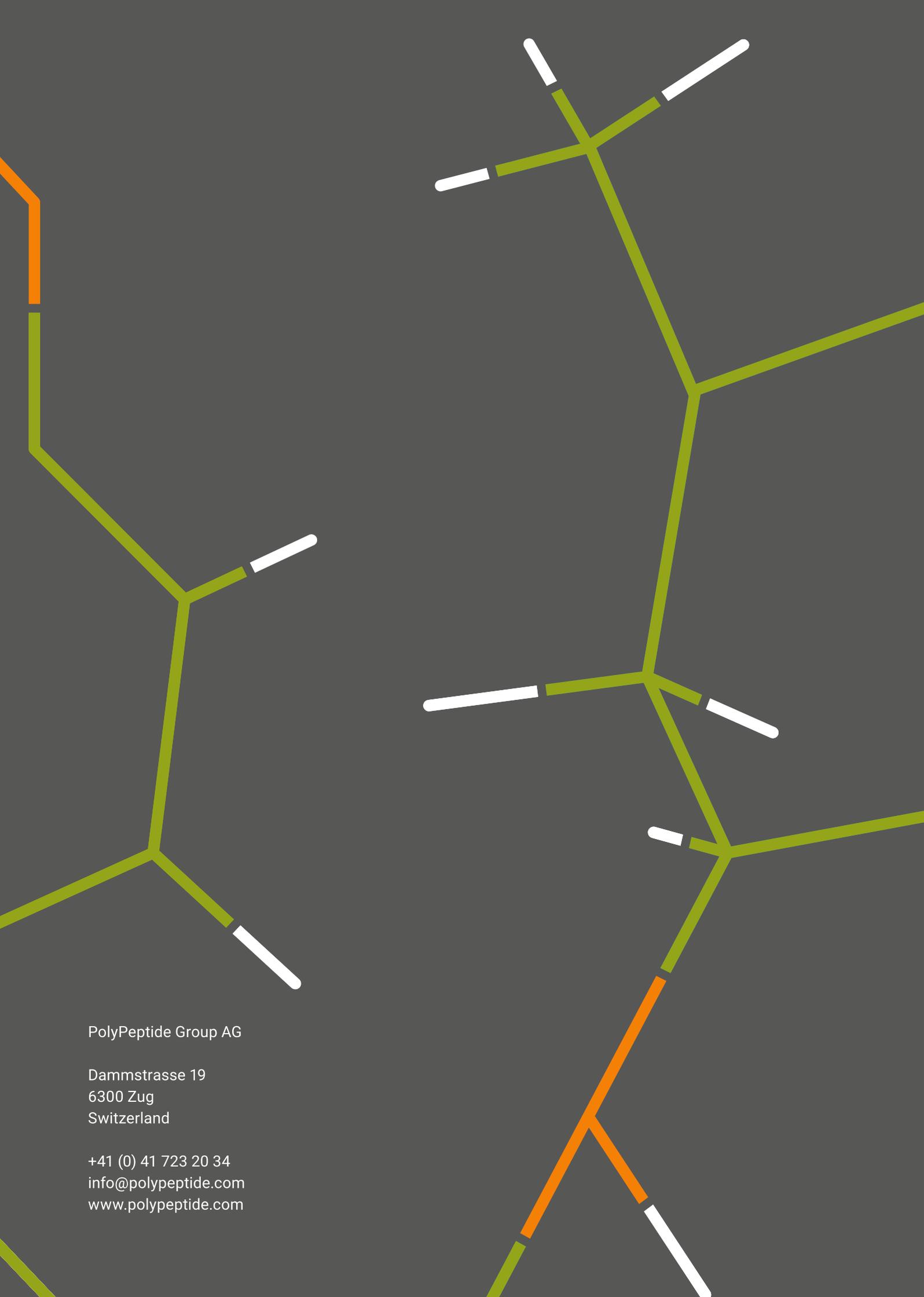
| kEUR | As at 30 June 2021 | As at 31 December 2020 |
|--|--------------------|------------------------|
| Cash and cash equivalents | 187,362 | 17,208 |
| Interest-bearing liabilities (Total financial debt): | | |
| Interest-bearing loans and borrowings (Non-current) | 0 | -25,000 |
| Lease liabilities (Non-current) | -11,119 | -10,454 |
| Other financial liabilities (Non-current) | -10,808 | -16,697 |
| Interest-bearing loans and borrowings (Current) | -25,000 | 0 |
| Lease liabilities (Current) | -2,175 | -1,979 |
| Other financial liabilities (Current) | -6,955 | -10,199 |
| Interest-bearing liabilities (Total financial debt) | -56,057 | -64,329 |
| Net Cash | 131,305 | -47,121 |

Return on net operating assets (RONOA)

| kEUR | H1 2021 | H1 2020 |
|---|--------------|--------------|
| Last twelve months Operating result | 65,021 | 28,483 |
| Average Net operating assets: | | |
| Total non-current assets | 188,895 | 153,546 |
| Total current assets | 254,024 | 143,315 |
| Cash and cash equivalents | -98,045 | -8,268 |
| Total current liabilities | -90,965 | -54,661 |
| Average Net operating assets | 253,909 | 233,932 |
| Return on net operating assets (RONOA) | 25.6% | 12.2% |

Cautionary statement on forward looking information: This report has been prepared by PolyPeptide Group AG and includes forward-looking information and statements concerning the outlook for its business. These statements are based on current expectations, estimates and projections about the factors that may affect its future performance. These expectations, estimates and projections are generally identifiable by statements containing words such as 'expects', 'believes', 'estimates', 'targets', 'plans', 'outlook' or similar expressions. There are numerous risks, uncertainties and other factors, many of which are beyond PolyPeptide Group AG's control, that could cause its actual results to differ materially from the forward-looking information and statements made in this report and which could affect its ability to achieve its stated targets. Although PolyPeptide Group AG believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Alternative performance measures (APM): This report contains references to operational indicators, such as customer projects and APM that are not defined or specified by IFRS, including EBITDA, adjusted EBITDA, adjusted EBITDA margin, net operating assets, return on net operating assets, capital expenditures, equity ratio, net working capital, free cash flow, net cash and total financial debt. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based on IFRS. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, refer to the section "Definitions and reconciliations" in this report.



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