PolyPeptide GROUP

Annual Report 2021

A leading CDMO for complex peptide manufacturing

Innovation – Excellence – Trust

Financial Report

Consolidated financial statements

Consolidated income statement

1 January - 31 December

kEUR	Note	2021	2020
Revenue	3	282,126	223,033
Other operating income	3	4,091	1,778
Total income		**286,217**	**224,811**
Cost of sales		-182,426	-151,108
Gross profit		**103,791**	**73,703**
Marketing and sales expenses	3	-3,864	-3,640
Research expenses	3	-1,407	-1,312
General and administrative expenses	3	-34,355	-24,373
Total operating expenses		**-39,626**	**-29,325**
Operating result (EBIT)		**64,165**	**44,378**
Financial income	3	653	106
Financial expenses	3	-4,970	-6,799
Total financial result		**-4,317**	**-6,693**
Result before income taxes		**59,848**	**37,685**
Income tax charges	5	-12,590	-6,350
Result for the year		**47,258**	**31,335**
Attributable to shareholders of PolyPeptide Group AG		47,258	31,335
Earnings per share in EUR, basic	7	1.47	1.04
Earnings per share in EUR, diluted	7	1.47	1.04

Consolidated statement of comprehensive income

1 January - 31 December

kEUR	Note	2021	2020
Result for the year		47,258	31,335
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		14,901	-2,922
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**14,901**	**-2,922**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain / (loss) on defined benefit plans		1,187	-240
Income tax effect	5	-354	71
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**833**	**-169**
Other comprehensive result for the year, net of taxes		**15,734**	**-3,091**
Total comprehensive result for the year, net of taxes		**62,992**	**28,244**
Attributable to shareholders of PolyPeptide Group AG		62,992	28,244

Consolidated statement of financial position

As at 31 December

Assets, kEUR	Note	2021	2020
Non-current assets			
Intangible assets	8	14,268	12,556
Property, plant and equipment	9	216,486	156,930
Right-of-use assets	10	18,956	12,878
Deferred income tax assets	5	10,255	13,548
Other financial assets	25	3,467	201
Total non-current assets		**263,432**	**196,113**
Current assets			
Inventories	12	113,001	94,269
Trade receivables	13	65,233	53,494
Contract assets	3	2,556	2,044
Corporate income tax receivables		3,699	5,826
Other current assets	14	10,814	7,021
Cash and cash equivalents	15	136,303	17,208
Total current assets		**331,606**	**179,862**
Total assets		**595,038**	**375,975**

Consolidated statement of financial position (continued)

As at 31 December

Equity and liabilities, kEUR	Note	2021	2020
Equity attributable to equity holders of the parent			
Share capital	6	302	33,000
Share premium		212,800	2,340
Translation reserve		9,285	-5,616
Treasury shares		-1,187	–
Other capital reserves		3,946	–
Retained earnings		196,027	147,936
Total equity		**421,173**	**177,660**
Non-current liabilities			
Deferred income tax liabilities	5	1,106	876
Pensions	16	38,981	39,128
Provisions	17	4,568	4,312
Interest-bearing loans and borrowings	18	0	25,000
Lease liabilities	10	14,947	10,454
Other financial liabilities	19	10,302	16,697
Total non-current liabilities		**69,904**	**96,467**
Current liabilities			
Lease liabilities	10	3,058	1,979
Other financial liabilities	19	1,145	10,199
Corporate income tax payable		4,001	8,276
Trade payables	21	28,481	28,359
Contract liabilities	3	46,072	33,480
Other current liabilities	21	21,204	19,555
Total current liabilities		**103,961**	**101,848**
Total liabilities		**173,865**	**198,315**
Total equity and liabilities		**595,038**	**375,975**

Consolidated statement of changes in equity

1 January - 31 December

Attributable to shareholders of PolyPeptide Group AG:

kEUR	Share capital	Share premium	Translation reserve	Treasury shares	Other capital reserves	Retained earnings	Total
Balance as at 1 January 2021	**33,000**	**2,340**	**-5,616**	**0**	**0**	**147,936**	**177,660**
Result for the year						47,258	47,258
Remeasurement gain / (loss) on defined benefit plans, net of tax						833	833
Currency exchange differences			14,901				14,901
Total comprehensive income	**0**	**0**	**14,901**	**0**	**0**	**48,091**	**62,992**
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					4,264		4,264
Transfer of own shares				4,277	-3,316		961
Repayment by Draupnir Holding B.V. related to IPO bonus					2,998		2,998
Total transactions with owners	**-32,698**	**210,460**	**0**	**-1,187**	**3,946**	**0**	**180,520**
Balance as at 31 December 2021	**302**	**212,800**	**9,285**	**-1,187**	**3,946**	**196,027**	**421,173**

Consolidated statement of changes in equity (continued)

1 January - 31 December

kEUR	Share capital	Share premium	Translation reserve	Treasury shares	Other capital reserves	Retained earnings	Total
Balance as at 1 January 2020	**33,000**	**2,340**	**-2,694**	**0**	**0**	**116,770**	**149,416**
Result for the year						31,335	31,335
Remeasurement gain / (loss) on defined benefit plans, net of tax						-169	-169
Currency exchange differences			-2,922				-2,922
Total comprehensive income	**0**	**0**	**-2,922**	**0**	**0**	**31,166**	**28,244**
Balance as at 31 December 2020	**33,000**	**2,340**	**-5,616**	**0**	**0**	**147,936**	**177,660**

Consolidated statement of cash flows

1 January - 31 December

kEUR	2021	2020
Cash flow from operating activities		
Result for the year	47,258	31,335
Adjustments to reconcile cash generated by operating activities		
Depreciation and amortization	20,683	17,545
Movement in provisions	-236	-1,403
Movement in pensions	1,465	2,016
Share-based payment expense	1,208	0
Financial income	-653	-106
Financial expenses	4,970	6,799
Income tax charge	12,590	6,350
Government grant income	-2,387	0
IPO-related transaction costs	5,721	0
Changes in net working capital		
(Increase) / decrease in inventories	-17,669	-22,101
(Increase) / decrease in trade receivables	-11,751	-21,213
(Increase) / decrease in contract assets	-488	-223
(Increase) / decrease in other current assets	-3,905	2,469
Increase / (decrease) in trade payables	1,178	4,870
Increase / (decrease) in contract liabilities	11,492	23,581
Increase / (decrease) in other current liabilities	1,648	2,894
Cash generated from operations	**71,124**	**52,813**
Interest income received	8	106
Interest expenses paid	-2,384	-1,018
Income taxes paid	-11,396	-2,419
Net cash flows from operating activities	**57,352**	**49,482**
Cash flow from investing activities		
Acquisition of intangible assets	-3,747	-2,580
Acquisition of property, plant and equipment	-73,961	-40,621
Disposal of property, plant and equipment	122	383
Movement in other financial assets	-3,259	258
Net cash flows from investing activities	**-80,845**	**-42,560**

Consolidated statement of cash flows (continued)

1 January - 31 December

kEUR	2021	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	-7,376	0
Repayment by Draupnir Holding B.V. related to IPO bonus	2,998	0
Proceeds from other financial liabilities	0	2,353
Proceeds from short-term borrowings from banks	25,000	0
Repayment of long-term borrowings from banks	-25,000	0
Repayment of short-term borrowings from banks	-25,000	0
Repayment of lease liabilities	-2,637	-1,967
Repayment of other financial liabilities	-13,734	-7,116
Net cash flow from financing activities	**130,928**	**-6,730**
Net movement in cash and cash equivalents	**107,435**	**192**
Cash and cash equivalents at the beginning of the year	17,208	17,508
Net foreign currency exchange differences	11,660	-492
Cash and cash equivalents at the end of the year	**136,303**	**17,208**

Notes to the consolidated financial statements

General

PolyPeptide Group AG (the "Company") is the holding company of a group of companies (the "Group") engaged in the development, manufacturing and marketing of peptide based compounds for use in the pharmaceutical and related research industries. The group companies offer a full service concept from early stage custom development to contract manufacturing in both solid phase and solution phase technology. In addition, the group companies also market a wide range of generic peptides.

Since 2007, PolyPeptide Laboratories Holding B.V. (incorporated under the laws of The Netherlands) was the holding company of the Group which consists of six integrated operating subsidiaries located in Sweden, USA, France, India, and Belgium plus a holding company located in Sweden, a dormant company located in Denmark, and a dormant company located in Germany which as of 31 December 2021 was in the process of a merger into the Swedish holding company.

As part of the preparations for the IPO on SIX Swiss Exchange on 29 April 2021, all the shares of PolyPeptide Laboratories Holding B.V. were contributed into the 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. As of 31 December 2021, the registered office of the Company is Dammstrasse 19, 6300 Zug, Switzerland. As of 31 December 2021, the Company was a 55.54% 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.

1 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of PolyPeptide Group AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Under IFRS 3 - *Business Combinations* the aforementioned reorganization is not considered to be a business combination, but rather the continuation of the existing business activities of the Group with a new parent entity. As a result, the 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, which were also prepared in accordance with IFRS. Equity figures for the comparative period are based on actual circumstances and therefore presented for the preceding holding company, PolyPeptide Laboratories Holding B.V. See Note 6 for further details.

The financial year for the Group is 1 January – 31 December 2021.

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

Going concern

Due to the pharmaceutical industry the Group is operating in, PolyPeptide has weathered the pandemic reasonably well through 2021, even capitalizing on new opportunities. We expect to continue to capitalize on some of these new opportunities in 2022. The pandemic is therefore not expected to impact the going concern of the Group.

Changes in accounting policies and presentation

The following amendments became mandatorily effective from 1 January 2021:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 in the IBOR Reform

The adoption of these amendments to the IFRS Standards has not had any significant impact on the financial statements of the Group.

As a result, the accounting policies are consistent with prior years. 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. In consequence, IFRS 2 – *Share-based Payment* now applies for the consolidated financial statements.

Changes in presentation

Effective 1 January 2021, the Group changed its presentation of the cash flow statement. In previous years, the Group presented movements in provisions and movements in pensions together on one line named “Increase in provisions”. However, to increase transparency of the figures the Group has decided to split the adjustments arising from movements in provisions and movements in pensions into two separate line items within the category “Adjustments to reconcile cash generated by operating activities”. The change is only a matter of disaggregation and has thus no impact on “Cash generated from operations”.

Furthermore, the Group previously presented movements in financial assets and other current assets together on one lined named “(Increase)/Decrease in other current assets”. To increase the transparency of the figures the Group has decided to split the line into two separate line items where movements in other current assets are shown on a separate line within “Cash generated from operations” and movements in other financial assets are shown on a separate line within “Net cash flows from investing activities”.

Comparative figures have been restated to reflect all changes in the presentation.

Except from the changes described above, the presentation of the consolidated financial statements is consistent with prior year.

Principles of consolidation

The consolidated financial statements include the Company and its subsidiaries as at 31 December of each year. Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Reference is made to Note 11 for information regarding the consolidated subsidiaries. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

Translation of foreign currencies

The Group’s consolidated financial statements are presented in Euros. The functional currency of the parent company is CHF. Each entity within the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Translation of transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of subsidiaries
The functional currencies of the foreign operations are predominately the Euro, US Dollar and the Swedish Krona. As at the reporting date, the assets and liabilities of the subsidiaries with other functional currency than the Euro are translated into the presentation currency of the Group (the Euro) at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recorded in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other taxes and duties. Revenue is recognized when a performance obligation is satisfied.

Performance obligations and timing of revenue recognition
The Group earns the majority of its revenues from the sale of goods. Therefore, most of the Group's revenues are recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point of control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question. The Group has no sales contracts that include performance obligations relating to warranties or returns.

The Group also incurs a portion of its revenues in connection with pharmaceutical services like development and analytical services. In some cases, these contracts run longer than a year with revenue recognized typically on an over time basis. These service contracts are set up in a way to be distinct and the consideration related to the services is based upon standard hourly prices. For these services, the Group recognizes revenues based upon stage of completion which is estimated by comparing the number of hours actually spent on the project with the total number of hours expected to complete the project (i.e., an input-based method). This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated hours to complete the projects and therefore also represent the amount to which the Group would be entitled based on its performance to date.

Determining the transaction price
With respect to the sale of goods, a transaction price is agreed in an order or order confirmation, between the Group and its customer. Prices are also included in the master service agreements which are usually updated every year. However, the price in the order confirmation is leading. There are no other variable components included in the transaction price such as financing components, payables to the customer, non-cash considerations, etc. All other special considerations such as volume discounts are calculated on a calendar year basis and therefore do not result in any uncertainties about the amount of the transaction price at the end of the financial year. The transaction price for services is based upon a price list with standard prices (fair value) for different kind of services.

Allocating amounts to performance obligations
As each performance obligation in a customer contract is generally priced against its fair value, only limited judgment is involved in the allocation of the total contract price to the individual performance obligations. This allocation will usually be determined by dividing the total contract price by the number of units ordered or hours spent.

Other income and expenses

Interest

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate. Interest income and expense is included in financial income and expense in the income statement.

Other income, costs and expenses

Other income, costs and expenses are allocated to the year to which they relate. Losses are accounted for in the year in which they arise.

Share-based payment

Share-based compensation is provided to members of the Board of Directors, the Executive Committee and certain other senior managers.

The programs are classified as equity arrangements where the fair value of the shares granted under the programs are recognized as an expense with a corresponding increase in equity. The fair value of the shares is measured at the market share price of PolyPeptide Group AG's shares, adjusted to take into account terms and conditions upon which the shares were granted.
The total expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all associated conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to other operating income in equal annual amounts over the expected useful life of the related asset.

Tax credits that can only be realized by a reduction of current or future corporate tax payments, rather than being directly settled in cash, are presented as part of the income tax charge for the year.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Corporate income tax is calculated on taxable profit according to the applicable tax rates in the various countries.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Current income tax items are recognized in correlation to the underlying transaction either in profit or loss, through other comprehensive income or directly in equity.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect to taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized and the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction in other comprehensive income or directly in to equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Income, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Fair value measurements

The Group measures certain financial instruments at fair value. The fair values of financial instruments measured at amortized costs are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal market or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized, firstly on goodwill and then on the other assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at costs less any accumulated amortization and any accumulated impairment losses. Internal development of software for internal use is recognized as intangible assets if the recognition criteria are met. Otherwise, the expenditure is reflected in the income statement in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

The Group’s intangible assets consist of software and other intangible assets. Software is amortized on a straight-line basis over five to ten years whereas other intangible assets are amortized on a straight-line basis over five years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the costs of replacing part of the plant and equipment and borrowing cost for long term construction projects, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as dwelling costs in the income statement.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as stated hereunder.

• buildings (and leasehold improvements)	10 to 50 years
• machinery and equipment	3 to 16 years
• other	3 to 5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are "solely payments of principal and interest" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost (debt instruments)

This category is most relevant to the Group. The Group's financial assets at amortized cost mainly include trade receivables.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from credit enhancements that are integral to the contractual terms.

Financial assets at amortized cost (debt instruments)

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit loss at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials are stated at the purchase cost on a first in, first out basis. Finished goods and work-in-progress include costs of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity but excluding borrowing cost as the production does not require a substantial period of time.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Other current assets

All other current assets are stated at the amounts at which they were acquired or incurred.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position and in the statement of cash flows comprise cash on hand and in banks and short-term deposits with an original maturity of three months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings and payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss
This category comprises the contingent consideration payable following from the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 January 2017 as further disclosed in Note 19. This contingent consideration is carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income in the finance income or expense line. As of 31 December 2021, the contingent consideration was fully paid. The Group has no other financial liabilities being classified at fair value through profit or loss.

Other financial liabilities
All loans and borrowings, (trade) payables and other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

Derecognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continued involvement in the asset. If there is an associated liability the Group recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continued involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the net of the carrying amount and the maximum amount of the consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects,

when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as financial expenses in the income statement.

Pensions

The Group has insured contributory pension plans covering substantially all employees. Pension obligations are funded through annual premiums. The Group has defined benefit obligations to employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation under cost of revenues and general and administrative expenses in consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The defined benefit liability is the aggregate of the present value of defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies.

Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group’s incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable

certain to assess that option;

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;

- initial direct costs incurred; and
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased assets.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the revised net present value of future lease payments. The carrying amount of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or an index is revised. In both cases an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term.

Other liabilities

All other liabilities are stated at the amounts at which they were acquired or incurred.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash and short-term deposits consist of current accounts with banks (including short-term deposits with an original maturity of three months or less) and cash in hand. Interest and income tax cash flows are included in the cash flow from operating activities.

Future changes in accounting policies

The following standards, amendments to standards, and interpretations have been issued by the IASB and are mandatorily effective for reporting periods beginning 1 January 2022 or later. The Group has not early adapted any of these and do not expect them to have a significant impact on the consolidated financial statements:

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- IFRS 17 Insurance Contracts
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-Current)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Significant accounting judgments and estimates

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impact of Covid-19
Covid-19 provided more opportunities than issues for PolyPeptide in 2021. Through 2021 our supply chain was in relatively good shape. Although some delays were experienced, we were able to modify and prioritize production schedules to accommodate delays. We will continue to monitor material supplies and adjust as needed. To date, we are able to maintain full production schedules at all sites. We have not experienced any significant cancellation of orders in 2021 due to Covid-19. On the contrary, we received additional orders of the Matrix-M adjuvant components for the Novavax Covid vaccine.

Impairment of non-financial assets
The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date and tests for impairment when there are indicators that the carrying amounts may not be recovered. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows (see Note 8, 9 and 10). As discussed above, Covid-19 did not result in any significant negative impact for the Group and hence did not result in any impairment of non-current assets during the year.

Pension and other employment benefits
The cost of defined benefit pension plans is determined using actuarial calculations. The actuarial calculations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions (see Note 16).

Deferred income tax assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies (see Note 5).

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	2021	2020
Custom Projects	167,006	101,872
Contract Manufacturing	89,600	100,108
Generics and Cosmetics	25,520	21,053
Total revenue	**282,126**	**223,033**

Revenues – major customers (10% or more of total revenue)
In 2021, revenues of approximately kEUR 57,600 and kEUR 35,900 were derived from two customers.
In 2020, revenues of approximately kEUR 39,100 were derived from a single customer.

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.

2021 kEUR	USA	Europe & Asia	Total
Revenue	89,887	192,239	282,126
Additions to intangible assets and PP&E	33,225	43,427	76,652
Non-current assets, carrying amount	90,094	159,616	249,710

2020 kEUR	USA	Europe & Asia	Total
Revenue	70,993	152,040	223,033
Additions to intangible assets and PP&E	19,906	28,277	48,183
Non-current assets, carrying amount	53,363	129,001	182,364

3 Revenue and expenses

Revenue from contracts with customers

2021 kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	255,422	0	255,422
Over time	0	26,704	26,704
Total revenue	**255,422**	**26,704**	**282,126**

2020 kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	197,604	0	197,604
Over time	0	25,429	25,429
Total revenue	**197,604**	**25,429**	**223,033**

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	2021	2020
Americas	116,083	98,825
Europe	142,697	94,960
Asia Pacific	21,084	28,300
Others	2,262	948
Total revenue	**282,126**	**223,033**

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

Contract assets and contract liabilities

Contract assets

kEUR	2021	2020
As at 1 January	**2,044**	**1,821**
Transfer in the period from contract assets to trade receivables	-2,044	-1,769
Excess of revenue recognized over cash (or rights to cash) being recognized during the period	2,532	1,994
Currency exchange differences	24	-2
As at 31 December	**2,556**	**2,044**

Contract liabilities

kEUR	2021	2020
As at 1 January	**33,480**	**9,899**
Amounts included in contract liabilities that was recognized as revenue during the period	-33,480	-9,899
Cash received in advance of performance and not recognized as revenue during the period	44,972	33,778
Currency exchange differences	1,100	-298
As at 31 December	**46,072**	**33,480**

Contract assets and contract liabilities arise at each facility because cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognized on the contracts. Contract assets and liabilities are presented on the face of the consolidated statement of financial position.

Other operating income

kEUR	2021	2020
Research refund	1,190	1,122
Invoiced freight and insurance	292	373
Export incentives	17	141
Investment grants	115	67
Other	2,477	75
Total other operating income	**4,091**	**1,778**

The research refund of kEUR 1,190 (2020: kEUR 1,122) relates to a deduction on tax paid due qualified research in chemistry. The investment grants of kEUR 115 (2020: kEUR 67) relates to improving air emission handling, etc.
US government loans waived of kEUR 2,370 in the context of the coronavirus pandemic is included as "Other" in 2021.

Marketing and sales expenses

kEUR	2021	2020
Salaries and employee benefits	-2,933	-2,815
Marketing and promotion costs	-428	-502
Other	-503	-323
Total marketing and sales expenses	**-3,864**	**-3,640**

Research expenses

kEUR	2021	2020
Salaries and employee benefits	-756	-652
Other	-651	-660
Total research expenses	**-1,407**	**-1,312**

General and administrative expenses

kEUR	2021	2020
Salaries and employee benefits	-16,935	-10,556
Other staff expenses	-1,951	-1,639
Service fee group related company	-147	-469
Depreciation and amortization	-1,590	-1,781
Professional services	-5,646	-3,517
Insurance cost	-1,801	-1,395
Other	-6,285	-5,016
Total general and administrative expenses	**-34,355**	**-24,373**

IPO cost

The following IPO-related expenses are included within "General and administrative expenses" in the income statement:

kEUR	2021	2020
Consultancy services	-1,381	0
IPO cash bonus	-1,342	0
IPO share bonus	-2,998	0
Total IPO cost	**-5,721**	**0**

The IPO cash bonus amount relates to the bonus award made by the Group after the IPO to selected non-executives involved in the IPO process. The IPO share bonus amount relates to expenses incurred by the Group in relation to the shares awarded by Draupnir Holding B.V. in the IPO process. These expenses were fully reimbursed by Draupnir Holding B.V in H2 2021.

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 income

kEUR	2021	2020
Interest income due from third parties	8	106
Fair value decrease of contingent consideration (see Note 19)	645	0
Total financial income	**653**	**106**

Financial expenses

kEUR	2021	2020
Interest expenses due to third parties	-2,127	-2,037
Interest on contingent consideration (see Note 19)	-696	-1,278
Fair value increase of contingent consideration (see Note 19)	0	-329
Foreign currency exchange losses	-1,867	-3,155
Other financial expenses	-280	0
Total financial expenses	**-4,970**	**-6,799**

Staff costs and employee information

kEUR	2021		2020	
	Indirect	Direct	Indirect	Direct
Salaries and wages	-15,394	-56,672	-10,334	-46,590
Social charges	-3,062	-13,119	-2,288	-14,123
Pension costs	-2,168	-4,572	-1,401	-3,537
Total staff cost	**-20,624**	**-74,363**	**-14,023**	**-64,250**

An amount of kEUR 74,363 (2020: kEUR 64,250) relating to salaries and employee benefits has been included in cost of sales.

The average number of FTEs of the principal departments is as follows:

Average number of employees

	2021	2020
Production	585	503
Marketing and sales	17	17
Research and development	154	133
General and administration	79	72
Quality control	112	99
Quality assurance	94	86
Total	**1,041**	**910**

Depreciation and amortization included in the income statement

Included in Cost of sales:

kEUR	2021	2020
Depreciation	-17,231	-14,258
Amortization	-1,862	-1,506
Total	**-19,093**	**-15,764**

Included in General and administrative expenses:

kEUR	2021	2020
Depreciation	-1,090	-1,314
Amortization	-500	-467
Total	**-1,590**	**-1,781**

4 Share-based payment

Share-based payment was introduced in the Group as part of the IPO on SIX Swiss Exchange on 29 April 2021.

For the year ended 31 December 2021, the following equity-settled share-based payment arrangements have been recognized in the financial statements:

IPO share bonus

Eligible members of the Board of Directors, the Executive Committee and certain other senior managers were granted a total of 51,434 number of shares upon the successful listing on SIX Swiss Exchange. The fair value at grant date amounted to kEUR 2,998 and was measured based on the initial public offering price of EUR 58 (CHF 64) per share.

Since all the shares vested immediately upon the listing, the full amount has been recognized in the income statement in 2021 as "General and administrative expenses" (see Note 3). The amount was subsequently fully reimbursed by Draupnir Holding B.V. which has been recognized directly in equity on "Other capital reserves".

Board of Directors

Members of the Board of Directors have the option to elect to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion are granted at a discount of 20% to market price. The proportion between shares and cash is selected by each Board member upon election at the annual general meeting and is fixed until next annual general meeting. For the current period (i.e., until the annual general meeting in 2022), the Board of Directors is compensated on a pro-rata basis for the period of service even in the case of early termination or removal.

The fair value at grant date amounted to kEUR 731, reflecting a measurement based on a total number of shares of 12,540 and the initial public offering price of EUR 58 (CHF 64) per share.

Under IFRS, all shares will be fully vested at the annual general meeting in April 2022. In 2021, a total amount of kEUR 713 was recognized as "General and administrative expenses" in the income statement according to the principles of graded vesting in IFRS 2.

Chief Executive Officer

The CEO of the Group, Raymond De Vré, has during 2021 been granted three separate share-based payment arrangements:

- A one-time grant of shares at a value of kCHF 750 which was calculated at a 20% discount to the initial public offering price of CHF 64 as compensation for the loss of unvested options from his previous employer. The fair value at grant date amounted to kEUR 854, reflecting a measurement based on 14,648 number of shares and the initial public offering price of EUR 58 (CHF 64) per share. The grant includes a service condition of three years, one-third vesting each year as of 1 June (starting in 2022). The expenses are recognized in the income statement according to the principles of graded vesting in IFRS 2, resulting in an amount of kEUR 401 recognized as "General and administrative expenses" in 2021.

- A grant of shares at a value of kCHF 100 at 15% discount to the initial public offering price of CHF 64 as compensation for his loss of variable payments for 2020 and 2021 from his previous employer. The fair value at grant date amounted to kEUR 107, reflecting a measurement based on 1,838 number of shares and the initial public offering price of

EUR 58 (CHF 64) per share. The grant includes a service condition of one year and will vest at 1 July 2022. The expenses are recognized on a straight-line basis in the income statement, resulting in an amount of kEUR 66 recognized as "General and administrative expenses" in 2021.

- During the second half of 2021, the Board of Directors adopted a Long Term Incentive Plan ("LTIP") for Executive Committee members and other members of senior management of the Group. Under this share-based incentive program, eligible participants will be awarded the contingent right to receive a certain number of shares in the future ("PSU(s)") in the Company subject to continued employment and achievement of non-market performance targets. The actual number of PSUs that will eventually vest and be settled in shares depend on the RONOA and EPS performance of the Group over a three-year performance period.

  For the year ended 31 December 2021 the only eligible participant in the LTIP was the CEO of the Group, Raymond De Vré. However, the Remuneration and Nomination Committee is currently evaluating the expansion of the LTIP to cover additional members of the Executive Committee as well as other members of senior management in future periods.

  The PSUs were granted to Raymond De Vré on 29 November 2021. In accordance with IFRS 2, the maximum number of shares potentially vesting has been used for the determination of the fair value of the grant. As a result, the fair value at grant date amounted to kEUR 1,241, reflecting a measurement based on 9,909 number of PSUs and the share price of PolyPeptide Group AG as of the grant date of EUR 125 (CHF 131). The shares will vest 10 trading days after the shareholders approve the 2023 audited financial statements.

  In 2021 an amount of kEUR 28 has been recognized as "General and administrative expenses" in the income statement.

5 Taxation

Taxation includes local and foreign taxation. Major components of the tax expense were:

kEUR	2021	2020
Consolidated income statement		
Current income tax charge	-9,217	-7,225
Deferred income tax charge	-3,373	875
Total income tax charge	**-12,590**	**-6,350**
Consolidated statement of comprehensive income		
Income tax directly charged to comprehensive income	-354	71
Total income tax charge (credit)	**-354**	**71**

Amounts recorded in the consolidated statement of comprehensive income relate to deferred income taxes on actuarial gains and losses on defined benefit plans as a result of IAS 19.

A reconciliation of the income tax charge applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December was as follows:

kEUR	2021	2020
Result before income taxes	59,848	37,685
At Swiss statutory income tax rate of 11.8 % (Dutch 2020: 25.0%)	-7,080	-9,421
Different income tax rates of other countries	-7,829	278
Non-deductible expenses	-947	-935
Tax exempt income	1,547	939
Non-capitalized tax losses	-826	-45
R&D tax credits	2,220	2,363
Utilization of previously unrecognized tax losses	0	38
Adjustments in respect of current income tax of previous year	326	433
At an effective income tax rate of 21.0% (2020: 16.9%)	**-12,590**	**-6,350**

The applicable tax rate has changed in 2021 due to the change of the parent company of the Group. In 2020 the parent company, PolyPeptide Laboratories Holding B.V., was incorporated in The Netherlands (with a statutory income tax rate of 25.0%), whereas the parent company in 2021, PolyPeptide Group AG, is incorporated in Switzerland (with an effective statutory income tax rate of 11.8%).

The effective income tax rate has increased from 16.9% in 2020 to 21.0% in 2021. The increase in effective tax rate is impacted by non-capitalized tax losses in 2021 and smaller R&D tax credits compared to result before income taxes.

The current corporate income tax liabilities include an amount of kEUR 1,616 (2020: kEUR 1,683) relating to US R&D tax credits that have been claimed but for which uncertainty exists on whether these will be sustained by the US tax authorities.

Deferred income tax assets as at 31 December relate to the following:

kEUR	2021	2020
Differences in carrying amount and fiscal valuation of assets and liabilities	7,846	9,939
Capitalized tax losses carried forward	2,409	3,609
Total deferred income tax assets	**10,255**	**13,548**

The deferred tax asset for losses carried forward mainly relates to the taxable losses of PolyPeptide S.A. and will be settled with future taxable profits to be realized by this group company. The deferred tax asset for temporary differences mainly relate to the IAS 19 pension provision of PolyPeptide S.A. and PolyPeptide Laboratories (Sweden) AB.

Deferred income tax liabilities as at 31 December relate to the following:

kEUR	2021	2020
Differences in carrying amount and fiscal valuation of assets and liabilities	1,106	876
Total deferred income tax liabilities	**1,106**	**876**

Differences in carrying amount and tax values of assets and liabilities mainly relate to differences in valuation of land & buildings and machinery & equipment.

The Group has unrecognized tax loss carry forwards available for related losses incurred in various countries approximating EUR 10,841,731 (2020: EUR 2,888,145), of these tax losses, EUR 2,323,649 has no expiration date, whereas the rest will expire after seven years from 2021. No deferred income tax asset has been recognized due to uncertainty with respect to available taxable profits in the future for these tax jurisdictions and the limitations imposed in tax legislation in order to utilize the tax losses.

The deferred income tax charge relates to the following:

kEUR	2021	2020
Movement in deferred tax assets	-3,293	481
Movement in deferred tax liability	-243	245
Translation differences	-191	220
Total deferred income tax charge	**-3,727**	**946**

kEUR	2021	2020
Deferred tax charge in income statement	-3,373	875
Deferred tax (credit) / charge in statement of comprehensive income	-354	71
Total deferred income tax charge	**-3,727**	**946**

Translation differences mainly relate to the Swedish Krona, Indian Rupee and United States Dollar.

6 Shareholders' equity

Share capital

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 in exchange for one share increased the share capital by CHF 0.01.

In connection with the IPO, PolyPeptide Group AG further 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 31 December 2021. All shares are fully paid.

The share capital of the former parent company, PolyPeptide Laboratories Holding B.V, comprised 50,000,000 shares of EUR 0.66 each as of 31 December 2020.

Treasury shares

	Number of shares	Average purchase/ transfer price (EUR)	% of number of shares in share capital
Own shares as at 1 January 2021	0	0	0.0%
Purchase	93,750	58	0.3%
Transfer	-73,379	58	-0.2%
Own shares as at 31 December 2021	**20,371**		**0.1%**
Own shares as at 1 January 2020	0	0	0.0%
Purchase	0	0	0.0%
Transfer	0	0	0.0%
Own shares as at 31 December 2020	**0**	**0**	**0.00%**

On 29 April 2021, PolyPeptide Group AG purchased 93,750 own shares at the IPO offer price of CHF 64 to be held as treasury shares. 73,379 number of shares have been transferred to employees and board members as part of their share-based remuneration during 2021, including as part of the IPO recognition bonus reimbursed by Draupnir Holding B.V. (see Note 4).

7 Earnings per share

kEUR	2021	2020
Result for the year attributable to shareholders of PolyPeptide Group AG	47,258	31,335
Weighted average number of shares ('000)	32,123	30,000
Weighted average number of own shares ('000)	26	0
Weighted average number of outstanding shares ('000)	32,097	30,000
Dilution effect of share-based payment ('000)	27	0
Weighted average number of diluted shares ('000)	32,124	30,000
Earnings per share (EPS), basic	**1.47**	**1.04**
Earnings per share (EPS), diluted	**1.47**	**1.04**

Basic earnings per share has been calculated by dividing the result for the year attributable to the owners of PolyPeptide Group AG by the weighted average number of shares outstanding during the year. Treasury shares are not considered as outstanding shares.

As described in the first section of the notes to the consolidated financial statements, the parent company of the Group changed during 2021. However, due to the predecessor accounting for this reorganization, basic earnings per share for 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.

Diluted earnings per share is calculated by dividing the result for the year attributable to the owners of the PolyPeptide Group AG 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 4. Since share-based payment was not introduced in 2020, there is no dilution effect on earnings per share in 2020.

8 Intangible assets

kEUR	Software	Other	Total
Acquisition value			
Balance as at 1 January 2021	18,876	9,978	28,854
Additions	4,110	–	4,110
Disposals	–	-6,604	-6,604
Transfers	101	–	101
Currency exchange differences	2	17	19
Balance as 31 December 2021	**23,089**	**3,391**	**26,480**
Accumulated amortization and impairment losses			
Balance as at 1 January 2021	-6,850	-9,448	-16,298
Amortization	-1,970	-392	-2,362
Disposals	–	6,465	6,465
Currency exchange differences	-1	-16	-17
Balance as 31 December 2021	**-8,821**	**-3,391**	**-12,212**
Carrying value as at 31 December 2021	**14,268**	**–**	**14,268**

kEUR	Software	Other	Total
Acquisition value			
Balance as at 1 January 2020	16,698	9,929	26,627
Additions	2,175	–	2,175
Transfers	–	47	47
Currency exchange differences	3	2	5
Balance as 31 December 2020	**18,876**	**9,978**	**28,854**
Accumulated amortization and impairment losses			
Balance as at 1 January 2020	-5,385	-8,930	-14,315
Amortization	-1,460	-513	-1,973
Currency exchange differences	-5	-5	-10
Balance as 31 December 2020	**-6,850**	**-9,448**	**-16,298**
Carrying value as at 31 December 2020	**12,026**	**530**	**12,556**

As at 31 December 2021, the carrying amount of software includes an amount of EUR 4.3 million (2020: EUR 4.5 million) that is still under construction. This software will be taken into use in subsequent periods and hence no amortization has been recognized over this software yet.

Other intangible assets mainly consist of customer contracts and supply agreements.

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement. The Group has not identified any indicators for impairment during the year.

9 Property, plant and equipment

kEUR	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
Acquisition value					
Balance as at 1 January 2021	94,658	138,828	49,570	366	283,422
Additions	10	–	72,532	–	72,542
Disposals	-15,263	-325	-19	-1	-15,608
Transfers	5,812	30,082	-36,064	69	-101
Currency exchange differences	2,449	1,960	1,378	–	5,787
Balance as 31 December 2021	**87,666**	**170,545**	**87,397**	**434**	**346,042**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2021	-48,875	-77,297	–	-320	-126,492
Depreciation	-3,890	-11,747	–	-26	-15,663
Disposals	15,263	221	–	1	15,485
Currency exchange differences	-1,125	-1,761	–	–	-2,886
Balance as 31 December 2021	**-38,627**	**-90,584**	**–**	**-345**	**-129,556**
Carrying value as at 31 December 2021	**49,039**	**79,961**	**87,397**	**89**	**216,486**

kEUR	Land & Buildings	Machinery & Equipment	Assets under construction	Other operating assets	Total
Acquisition value					
Balance as at 1 January 2020	94,852	124,757	22,089	336	242,034
Additions	757	1,874	43,377	–	46,008
Disposals	–	-262	-383	–	-645
Transfers	1,112	14,314	-15,503	30	-47
Currency exchange differences	-2,063	-1,855	-10	–	-3,928
Balance as 31 December 2020	**94,658**	**138,828**	**49,570**	**366**	**283,422**
Accumulated depreciation and impairment losses					
Balance as at 1 January 2020	-45,489	-69,716	–	-299	-115,504
Depreciation	-3,943	-9,647	–	-23	-13,613
Disposals	–	262	–	–	262
Currency exchange differences	557	1,804	–	2	2,363
Balance as 31 December 2020	**-48,875**	**-77,297**	**–**	**-320**	**-126,492**
Carrying value as at 31 December 2020	**45,783**	**61,531**	**49,570**	**46**	**156,930**

The Group assesses whether there are any indicators for impairment for all non-financial assets at each reporting date. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the asset and its carrying value and recognizes the amount in the income statement. The Group has not identified any indicators for impairment during the year.

The amount of borrowing costs capitalized during the year was nil (2020: nil). Other operating assets comprise office equipment.

As at 31 December 2021, the carrying amount of land & buildings includes an amount of approximately EUR 8.9 million (2020: EUR 9.8 million) for which the legal ownership is no longer with the Group due to the sale and leaseback transaction as further disclosed in Note 19.

10 Leases

Set out below are the carrying amounts of right-of-use assets recognized in the statement of financial position and the movements during the year:

kEUR	Buildings	Cars	Other equipment	Total
Cost of right-of-use assets				
Balance as at 1 January 2021	11,899	1,877	1,897	15,673
Additions	5,974	678	2,125	8,777
Remeasurements	-792	-8	–	-800
Disposals	–	-271	-174	-445
Currency exchange differences	918	-4	15	929
Balance as 31 December 2021	**17,999**	**2,272**	**3,863**	**24,134**
Accumulated depreciation				
Balance as at 1 January 2021	-1,701	-696	-398	-2,795
Depreciation	-1,204	-582	-872	-2,658
Disposals	–	255	174	429
Currency exchange differences	-151	4	-7	-154
Balance as 31 December 2021	**-3,056**	**-1,019**	**-1,103**	**-5,178**
Carrying value as at 31 December 2021	**14,943**	**1,253**	**2,760**	**18,956**

kEUR	Buildings	Cars	Other equipment	Total
Cost of right-of-use assets				
Balance as at 1 January 2020	9,544	1,284	701	11,529
Additions	2,795	716	1,589	5,100
Remeasurements	291	-4	–	287
Disposals	–	-120	-394	-514
Currency exchange differences	-731	1	1	-729
Balance as 31 December 2020	**11,899**	**1,877**	**1,897**	**15,673**
Accumulated depreciation				
Balance as at 1 January 2020	-809	-320	-295	-1,424
Depreciation	-981	-484	-494	-1,959
Disposals	–	120	394	514
Currency exchange differences	89	-12	-3	74
Balance as 31 December 2020	**-1,701**	**-696**	**-398**	**-2,795**
Carrying value as at 31 December 2020	**10,198**	**1,181**	**1,499**	**12,878**

Set out below are the carrying amounts of the lease liabilities recognized in the statement of financial position and the movements during the year:

kEUR	Buildings	Cars	Other equipment	Total
Lease liabilities				
Balance as at 1 January 2021	9,732	1,200	1,501	12,433
Additions	5,472	678	2,124	8,274
Interest expenses	302	35	66	403
Remeasurements	-791	-8	–	-799
Lease payments	-1,206	-633	-1,200	-3,039
Currency exchange differences	723	-2	12	733
Balance as 31 December 2021	**14,232**	**1,270**	**2,503**	**18,005**
Lease liabilities				
Balance as at 1 January 2020	8,972	976	412	10,360
Additions	2,563	711	1,568	4,842
Interest expenses	260	28	26	314
Remeasurements	291	-4	–	287
Lease payments	-954	-508	-505	-1,967
Reclassification to provisions (see Note 17)	-796	–	–	-796
Currency exchange differences	-604	-3	–	-607
Balance as 31 December 2020	**9,732**	**1,200**	**1,501**	**12,433**

The maturity of the total undiscounted lease liability as at 31 December is disclosed in Note 24.

The following amounts are recognized in the income statement:

kEUR	2021	2020
Depreciation expense of right-of-use assets	2,658	1,959
Interest expense on lease liabilities	403	314
Variable lease payments not included in the lease liabilities	21	88
Short-term leases (included in G&A expenses)	433	218
Leases of low-value assets (included in G&A expenses)	624	397
Total amount recognized in the income statement	**4,139**	**2,976**

The Group had total cash outflows for leases of kEUR 4,117 in 2021 (2020: kEUR 2,670).

The total lease liability of the Group mainly relates to leases of buildings in Torrance, USA. Two new building leases were signed in Torrance during 2021 (one new building lease in 2020). These leases are expected to terminate between 2031 and 2041. The remaining lease liability largely consists of machinery and company cars in various group companies, primarily having fixed monthly lease payments.

11 Investments 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 31 December are as follows:

Name	Location	Percentage of ownership 2021	2020
PolyPeptide Laboratories Holding B.V.	Hoofddorp, The Netherlands	0%	100%
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Sweden	100%	100%
Polypeptide Laboratories (Sweden) AB	Limhamn, Sweden	100%	100%
PolyPeptide SA	Braine-l'Alleud, Belgium	100%	100%
PolyPeptide Laboratories France S.A.S.	Strasbourg, France	100%	100%
PolyPeptide Laboratories Inc.	Torrance, CA, USA	100%	100%
PolyPeptide Laboratories San Diego, LLC	San Diego, CA, USA	100%	100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India	100%	100%
PolyPeptide Laboratories A/S	Hillerød, Denmark	100%	100%
PolyPeptide Laboratories GmbH	Hamburg, Germany	100%	100%
PolyPeptide Institute Spol S.r.o.	Prague, Czech Republic	0%	100%

Percentage of voting shares is equal to percentage of ownership.

PolyPeptide Laboratories Holding B.V. was merged through a reverse cross-border merger into Polypeptide Laboratories Holding (PPL) AB as recorded in the Swedish Companies Registration Office on 29 October 2021.

PolyPeptide Laboratories Spol S.r.o. was liquidated and deleted from the Czech Public Register on 6 April 2021.

As of 31 December 2021, PolyPeptide Laboratories GmbH was in the process of a merger into Polypeptide Laboratories Holding (PPL) AB. No further financial impact is expected related to the merger.

12 Inventories

kEUR	2021	2020
Raw materials and supplies	38,757	32,467
Work in progress	51,211	42,750
Finished goods	23,033	19,052
Balance as at 31 December	**113,001**	**94,269**

Raw materials that are expired or that are no longer used in production, and finished goods for which no future sales are expected, are fully written off at balance sheet date. Finished goods that are expected to be sold after retesting are written off for the expected loss during this retesting. The estimated loss is approximately 10% of the original weight of the batch.

Costs of inventories recognized in cost of sales in the income statement during the financial year amount to kEUR 65,998 (2020: kEUR 53,989).

Provisions for obsolete stock amounted to kEUR 27,206 as at 31 December 2021 (2020: kEUR 24,282). Inventory write-offs recognized in cost of sales in the income statement during the financial year amounted to kEUR 5,439 mainly due to inventory write-offs in the Belgium and Sweden (2020: kEUR 2,171).

13 Trade receivables

kEUR	2021	2020
Trade receivables	65,233	53,494
Balance as at 31 December	**65,233**	**53,494**

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

The ageing analysis of trade receivables looks as follows:

kEUR	Total	< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31 December 2021	65,233	60,948	3,132	120	207	826
31 December 2020	53,494	52,324	690	480	–	–

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

A significant part of the outstanding accounts receivable balance relates to large reputable pharmaceutical companies with no known history of write-offs. The expected credit loss for these large pharmaceutical companies is estimated at nil. For smaller outstanding debtors, the expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. These historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

Movements in the bad debt allowance for trade receivables are as follows:

kEUR	2021	2020
Balance as at 1 January	-141	-176
Receivable written-off during the year as uncollectible	0	1
Unused amounts reversed	22	24
Currency exchange difference	-12	10
Balance as at 31 December	**-131**	**-141**

14 Other current assets

kEUR	2021	2020
Prepaid expenses	4,749	2,530
VAT receivable	4,436	3,773
Other	1,629	718
Balance as at 31 December	**10,814**	**7,021**

Other receivables and other current assets are non-interest-bearing and are normally settled on 60-days terms.

15 Cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following as at 31 December of each year:

kEUR	2021	2020
Cash and cash equivalents	136,303	17,208
Balance as at 31 December	**136,303**	**17,208**

The balance as at 31 December 2021 includes a term deposit of kCHF 92,500 (EUR 89,540) which is fixed until 3 February 2022.

For the purpose of the Consolidated Statement of Cash Flows, changes in liabilities arising from financing activities for the years were as follows:

kEUR	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities
Balance as at 1 January 2021	25,000	16,697	12,433	10,199
Cash flows	-25,000	-5,890	-3,039	-7,844
Non-cash flows				
New lease liabilities	–	–	8,274	–
Remeasurements	–	217	-799	–
Accrued interest	–	1,335	403	–
Fair value loss/(gain)	–	-645	–	–
Government loans waived	–	–	–	-2,355
Transfer from non-current to current	–	-1,145	–	1,145
Currency exchange differences	–	-267	733	–
Balance as 31 December 2021	**–**	**10,302**	**18,005**	**1,145**

kEUR	Non-current interest bearing loans and borrowings	Non-current other financial liabilities	Lease liabilities	Current other financial liabilities
Balance as at 1 January 2020	25,000	22,016	10,360	6,828
Cash flows	–	-288	-1,967	-4,473
Non-cash flows				
Reclassification to other provisions (Note 17)	–	–	-796	–
New lease liabilities	–	–	4,842	–
Remeasurements	–	–	287	–
Accrued interest	–	1,991	314	–
Fair value loss/(gain)	–	329	–	–
Transfer from non-current to current	–	-7,844	–	7,844
Currency exchange differences	–	493	-607	–
Balance as 31 December 2020	**25,000**	**16,697**	**12,433**	**10,199**

16 Pensions

kEUR	2021	2020
Provision for pensions	38,981	39,128
Balance as at 31 December	**38,981**	**39,128**

Provision for pensions

The Group participates in local pension plans in countries in which they operate. There are principally two types of pension plans:

- Defined contribution plans, where the Group's only obligation is to pay a pension premium to a fund or insurance company on behalf of the employee. Contributions to defined contribution pension schemes are charged to the consolidated income statement in the year to which they relate.
- Defined benefit plans, where the Group's undertaking is to provide pension benefits related to services rendered based on final salary levels. This plan is managed by recording the total accumulated pension obligation as a provision on the statement of financial position with no assigned plan assets. This method is used in Sweden, France, Belgium, India and Switzerland.

In PolyPeptide Laboratories (Sweden) AB and PolyPeptide S.A. the total pension benefits are mixed plans. Some parts are defined contribution-type plans and some parts are defined benefit-type plans. For each of the defined benefit plans no trust is established and the full liability is recorded in the statement of financial position with compulsory insurance coverage. The Swedish actuarial determined liability is calculated by a third-party institution, the Pension Registration Institute (PRI), using assumptions defined by the company. PRI also administrates the pension payments to employees, which are subsequently charged to the company. The Belgium fund is outsourced to an insurance company called AXA Insurance. All funds requested to cover the year are called by and paid to the insurance company. Additionally, an actuarial evaluation is performed under IFRS rules in order to determine the liability. This computation is performed by a third-party institution.

PolyPeptide Laboratories France SAS has, in accordance with French law, accounted for a lump sum to be paid to employees upon retirement. In the consolidated numbers IAS 19 is followed regarding the accounting treatment of pensions. The French actuarial determined liability is calculated by a third-party institution, using assumptions defined by the company.

Movement in the provision for pensions for the years was as follows:

kEUR	2021	2020
Defined benefit obligation as at 1 January	39,128	36,106
Interest costs	342	381
Current service costs	3,094	2,802
Net actuarial (gain)/losses through other comprehensive income	-1,330	267
Benefits paid	-1,828	-1,201
Currency exchange difference	-425	773
Balance as at 31 December	**38,981**	**39,128**

Pension expenses reflected in the income statement:

kEUR	2021	2020
Current service costs	-3,094	-2,802
Interest costs	-342	-381
Net benefit expenses	**-3,436**	**-3,183**
Defined contribution pension expenses	-3,646	-2,136
Total pension expenses	**-7,082**	**-5,319**

The principal assumptions used in determining pension obligations are shown hereunder:

kEUR	2021		2020	
	Belgium	Sweden	Belgium	Sweden
Discount rate	0.90%	1.90%	0.44%	1.30%
Future salary increases	3.45%	2.90%	3.35%	2.20%
Future pension increases	1.80%	2.20%	1.60%	1.50%
Long-term assumptions inflation	1.80%	2.20%	1.60%	1.50%

The forecasted defined benefit obligation for the year 2022 is assessed at kEUR 40,529 (2021: kEUR 40,826).

Sensitivity to changes in assumptions
Changes in the assumptions will impact the defined benefit pension obligation as at 31 December 2021 as follows:

kEUR	0.5%	(0.5%)
Discount rate (incrase 0.5% / decrease 0.5%)	-3,777	3,890
Future salary increases (incrase 0.5% / decrease 0.5%)	2,404	-2,170
Long-term assumption inflation (incrase 0.5% / decrease 0.5%)	3,244	-2,908

17 Provisions

kEUR	2021	2020
Provision for pension taxes	2,618	2,448
Provision for product warranty	293	712
Provision for restoration costs	1,507	981
Provision for litigation	94	94
Other provisions	56	77
Balance as at 31 December	**4,568**	**4,312**

The provision for pension taxes relates to wage taxes of 24.26% on Swedish pension premiums.

The provision for product warranty mainly relates to an extremely rare undetected equipment issue, which impacted multiple batches produced for one customer in 2020.

The provision for restoration costs relates to the requirement to return leased properties of the Torrance facility into the conditions required by the terms and conditions of the lease agreements.

The provision for litigation relates to labour law claims from former employees.

Movement of the provision for the years was as follows:

kEUR	2021	2020
Balance as at 1 January	4,312	4,677
Reclassification from leases liabilities (see Note 10)	0	796
Utilization	0	-1,252
Additions through profit or loss	281	582
Reversals through profit or loss	-486	-908
(Release)/additions through other comprehensive income	0	-27
Other movements	443	185
Currency exchange differences	18	259
Balance as at 31 December	**4,568**	**4,312**

18 Interest-bearing loans and borrowings

kEUR	2021	2020
(2020 Loan from Danske Bank A/S at twelve-month EURIBOR plus a margin of 1.50%)	0	25,000
Balance as at 31 December	**0**	**25,000**

As at 31 December 2020, the Group had a kEUR 25,000 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 kEUR 25,000 short term Money Market loan from Danske Bank, which was paid back in Q3 2021.

19 Other financial liabilities

kEUR	2021	2020
Contingent consideration due to acquisition of a subsidiary	0	12,497
Financial liability to Monedula AB	11,447	12,044
Paycheck Protection Program ("PPP") loans	0	2,355
Total other financial liabilities as at 31 December	**11,447**	**26,896**
Non-current other financial liabilities	10,302	16,697
Current other financial liabilities	1,145	10,199
Total other financial liabilities as at 31 December	**11,447**	**26,896**

Contingent consideration due to acquisition of a subsidiary

The contingent consideration relates to the acquisition of Lonza Braine S.A. (renamed into PolyPeptide SA) on 3 November 2017.

A reconciliation of the contingent consideration for the years is as follows:

kEUR	2021	2020
Balance as at 1 January	12,497	16,824
Payment of contingent liability	-12,548	-5,934
Fair value adjustment of contingent consideration (see Note 3)	-645	329
Accrued interest on contingent consideration (see Note 3)	696	1,278
Total contingent consideration as at 31 December	**0**	**12,497**
Non-current contingent consideration	0	5,795
Current contingent consideration	0	6,702
Total contingent consideration as at 31 December	**0**	**12,497**

The current part of the contingent consideration of kEUR 6,702 as per 31 December 2020 is based on the agreed percentage over actual revenues realized in 2020. This payable was due and paid in 2021 and therefore not further discounted.

The non-current part of the contingent consideration of kEUR 5,795 as per 31 December 2020 was originally payable in 2022 but agreed to be paid end of 2021. The final payment end 2021 was kEUR 5,846.

Financial liability to Monedula AB

In December 2019, PolyPeptide Laboratories (Sweden) AB sold all its shares in PolyPeptide Fastighets AB to related party Draupnir Holding B.V. PolyPeptide Fastighets AB was subsequently renamed into Monedula AB.

Monedula AB is owner of the premises that are leased by PolyPeptide Laboratories (Sweden) AB. At transaction date, PolyPeptide Laboratories (Sweden) AB and Monedula AB also extended the existing lease agreement to 31 December 2035.

Although the legal ownership of the premises was transferred to the buyer, management concluded that the transfer of the premises did not satisfy the requirements of IFRS 15 and hence that the transaction should not be accounted for as a sale of the asset. Therefore, the carrying value of the premises as at transaction date remained on the consolidated statement of financial position of the Group. The consideration received for the premises in the amount of SEK 124.8 million (EUR 11,947,000) was recognized as other financial liability accounted for in accordance with IFRS 9 as prescribed in IFRS 16.103(a).

The financial liability is currently measured at amortized cost using an effective interest rate of 5.57% (2020: 5.57%). The financial liability matures on 31 December 2035 and will be settled with future lease terms payable to Monedula AB, being quarterly instalments of SEK 2.8 million (kEUR 286). The total carrying value of the liability as at 31 December 2021 amounts to SEK 117.3 million (kEUR 11,447) of which SEK 11.7 million (kEUR 1,145) is presented as current financial liability. The total carrying value of the liability as at 31 December 2020 amounted to SEK 120.7 million (kEUR 12,044) of which SEK 11.4 million (kEUR 1,147) was presented as current financial liability.

Paycheck Protection Program (“PPP”) Loans

On 2 May 2020, the two US group companies both obtained a forgivable Paycheck Protection Program (“PPP”) loan from First Republic Bank for a total amount of USD 2.8 million (kEUR 2,355). The loans are subject to the Coronavirus Aid, Relief, and Economic Security Act and bear a fixed interest rate of 1.0%. The US group companies applied for forgiveness and such forgiveness is provided. The release of this loan has been recognized as a gain in the income statement under “Other operating income” (see Note 3).

20 Short-term borrowings from banks

As at 31 December 2020, the Group had a kEUR 25,000 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 kEUR 25,000 short term Money Market loan from Danske Bank presented as Current loan in the Half-year report 2021. This loan was paid back in Q3 2021.

As at 31 December 2021, the Group is granted multiple overdraft facilities for a total amount of kEUR 26,200 (2020: kEUR 26,200).

An amount of kEUR 25,000 is granted by Danske Bank (2020: kEUR 25,000) of which nil was drawn as at 31 December 2021 (2020: nil). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 0.80% (2020: 1.05%) on the amounts drawn.

The remaining kEUR 1,200 was granted by ING Bank (2020: kEUR 1,200) of which nil was drawn as at 31 December 2021 (2020: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (2020: 1.5%) on the amounts drawn.

21 Trade payables and other current liabilities

kEUR	2021	2020
Trade payables	28,481	28,359
Total trade payables	**28,481**	**28,359**
Taxes and social securities	3,575	5,486
Government grants	54	589
Accrued expenses	16,901	13,225
Other	674	255
Total other current liabilities	**21,204**	**19,555**

Trade payables and other current liabilities are non-interest-bearing.

22 Contingent liabilities and guarantees

Limited Partnership Investment
From November 2021 the Group entered into a limited partnership agreement with a commitment to invest a maximum amount of kUSD 30,000. An amount of kUSD 3,000 has been paid as of 31 December 2021 and recognized in the balance sheet as “Other financial assets”. As a result, the Group has a contingent liability of kUSD 27,000 (kEUR 24,203). If the general partner of the limited partnership makes an additional capital call, the Group would be obliged to pay the amount within ten business days.

Guarantee pension fund
All members of the PRI Pensionsgaranti, the issuer of the definied benefit plan in Sweden, are subject to a mutual liability. This liability would only be invoked in the event that PRI Pensionsgaranti has consumed all ist assets. The mutual liability of the Group is limited to a maximum of two percent of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of kEUR 182 as at 31 December 2021 (2020 kEUR 173) for which it has issued a guarantee to PRI Pensionsgaranti.

23 Related parties

The following transactions have been entered into with related parties:

2021 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Entity with control over the company				
Draupnir Holding B.V.	6,794	-221	–	–
Other related entities				
Thalamus	–	-167	–	-404
Ferring Group	36,169	-3	2,999	–
Monedula AB	355	-1,224	438	-11,447
Amzell B.V.	166	–	–	–
Amring Pharmaceuticals Inc	9	–	–	–
Basell Pharma AG	1	–	–	–
SVAR Life Science AB	79	–	–	–
Nordic Pharma Ltd.	–	-9	–	–

2020 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Other related entities				
Draupnir Holding B.V.	–	-649	21	–
Thalamus	–	-247	–	-542
Ferring Group	39,217	–	2,372	–
Monedula AB	703	-1,144	189	-12,169
Amzell B.V.	266	–	33	–
Blekebo	–	-30	–	–

All disclosed related parties are either related through the Esperante Investments S.à r.l. ownership structure or through managerial control. Esperante Investments S.à r.l. is a higher parent company of our majority shareholder Draupnir Holding B.V.

Income from Draupnir Holding B.V. primarily relates to reimbursement of IPO recognition bonuses.

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. Amounts due to Monedula AB relate to the financial liability as disclosed in Note 19.

During the year, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (2020: nil). No guarantees were given or received for any outstanding related party balances (2020: nil).

Transactions with key management personnel

Compensation of key management personnel of the Group:

kEUR	2021	2020
Salaries and short-term benefits	3,454	2,089
Post-employment benefits	279	113
Share-based payment expense	4,206	0
Total transactions with key management	**7,939**	**2,202**

Reference is made to Note 4 for further details on the share-based payment expense.

Key management personnel are considered all members of the Executive Committee and the Board of Directors. Due to the IPO in April 2021 the composition of the key management personnel was changed. As a result, the amounts for 2021 and 2020 are not readily comparable.

24 Financial risk management objectives and policies

The Group’s principal financial instruments comprise short- and long term bank loans, lease liabilities, other financial assets and liabilities and cash. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors and other current assets and liabilities which arise directly from its operations. It is the Group’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group’s financial instruments are market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. The sensitivity analyses in the following sections relate to the position as at 31 December 2021 and 2020. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

Interest rate risk:

- The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at balance sheet date.

Foreign currency risk:

- The sensitivity of the profit before tax is the effect of the assumed changes in currency rates of third party financial instruments in a foreign currency other than the functional currency of the respective subsidiaries.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate cash flow risk as interest-bearing loans and borrowings have been granted at fixed and variable interest rates. Revision of the fixed interest rate is possible at renewal of the liability. The Group decides whether to enter into fixed or variable interest contract based on the most favourable conditions at the time of entering in the contract. The Group does not enter into derivatives to hedge interest rate risks.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

Effect on profit before tax

kEUR	2021	2020
Change in interest rates		
Increase in basis points:		
15	-134	-38
20	-179	-50
Decrease in basis points:		
(10)	90	25
(15)	134	38

Foreign currency risk

Due to operations in Sweden, India, Switzerland and the United States of America, the Group's statement of financial position is affected by movements in the foreign exchange rates. The Group does not enter into derivative transactions. The Group has also transactional currency exposures, such exposures arising from sales or purchases in currencies other than the currency of the operating subsidiaries. As the volumes of these transactions are relatively low compared to the total volume, the foreign currency risk exposure is considered low.

The Group has no currency exposure on financial instruments as all third-party interest-bearing loans and borrowings are due in the functional currency of the respective subsidiary that has subscribed to the interest-bearing loans and borrowings. The trade debtors, trade creditors and other financial liabilities are primarily stated in functional currency of the operations.

The table below demonstrates the sensitivity to a reasonable possible change in currencies, with all other variables held constant, of the Group's profit before tax and the Group's equity (through the impact on non-functional currencies).

kEUR	Effect on profit before tax		Effect on equity	
	2021	2020	2021	2020
Change in currency percentage				
5%	-2,243	-1,760	-13,904	-6,386
(5%)	2,479	1,945	15,368	7,059

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has no significant credit risks, other than those, which have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region, which carries an unusually high credit risk.

Credit risks relating to the trade receivables and cash balances are monitored regularly. Clients are assessed according to Group criteria prior to entering into agreements. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned in Notes 13, 14, and 15.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow forecast model. This model considers the maturity of both its non-current and current assets (trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and funding from and to other entities within the Group. Payments will be covered out of cash flow from operating activities, cash and facility available.

The table hereunder summarizes the maturity profile of the Group's financial liabilities at 31 December of each year based on contractual undiscounted payments.

kEUR	Less than 1 year	1-5 years	More than 5 years	Total
Year ended 2021				
Interest-bearing loans and borrowings	–	–	–	–
Contingent consideration	–	–	–	–
Other financial liabilities	-1,174	-4,694	-10,366	-16,234
Lease liabilities	-3,083	-8,099	-9,466	-20,648
Trade payables	-28,481	–	–	-28,481
Other current liabilities	-21,204	–	–	-21,204
Balance as 31 December 2021	**-53,942**	**-12,793**	**-19,832**	**-86,567**

kEUR	Less than 1 year	1-5 years	More than 5 years	Total
Year ended 2020				
Interest-bearing loans and borrowings	-375	-25,250	–	-25,625
Contingent consideration	-6,702	-6,490	–	-13,192
Other financial liabilities	-3,525	-4,681	-11,703	-19,909
Lease liabilities	-2,004	-5,871	-6,382	-14,257
Trade payables	-28,359	–	–	-28,359
Other current liabilities	-19,555	–	–	-19,555
Balance as 31 December 2020	**-60,520**	**-42,292**	**-18,085**	**-120,897**

Capital management

The primary objective of the Group's capital management is to maintain sound capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using shareholder equity ratio, being total shareholder equity divided by total equity and liabilities, based on the consolidated financial statements. The Group has no formally approved ratio range but considers a ratio above 25% as being sound.

The table stated hereunder shows development in the shareholder equity ratio for the year's 2021 and 2020.

kEUR	2021	2020
Total shareholder equity	421,173	177,660
Total equity and liabilities	595,038	375,975
Equity ratio as at 31 December	**71%**	**47%**

25 Financial instruments

Fair values

In view of their short-term nature, the fair values of financial instruments of cash, trade receivables and payables, and short-term liabilities approximate their carrying amounts. All financial assets and liabilities are measured at amortized cost except for the contingent consideration payable following from the acquisition of Lonza Braine S.A. (renamed into PolyPeptide S.A.) on 3 January 2017 which is measured at fair value through profit or loss. The contingent consideration payable has been fully paid in 2021.

The Group refinanced a Term loan in June 2021 and instead agreed to a kEUR 25,000 short term Money Market loan from Danske Bank, which is paid back in Q3 2021.

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial non-current instruments that are carried in the financial statements.

kEUR	Carrying value		Fair value	
	2021	2020	2021	2020
Financial assets				
Other financial assets	3,467	201	4,148	191
Financial liabilities				
Interest-bearing loans and borrowings	0	-25,000	0	-23,924
Contingent consideration	0	-12,497	0	-12,497
Other financial liabilities	-11,447	-14,399	-11,447	-14,399

The financial instruments have been valued based on the expected cash flows discounted at current interest rates. Further details on the calculation of the fair value of the contingent consideration have been provided in Note 19.

Fair value hierarchy

Quantitative disclosures of the Group's financial instruments in the fair value measurement hierarchy (see Note 1) are as follows:

kEUR	Level 1	Level 2	Level 3
As at 31 December 2021			
Other financial assets	1,295	204	2,649
Interest-bearing loans and borrowings	–	–	–
Contingent consideration	–	–	–
Other financial liabilities	–	-11,447	–
As at 31 December 2020			
Other financial assets	–	191	–
Interest-bearing loans and borrowings	–	-23,924	–
Contingent consideration	–	–	-12,497
Other financial liabilities	–	-14,399	–

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Level 1 inputs include the publicly listed share price of PolyPeptide Group AG. Level 2 inputs include the discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. Level 3 inputs include the price paid by the Group for the financial asset just before the balance sheet date as well as a net present value calculation of the contingent consideration based on the weighted average cost of capital for the Group.

The own non-performance risk as at 31 December 2021 was assessed and considered to be insignificant.

26 Subsequent events

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

While the recent dramatic changes in the overall political environment in Europe can not be ignored, they are currently not expected to have a material direct impact on PolyPeptide. We sincerely hope that peace can be restored soon.

The consolidated Financial Statements for 2021 were approved for issue by the Board of Directors on 10 March 2022 and are subject to approval by the Annual General Meeting on 26 April 2022.

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STATUTORY AUDITOR'S REPORT

To the General Meeting of PolyPeptide Group AG, Zug

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of PolyPeptide Group AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 105 to 154) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition The Group has recognised revenue of kEUR 282,126 (2020: kEUR 223,033). The Group earns the majority of its revenues from the sale of goods (Active Pharmaceutical Ingredients), which are recognised at a point in time and a portion of its revenues in connection with pharmaceutical services with revenue recognised typically on an over time basis. Due to the significant growth of revenues from Active Pharmaceutical Ingredients (API), the fact that sales contracts include many different terms, there is a risk of incorrect timing of revenue recognition due to fraud or error, the significant level of judgement and estimate involved by management in assessing revenue recognition over time related to pharmaceutical services, where contracts run longer than a year and the linkage of certain management incentive compensation to revenue targets, we consider revenue to be a key audit matter. We refer to Note 1 Summary of significant accounting policies and Note 3 Revenue and expenses.	We obtained an understanding of the control environment and performed a walkthrough of the revenue and receipts cycle as part of the risk assessment process. We performed tests of transactions for revenues, specific procedures on sales orders opened and closed in November and December 2021, credit memo testing, review of listing of items included in inventory to ensure that no revenues on these batches were recoded, analytical procedures on services revenues in process at year-end, cut-off procedures by reviewing the shipping logs shortly before and after year-end. We have obtained the invoice journal and verified it to the general ledger. We have reconciled the sales prices and quantities to contracts and delivery notes on a sample basis. We have verified credit entries posted within trade receivables and related to bank receipts only. We have verified that all goods that have been shipped from the site are also invoiced at the balance sheet date or recorded as accrued income. We tested appropriate timing of revenue recognition by comparing individual sales transactions to delivery documents. We analysed revenue transactions using computer aided audit and data analysis techniques. We reviewed the calculation of percentage of completion and the related revenue and margin recognised for a selection of projects. We requested confirmation of revenues from significant customers through a confirmation directly from the third party. Furthermore, we have assessed the adequacy of the disclosures relating to revenue recognition in the notes.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2021.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 10 March 2022

BDO Ltd

René Füglister	ppa. Fabian Hatzi
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

Financial Report

Financial statements of PolyPeptide Group AG

Income statement of PolyPeptide Group AG

7 April - 31 December

kCHF	Note	2021
Financial income	7	499
Service income		4,181
Total income		**4,680**
Personnel expenses		-3,675
Other operating expenses		-7,821
Interest expenses third parties		-441
Other financial expenses	8	-2,225
Operating result before taxes (EBT)		**-9,482**
Loss before taxes		**-9,482**
Taxes		-122
Net loss for the period		**-9,604**

Statement of financial position of PolyPeptide Group AG

As at 31 December

Assets, kCHF	**Notes**	**2021**
Current assets		
Cash and cash equivalents	1	117,468
Other receivables from related parties		430
Other receivables from group companies		3,770
Accrued income and prepaid expenses		949
Total current assets		**122,617**
Non-current assets		
Receivables from related parties		625
Receivables from group companies		66,027
Financial assets	3	2,736
Investments	2	1,919,700
Tangible assets		89
Total non-current assets		**1,989,177**
Total assets		**2,111,794**

Statement of financial position of PolyPeptide Group AG (continued)

As at 31 December

Liabilities, kCHF	Notes	2021
Current liabilities		
Other liabilities due to third parties		580
Other liabilities due to related parties		8
Accrued expenses and deferred income		205
Total short-term liabilities		**793**
Non-current liabilities		
Liabilities due to group companies		1,910
Total long-term liabilities		**1,910**
Shareholders' equity		
Share capital	4	331
Statutory capital reserves		
Reserves from capital contribution	5	2,114,719
Other capital reserves		4,949
Accumulated losses		
Net loss brought forward		0
Net loss for the period		-9,604
Treasury shares	6	-1,304
Total shareholders' equity		**2,109,091**
Total liabilities and shareholders' equity		**2,111,794**

Notes to the financial statements of PolyPeptide Group AG

General information

Accounting policies
These financial statements were prepared in accordance with the provisions of the Swiss Law on Accounting and Finance Reporting (32nd title of the Swiss Code of Obligations). Significant valuation principles that have been applied in the preparation of these financial statements which are not prescribed by law are described below.

Presentation of cash flow statement and additional disclosures in the notes dispensed with
As PolyPeptide Group AG has prepared consolidated financial statements under a recognized accounting standard (IFRS), it has decided, in accordance with the law, to dispense with the presentation of information on interest-bearing liabilities and audit fees in the notes, a cash flow statement, and an annual review.

First financial year
The first financial year runs from April 7, 2021, to December 31, 2021

Valuation principles
Assets are valued at no more than cost. Liabilities are carried at nominal value.

All assets and liabilities in foreign currencies are translated by applying the exchange rate prevailing on the balance sheet date. Exchange differences are recognized in the income statement.

Earnings and expenses originated in foreign currencies are translated with the monthly exchange rate.

Investments
Investments are shown at individual historical acquisition costs less impairment, if any.

Own shares
Own shares are recognized in equity as negative item at cost as per the date of acquisition. In the event of a subsequent sale, a gain or loss is recognized through the income statement and is included in retained earnings or accumulated deficit to be carried forward in equity.

Share-based payments
Part of the variable compensation paid to members of the Executive Committee and part of the compensation paid to members of the Board of Directors is in the form of Company shares. The acquisition cost of the shares is recorded under personnel expense.

Declaration of the number of full-time equivalents (FTEs)
The average number of full-time positions during the reporting was below 50.

1 Cash and cash equivalents

kCHF	Dec 31, 2021
Cash	24,968
Fixed-term deposit	92,500
At December 31, 2021	**117,468**

2 Investments

As of December 31, 2021, PolyPeptide Group AG held the following direct and significant indirect investments:

Group companies	Location	Capital and voting shares	
		Direct	Indirect
Polypeptide Laboratories Holding (PPL) AB	Limhamn, Sweden	100%	
Polypeptide Laboratories (Sweden) AB	Limhamn, Sweden		100%
PolyPeptide SA	Braine-l'Alleud, Belgium		100%
PolyPeptide Laboratories France S.A.S.	Strasbourg, France		100%
PolyPeptide Laboratories Inc.	Torrance, CA, USA		100%
PolyPeptide Laboratories San Diego, LLC	San Diego, CA, USA		100%
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East), India		100%
PolyPeptide Laboratories A/S	Hillerød, Denmark		100%
PolyPeptide Laboratories GmbH	Hamburg, Germany		100%

Percentage of voting shares is equal to percentage of ownership.

3 Contingent liabilites and guarantees

Limited Partnership Investments

Dec 31, 2021	kUSD	kCHF
Uncalled capital commitment	27,000	30,253

Limited Partnership Investments
From November 2021 the Company entered into a limited partnership agreement. The Company committed to invest a maximum amount of USD 30,000,000. At balance sheet date USD 3,000,000 have already been invested and thus USD 27,000,000 are disclosed as an uncalled capital commitment.

Guarantee pension fund
All members of the PRI Pensionsgaranti, the issuer of the definied benefit plan in Sweden, are subject to a mutual liability. This liability would only be invoked in the event that PRI Pensionsgaranti has consumed all its assets. The mutual liability of the Group is limited to a maximum of two percent of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of EUR 182,000 as at 31 December 2021 (2020: EUR 173,000) for which it has issued a guarantee to PRI Pensionsgaranti.

4 Capital increase

The company was founded with a share capital of CHF 300,000 and was increased to CHF 331,250.01 on 28 April 2021. As at 31 December 2021, the share capital in the amount of CHF 331,250.01 consists of 33,125,001 registered shares with a nominal value of CHF 0.01 per share. The placement price for the new shares was CHF 64.00. The transaction costs of the capital increase in the amount of CHF 6,626,715 are recognized in the other operating expenses.

5 Reserves from capital contributions

CHF	Dec 31, 2021
Reserves from capital contribution (foreign)	1,919,700,000
Reserves from capital contribution (domestic)	195,019,440
Total reserves from capital contribution	**2,114,719,440**

The reported reserves from capital contributions as capital contributions within the meaning of Art. 5 para. 1bis (for the part of the “domestic KER”) or Art. 5 para. 1quater lit. a of the Withholding Tax Act (for the part of the “foreign KER”) must still be confirmed by the Swiss Federal Tax Administration after submission of the audited annual financial statements.

6 Treasury Shares

	No of Shares	Average prices in CHF
At the beginning of the reporting period	0	
Purchases 2021	93,750	64.00
Allocations to board member/executive management (incl. group companies)	73,379	64.00
At December 31, 2021	20,371	64.00

In the reporting period PolyPeptide Group AG has made purchases and allocations to board members and executive management of own shares.

7 Financial income

kCHF	2021
Interest income from group companies	248
Realized capital gain treasury shares	251
Total financial income	**499**

8 Other financial expenses

kCHF	2021
Foreign exchange result	2,225
Total other financial expenses	**2,225**

9 Share ownership of the Board of Directors and the Executive Committee

	Function	Number of shares	which are blocked	allocated in the reporting period	Number of shares in total
Klaus Peter Wilden	Chairman	1,658	1,658	1,658	1,658
Patrick Aebischer	Vice-Chairman	1,105	1,105	1,105	1,105
Beat In-Albon	Member	995	995	995	995
Jane Anne Salik	Member	17,737	476	17,737	17,737
Erik Schropp	Member	3,193	0	3,193	3,193
Philippe Weber	Member	1,225	1,225	1,225	1,225
Total Board of Directors		**25,913**	**5,459**	**25,913**	**25,913**

	Function	Number of shares	which are blocked	allocated in the reporting period	Number of shares in total
Raymond De Vré	CEO	16,486	unvested	unvested	unvested
Jan Fuhr Miller	CFO	7,767	–	7,767	7,767
Jan Christensen[1)]	Director Global Sales and Marketing	7,767	–	7,767	7,767
Daniel Lasanow	Director Global Operations	7,767	–	7,767	7,767
Christina Del Vecchio	General Counsel	–	–	–	–
Neil James Thompson[2)]	Director Global Sales and Marketing	1,122	–	1,122	1,122
Total Executive Committee		**40,909**	**0**	**24,423**	**24,423**
Total		**66,822**	**5,459**	**50,336**	**50,336**

1 Member of the Executive Committee until 31 December 2021.

2 Member of the Executive Committee as of 1 January 2022.

10 Major Shareholders

Based on the available information, the following shareholders are considered significant shareholders in accordance with art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA") (> 3% of the registered share capital):

Shareholder	Number of shares	Percentage of voting rights
Draupnir Holding B.V. (Hoofddorp, The Netherlands) [1)]	18,396,859	55.54%
Capital Research and Management Company (Los Angeles, USA) [2)]	1,546,023	5.34%
Rudolf Maag (Binningen BL, Switzerland) [3)]	1,100,000	3.32%
T. Rowe Price Associates, Inc. (Baltimore, USA) [4)]	995,004	3.00%
Total important shareholders	**22,037,886**	**67.20%**

1 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 55.54% 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.

2 The disclosure notice of 6 May 2021 includes 1,546,023 shares of the Company corresponding to 5.34% of all voting rights of which 0.67% were delegated by a third party.

3 Disclosure notice of 5 May 2021.

4 Disclosure notice of 17 February 2022.

11 Subsequent events

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

While the recent dramatic changes in the overall political environment in Europe can not be ignored, they are currently not expected to have a material direct impact on PolyPeptide. We sincerely hope that peace can be restored soon.

The Financial Statements for 2021 were approved for issue by the Board of Directors on 10 March 2022 and are subject to approval by the Annual General Meeting on 26 April 2022.

Proposal for the appropriation of accumulated deficit and cash distribution out of foreign capital contribution reserves

The Board of Directors proposes that the General Meeting approves that the accumulated deficit of CHF 9,603,831 be carried forward to the new account.

Appropriation of accumulated deficit

CHF	2021
Accumulated deficit brought forward	0.00
Net loss for the period	-9,603,831
Accumulated deficit to be carried forward	**-9,603,831**

The Board of Directors proposes that the General Meeting approves to pay a cash distribution of CHF 0.3 per entitled share payable out of the foreign capital contribution reserves as follows:

Appropriation of foreign capital contribution reserves

CHF	2021
Balance of foreign capital contribution reserves as of 31 December 2021 (1)	1,919,700,000
Proposed cash distribution of CHF 0.3 per entitled share on 33,104,630 shares (2) out of the foreign capital contribution reserves	9,931,389
Foreign capital contribution reserves after proposed cash distribution (3)	**1,909,768,611**

1 The foreign capital contribution reserves have not yet been approved by the Swiss Federal Tax Administration as of 10 March 2022.

2 The cash distribution mentioned in the proposal was calculated on the basis of the number of shares entitled to the cash distribution as of 31 December 2021. The number of shares may change due to the transfer of shares to the Directors / employees or purchase of treasury shares. Treasury shares held by the Company at the time of the cash distribution are not entitled to the cash distribution. Accordingly, the total amount distributed may be lower.

3 Contingent on the total amount distributed.

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STATUTORY AUDITOR'S REPORT

To the General Meeting of PolyPeptide Group AG, Zug

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PolyPeptide Group AG, which comprise the balance sheet as at 31 December 2021 and the income statement and notes for the period from 7 April to 31 December 2021, including a summary of significant accounting policies.

In our opinion the financial statements (pages 159 to 168) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no such matters to report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 Swiss law and Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 10 March 2022

BDO Ltd

René Füglister	ppa. Fabian Hatzi
Auditor in Charge Licensed Audit Expert	Licensed Audit Expert

Three-year Financial History[1]

kEUR	2021	2020	2019
Income and expenses			
Revenue	282,126	223,033	202,613
Custom Projects	167,006	101,872	84,288
Contract Manufacturing	89,600	100,108	99,505
Generics & Cosmetics	25,520	21,053	18,820
Total income	286,217	224,811	203,768
Cost of sales	-182,426	-151,108	-144,323
Total operating expenses	-39,626	-29,325	-25,896
o/w Depreciation and amortization	-20,683	-17,545	-15,808
Financial income	653	106	70
Financial expenses	-4,970	-6,799	-3,386
Income tax charges	-12,590	-6,350	-4,496
Result for the year	47,258	31,335	25,737
Performance			
Gross profit	103,791	73,703	59,445
Gross margin in % of revenue	36.8%	33.0%	29.3%
EBITDA	84,848	61,923	49,357
Adjusted[2] EBITDA	88,199	61,958	51,057
Adjusted[2] EBITDA in % of revenue	31.3%	27.8%	25.2%
Operating result (EBIT)	64,165	44,378	33,549
Operating result (EBIT) in % of revenue	22.7%	19.9%	16.6%
Earnings per share (EUR), basic[3]	1.47	1.04	0.86
Proposed cash distribution per share (CHF)[4]	0.30	0.00	0.00
Return on net operating assets (RONOA)	21.0%	18.2%	15.3%
Financial position			
Total assets	595,038	375,975	305,142
Non-current assets	263,432	196,113	162,473
Current assets	331,606	179,862	142,669
Total equity and liabilities	595,038	375,975	305,142
Equity	421,173	177,660	149,416
Non-current liabilities	69,904	96,467	97,789
Curent liabiliities	103,961	101,848	57,937
Cash flows[5]			
Net cash flows from operating activities	57,352	49,482	55,600
Net cash flows from investing activities	-80,845	-42,560	-12,261
Net cash flows from financing activities	130,928	-6,730	-35,937
Cash and cash equivalents at the end of the year	136,303	17,208	17,508
Employees			
Employees (# of FTEs, average)	1,041	910	839

[1] This table includes 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.

[2] 2021: Adjusted for one-off IPO costs and US government loans waived in the context of the coronavirus pandemic.
2020: Adjusted for equipment damage provision and costs related to the IPO.
2019: Adjusted for equipment damage provision.

[3] As described in the first section of the notes to the consolidated financial statements, the parent company of the Group changed during 2021. However, due to the predecessor accounting for this reorganization, basic earnings per share for 2020 and 2019 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 in note 7 to the consolidated financial statements.

[4] Cash distribution 2021 proposed to the AGM on 26 April, 2022.

[5] Changes to the presentation of cash flows were made in the Annual Report 2021 and in the Annual Report 2020. The cash flows for 2021 and 2020 in the table above are based on the consolidated cash flow statement in the Annual Report 2021. The cash flows for 2019 in the table above are based on the consolidated cash flow statement in the Annual Report 2020.

Legal Note

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 the Group's business. These statements are based on current expectations, estimates and projections about the factors that may affect the Group's 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 the Group's actual results to differ materially from the forward-looking information and statements made in this annual report and that could affect the Group's ability to achieve its stated targets. The important factors that could cause such differences include, among others: relationships with employees, customers and other business partners; strategies of competitors; manufacturing capacity and utilization; quality issues; supply chain matters; legal, tax or regulatory disputes; and changes in the political, social and regulatory framework in which the Group operates, or in economic or technological trends or conditions. 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 Financial 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. These APM may not be comparable to similarly titled measures disclosed by other companies. 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.

For the purposes of this report, unless the context otherwise requires, the term “the Company” means PolyPeptide Group AG, and 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.

The PolyPeptide Annual Report 2021 PDF version legally prevails over the PolyPeptide Annual Report 2021 online version.

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Listing: SIX (International Reporting Standard)
Ticker: PPGN
Valor number: 111076085
ISIN: CH1110760852

Publisher's note

Corporate Communications: PolyPeptide Group AG, Zug
Concept, layout and realization: NeidhartSchön, Zurich
Publishing system: ns.wow by Multimedia Solutions AG, Zurich
Pictures and illustrations: PolyPeptide Group, Zug, Martin et Karczinski, Zurich, NeidhartSchön, Zurich, Joseph Khakshouri, Zurich, Enzo Capacchio, Lausanne

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