PolyPeptide GROUP

Annual Report 2021

A leading CDMO for complex peptide manufacturing

Innovation – Excellence – Trust

Content Overview

Overview

Editorial

Continued growth momentum

Peter Wilden, Chairman of the Board of Directors, and Raymond De Vré, Chief Executive Officer

It is with pleasure and satisfaction that we present the first full-year report of the PolyPeptide Group AG. In a business environment driven by increasing investments into R&D in the pharmaceutical sector, the Group continued to demonstrate strong growth. PolyPeptide remains dedicated to providing high quality products and services to all its customers. In doing so, we are proud to contribute to the health of millions of patients around the world.

2021, an exceptional year

In many ways, 2021 was an exceptional year for PolyPeptide. While completing a successful IPO and listing on SIX Swiss Exchange and bringing in a new CEO, the Group was able to keep a strong growth momentum. Revenue in 2021 grew by 26.5% versus 2020 to EUR 282.1 million, and the result for the year increased by 50.8% to EUR 47.3 million (with basic EPS of EUR 1.47). Adjusted EBITDA for the full year of 2021 reached EUR 88.2 million with a margin of 31.3%, up by 3.5 percentage points, reflecting continued strong operating performance.

While partially benefiting from a favorable impact related to accelerated customer projects in response to the coronavirus pandemic, this strong result reflects well on the technical capabilities, execution mindset and strong customer focus of the Group. We are committed to long-term relationships with our customers as we partner with them on the development and commercialization of their therapeutic products. Consequently, we have further expanded our active custom projects pipeline to 196 projects by the end of 2021. In view of the promising late-stage pipeline, we invested a record EUR 76.7 million, or 27.2% of annual revenues, into the modernization and expansion of our manufacturing infrastructure.

We have also significantly advanced our capabilities in the field of oligonucleotides. The R&D and GMP pilot plant facility in Torrance (California) has been built out, a dedicated team has been hired, and the first customer contract was signed towards the end of 2021.

Amid a busy 2021, PolyPeptide has maintained a strong quality track record, with several inspections by regulatory authorities from multiple countries, including by the US FDA, at four of our manufacturing locations, with no critical or major observations.

Following the CEO change in April 2021, we have continued to strengthen the Executive Committee of the Group, with the appointment of a General Counsel and a seamless internal leadership transition for the head of Global Sales and Marketing.

A full agenda for 2022

We have come a long way in 2021, and we look forward to continuing our journey in 2022. It is planned to further grow through the expansion of our pipeline, by strengthening the manufacturing infrastructure and by striving to be the preferred partner to the industry. We will seek to accelerate our momentum through the further development of the oligonucleotide API and peptide generics API businesses. In fostering our unique management culture and the organizational efficiency, we will keep working on the right balance between our "OnePolyPeptide" priority and local diversity as well as integration of systems and processes.

In 2021, we also decided to formalize our approach to environmental, social and governance (ESG) matters by conducting a materiality assessment and establishing an ESG agenda for the whole Group. As part of this program, we will emphasize (1) green chemistry, (2) people development and (3) supply chain engagement. As part of the green chemistry program, we will focus on innovation efforts to reduce solvent consumption and to further develop circular chemistry concepts. We also plan to conduct a carbon footprint assessment in order to establish a baseline for further improvement.

Outlook for 2022 and proposed dividend

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.

For 2022, PolyPeptide targets revenue growth of 12-14% with a targeted adjusted EBITDA margin of around 30%. PolyPeptide will continue to invest in modernizing and expanding its infrastructure with capital expenditures as percent of 2022 revenue expected to be above 25%.

Thanks to PolyPeptide's strong performance in 2021 and in line with our dividend policy, we plan to propose to our shareholders at the Annual General Meeting in April a cash distribution of CHF 0.30 per share.

We sincerely thank our shareholders, as well as all other stakeholders for being part of this exciting year and for their trust in PolyPeptide moving forward.

Last, but not least, on behalf of the Board of Directors and the Executive Committee we would like to thank all our colleagues for their continued passion, dedication, and hard work in 2021.

Zug, 15 March 2022

Sincerely,

Peter Wilden
Chairman of the Board of Directors

Raymond De Vré
Chief Executive Officer

Key Figures[1]

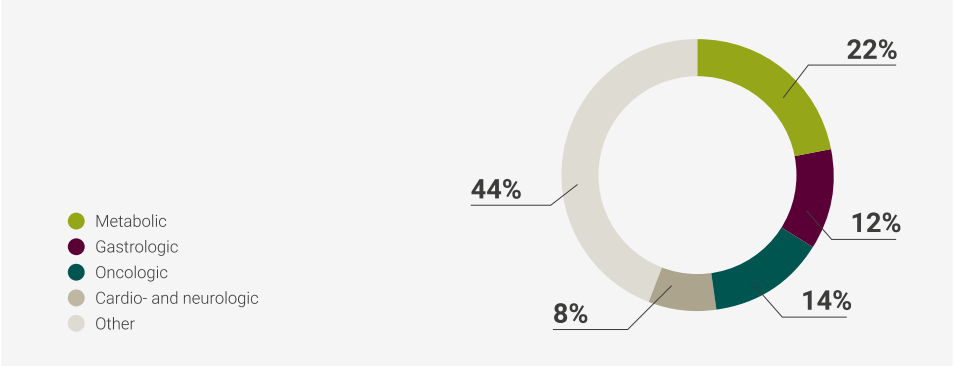
kEUR	2021	2020	Change
Revenue	282,126	223,033	26.5%
Custom Projects	167,006	101,872	63.9%
Contract Manufacturing	89,600	100,108	-10.5%
Generics & Cosmetics	25,520	21,053	21.2%
EBITDA	84,848	61,923	37.0%
Adjusted[2] EBITDA	88,199	61,958	42.4%
Adjusted[2] EBITDA in % of revenue	31.3%	27.8%	3.5 ppts
Operating result (EBIT)	64,165	44,378	44.6%
Operating result (EBIT) in % of revenue	22.7%	19.9%	2.8 ppts
Result for the year	47,258	31,335	50.8%
Result for the year in % of revenue	16.8%	14.0%	2.7 ppts
Earnings per share (EUR), basic	1.47	1.04	41.0%
Return on net operating assets (RONOA)	21.0%	18.2%	2.7 ppts
Cash and cash equivalents	136,303	17,208	–
Net cash flow from operating activities	57,352	49,480	15.9%
Capital expenditures	76,652	48,183	59.1%
Capital expenditures in % of revenue	27.2%	21.6%	5.6 ppts
Total assets	595,038	375,975	58.3%
Equity ratio	70.8%	47.3%	23.5 ppts
Employees (# of FTEs, average)	1,041	910	14.4%

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

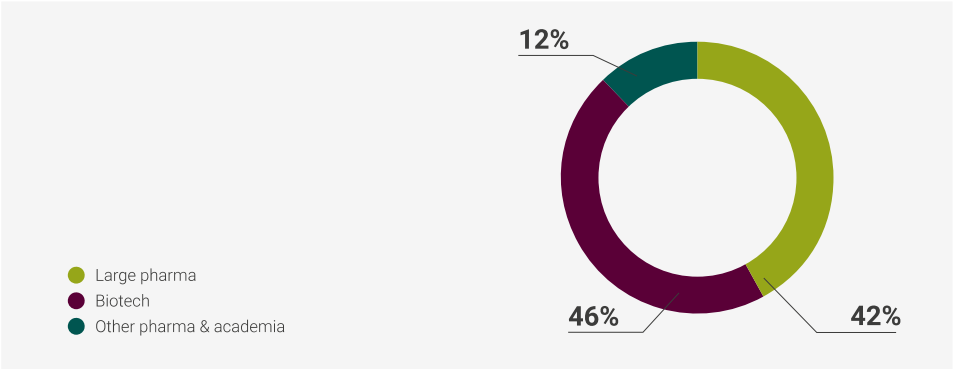
[2] Adjusted EBITDA excludes one-off IPO costs of EUR 5.7 million, partly offset by US government loans of EUR 2.4 million waived in context of the coronavirus pandemic.

Profile

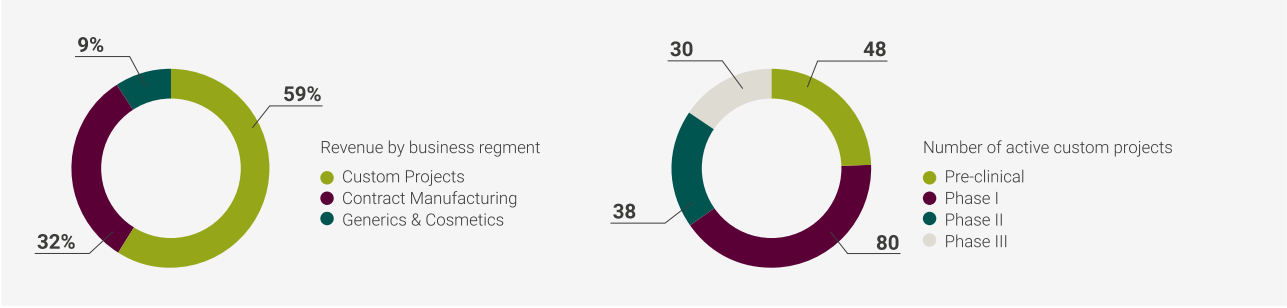
Helping patients across multiple diseases
Revenue split by therapeutic areas[1]



Servicing a diversified customer base
Revenue split by customer type[1]



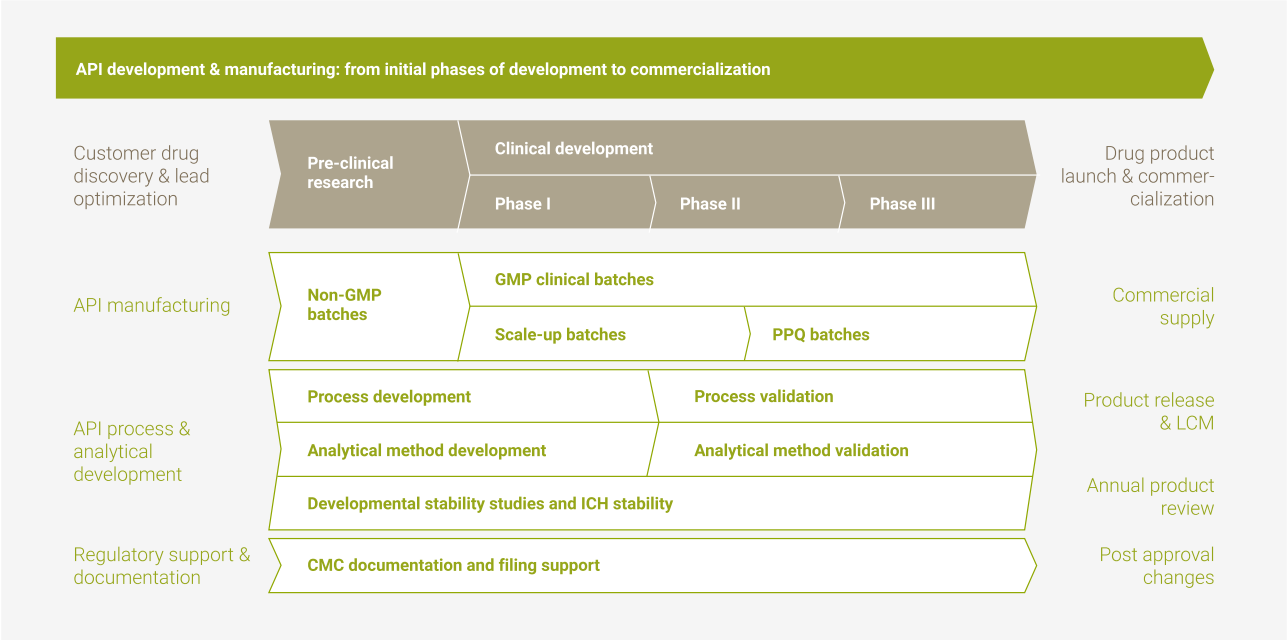
Solutions along the value chain
Revenue split by business segment and number of active custom projects by stage of development[1]



[1] Approximate splits as per 31 December 2021.

Business model

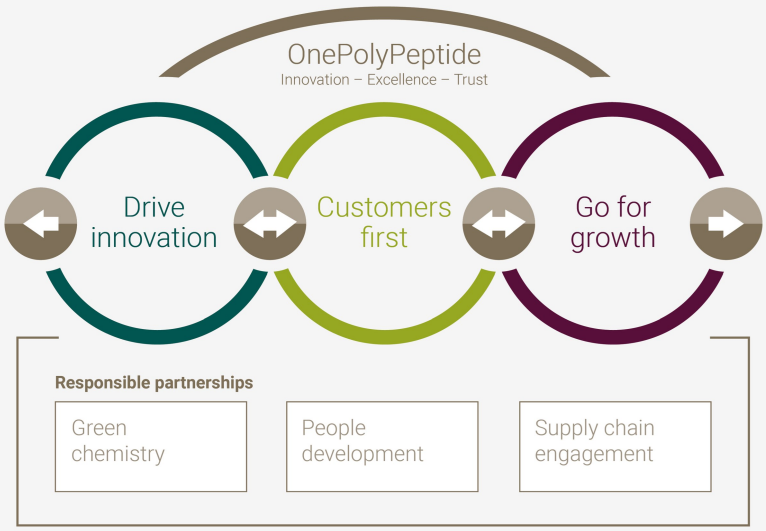
Providing expert knowledge for peptide-based API's across the entire value chain



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

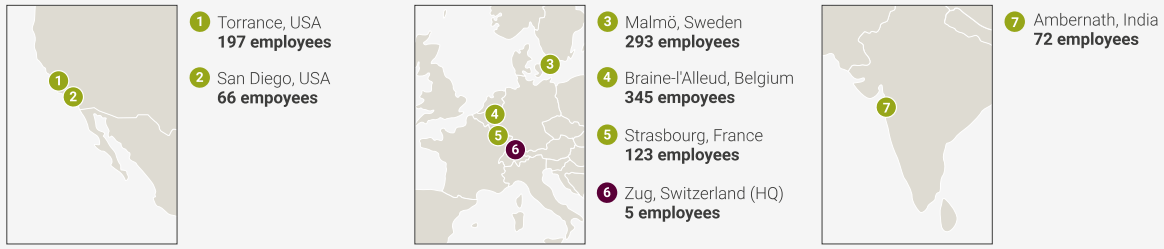
Integrated strategy

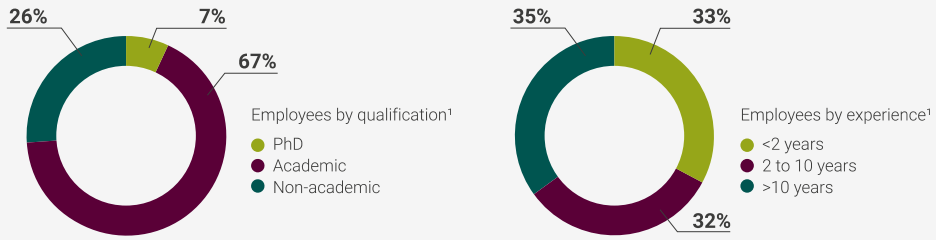
Striving to be the preferred long-term partner for customers



Footprint and customer proximity

Experienced team[1] and GMP-certified manufacturing network

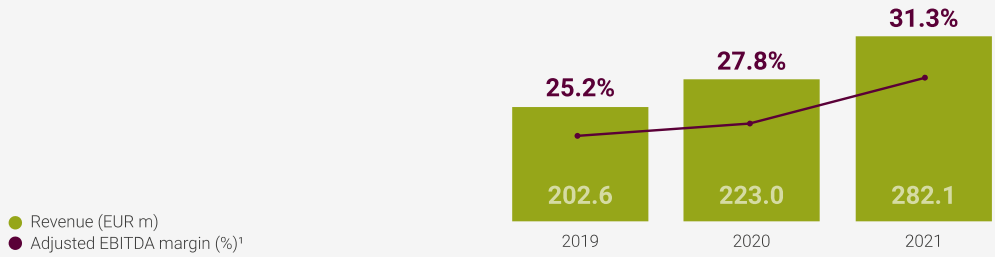




[1] Data based on headcount as of 31 December 2021.

Striving for profitable growth

Building on favorable market trends



[1] For a reconcilliation to the nearest IFRS line item, please refer to the section “Definitions and reconciliations” of this report.

Strategy

Company profile

PolyPeptide is a globally active contract development and manufacturing organization (CDMO) specializing in the manufacturing of peptides used as the active pharmaceutical ingredient (API) in therapeutic products. It also produces a range of peptides used in cosmetics. The Group mainly serves pharmaceutical and biotech companies as well as academic institutions.

The Group's history dates back to 1952, when it began the commercial manufacturing of therapeutic peptides in Malmö, Sweden. Since then, it has manufactured over 1,000 GMP peptides and has developed into a full-service provider with differentiated technologies and capabilities to manufacture the most complex and innovative peptides. Through its network of six Good Manufacturing Practice (GMP)-certified sites in Europe, the US and India, it offers products and services along the entire peptide API value chain, including comprehensive analytical and regulatory support. Its activities cover the full life cycle of the customers product, from early pre-GMP development to phases I to III of clinical development up to product approval and commercial production for originators and generic suppliers. In the United States the offering also includes neoantigen peptides to support personalized cancer therapies. Following efforts initiated in 2019, the Group in 2021 added oligonucleotides to its offering given the increasing relevance and substantial R&D investments in this therapeutic modality.

For further details on the footprint and the business model of the company, please refer to the chapter Profile.

Market position

According to a market study commissioned by PolyPeptide and completed in early 2021 (the Study), the peptide therapeutics market is estimated to grow with a compound annual growth rate of 7% over five years reaching approximately USD 44 billion by 2025, driven by, among others, the increasing number of expected approvals of new peptide-based therapies and the growth of underlying patient populations. Therapeutic areas continue to broaden and include metabolic disorders, oncology, infectious diseases, orphan diseases, cardiovascular, neurology or gastro-enterology applications. As of the end of 2021, circa 81 peptide-based therapies were approved by the US Food and Drug Administration (FDA), with approximately 250 in clinical development (phases I to III) and around 500 in pre-clinical development.

According to the Study, the peptide API market is estimated to represent 5% to 8% of the peptide therapeutics market, of which around 65% is outsourced. With the continued outsourcing of peptide API development and manufacturing to specialized CDMO's, the outsourced peptide API market addressable by PolyPeptide is expected to grow by approximately 10% per annum to USD 1.9 billion by 2025. Based on available market data for 2020, the estimated market share of PolyPeptide was between 20% and 25%, leaving the company placed as a market leader, second to its main competitor.

Integrated strategy

The Group's mission is to help customers secure regulatory approvals and to successfully launch and commercialize their products in the market, while being flexible to adapt to the inherent uncertainties of drug development.

Building on its core values of "innovation", "excellence" and "trust", PolyPeptide aims to be the preferred long-term partner for all its customers, who typically expect deep operational experience and scientific knowledge, coupled with a relentless focus on quality and a high delivery performance. As a multinational company with around 1,100 engaged and experienced employees at the end of 2021, PolyPeptide also emphasizes an agile, open and collaborative work environment.

The integrated strategy of the Group is articulated around four priorities:

- **Customers first:** The Group strives to maintain a high level of customer satisfaction across all relevant dimensions, including scientific expertise, product delivery, customer

service, quality, project management and execution. It serves a growing number of customers and continuously invests in its infrastructure, its processes and workforce to meet customer expectations.

- **Drive innovation:** The value generation of the Group is closely linked to its leading-edge capabilities in providing its products and services effectively, efficiently, and responsibly. To that end it maintains a holistic innovation agenda to ensure its manufacturing and analytical capabilities stay at the forefront of technology. In particular, the Group collaborates actively with various universities, start-up companies and scientific institutions to access innovative technologies. An important element is the Group's ambition to implement green chemistry processes to reduce the environmental impact from manufacturing activities.

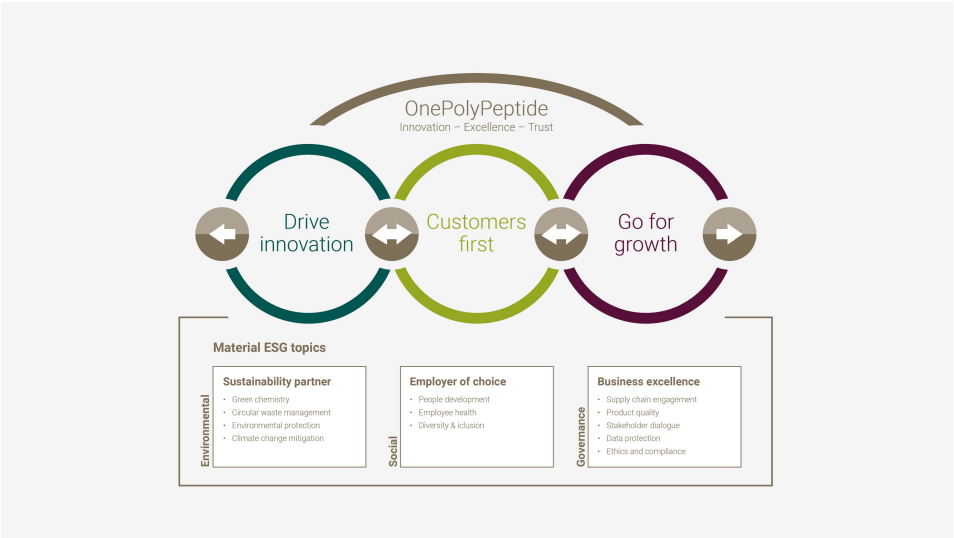
- **Go for growth:** PolyPeptide aims to continuously build its high-quality API development projects pipeline and to serve its customers throughout the lifecycle of their products. Given the strength of its late-stage development pipeline, the Group is substantially increasing its capital expenditures to meet expected growth. Upcoming patent expiries provide opportunities to further develop the peptide generics API business. With the decision to enter the emerging market for oligonucleotide-based API's, the Group aims to address unmet needs of customers, thus unlocking an additional avenue of growth.

- **Collaborate as "OnePolyPeptide":** The Group maintains a program to continuously optimize internal collaboration, seeking the right balance between local entrepreneurship and global coordination. PolyPeptide seeks to reinforce, continuously improve, and harmonize processes, systems and platforms across the Group, including for example digitalization, automation, cyber security, talent management, vendor qualification, risk management, and quality systems.

Recognizing the importance of environmental, social and governance (ESG) criteria as part of the daily business conduct, PolyPeptide adheres to fundamental principles of business ethics, corporate responsibility, and compliance. In 2021 it conducted an ESG materiality assessment to formalize earlier efforts and to define its ESG agenda (see chapter Corporate Responsibility).

Twelve material ESG topics were identified and will be managed as part of PolyPeptide's strategy. The Group thereby pursues a holistic approach to sustainability that includes reducing its environmental footprint, promoting continued improvement towards business excellence as well as strengthening the company as an employer of choice. The Group believes that the integration of the twelve material ESG topics into its strategy is the most effective way to meet both business needs and stakeholder expectations. In particular, the material ESG topics of green chemistry, people development and supply chain engagement are seen in the current development phase of the company as customer value enhancing and differentiating opportunities, building on the partnership-based culture of the Group.

PolyPeptide's integrated strategy



Scorecard and financial aspiration

The Group maintains a global balanced scorecard for supporting the implementation of its strategic agenda and for executive compensation purpose (see Remuneration Report). Besides the financial targets for revenue and adjusted EBITDA for a given period, the balanced scorecard includes quantitative goals for non-financial criteria. They are annually assessed by the Board of Directors and include "on time in full" (OTIF) delivery performance, quality, employee retention, Environment Health & Safety (EHS), customer feedback, innovation initiatives and critical project exectution.

PolyPeptide's sales growth in 2021 reached 26.5% and includes a favorable impact related to customer projects in response to the coronavirus pandemic. The Group communicated a medium-term aspiration to grow revenue with a "low teens" percentage increase versus the prior year and with an adjusted EBITDA margin of around 30%. It is currently in the process of updating its long-term strategic plan and will update its financial aspiration as appropriate. While prioritizing organic growth, PolyPeptide is open to opportunistic acquisitions, potentially to expand capacity, to broaden its geographic reach or to further strengthen its technological capabilities.

The company's goal is to provide a stable dividend to its shareholders, representing a pay-out ratio of between 20% and 30% of the Group's result for the year.

For the financial outlook for 2022, please refer to the Editorial and the Business Review.

Business Review

Business Review

Strong growth momentum in 2021

Growth driven by custom projects

PolyPeptide generated EUR 282.1 million of revenue in 2021, representing growth of 26.5% versus 2020. The revenue increase was driven by PolyPeptide's custom projects that are in phase III of clinical development. This included a substantial contribution from the GMP production of two key intermediates used in the Matrix-M™ adjuvant component of the coronavirus vaccine developed by Novavax.

In 2021, the Custom Projects segment revenue increased by 63.9% versus 2020. PolyPeptide remained strongly committed to supporting the R&D pipeline of existing and new customers. As a result, the active custom projects pipeline continued to expand, reaching 196 projects at the end of 2021, of which 30 were in phase III. The pipeline covers a wide range of therapeutic areas, reflecting the increasing use of peptides across a diverse selection of therapeutic indications and medical conditions.

The Contract Manufacturing segment revenue declined by 10.5% driven by life cycle trends in some maturing products.

The Generics and Cosmetics segment revenue increased by 21.2%, given PolyPeptide's continued efforts to benefit from genericization. In 2021, the Group submitted 13 Drug Master Files (DMF) for generics (Gx) in new markets and nine new authorizations in major markets for customers to reference PolyPeptide's Gx filings.

Notwithstanding the doubling of manufactured volumes in 2021 versus 2020, PolyPeptide managed to further improve both, its overall on-time-in-full (OTIF) delivery performance to 95% (2020: 92%) and its net promoter score (NPS) to 75 (71)[1], also reflecting a continuously effective customer engagement.

[1] Based on interviews with ca. 100 customers in the context of an annual customer survey conducted by a 3rd party on behalf of PolyPeptide.

Increase in profitability

The gross profit in 2021 was EUR 103.8 million, up by 40.8% versus 2020, driven by a favorable product mix, a higher capacity utilization and improved labor productivity, with a gross margin of 36.8%, up by 3.8 percentage points.

EBITDA for the period was EUR 84.8 million. Excluding the adverse impact from one-off items, adjusted EBITDA was EUR 88.2 million, up by 42.4%, with an adjusted EBITDA margin of 31.3%, up by 3.5 percentage points.

The one-off adjustments were reported earlier with half-year results and included IPO costs of EUR 5.7 million, partly offset by income from US government loans of EUR 2.4 million waived in the context of the coronavirus pandemic.

The result for the year was EUR 47.3 million, up by 50.8%, driven by the increase in revenue and gross profit as well as reflecting a financial result of EUR -4.3 (2020: -6.7) million and income tax charges of EUR -12.6 (-6.4) million. The effective tax rate increased to 21.0% versus 16.9% in 2020, driven by higher non-capitalized tax losses in 2021 and stable R&D tax credits.

Accelerated capital deployment

To meet expected growth mainly from its late-stage phase III project pipeline, the Group accelerated infrastructure investments during the second half of 2021. Capital expenditures for the period reached EUR 76.7 million or 27.2% of revenue, versus EUR 48.2 million or 21.6% in 2020.

Investment projects include the construction of large-scale solid phase synthesis capacity in Braine-l'Alleud (Belgium), large scale downstream capacity in Malmö (Sweden), freeze drying capacity at several sites as well as product development and analytical capabilities. Investment projects also include the build-up of the oligonucleotide facility in Torrance (California) as well as IT infrastructure and digitalization efforts.

Larger infrastructure initiatives are typically implemented in close collaboration with customers to reduce the risk for PolyPeptide. Driven by pre-payments for future volume commitments from several customers, contract liabilities were up by 37.6% to EUR 46.0 million.

Total assets increased by 58.3% to EUR 595.0 million, also reflecting net cash inflows of EUR 172.3 million from the IPO and the listing on SIX Swiss Exchange on 29 April 2021. Inventories and trade receivables in proportion to revenue slightly decreased to 40.1% (2020: 42.3%) and 23.1% (24.0%), respectively.

The return on net operating assets for 2021 reached 21.0% versus 18.2% for 2020, reflecting the generally higher utilization of assets as evidenced by the operating result up by 44.6% and average net operating assets up by 25.7%.

Total equity as per the end of 2021 more than doubled to EUR 421.1 million with an equity ratio of 70.8% (47.3%). Cash and cash equivalents reached EUR 136.3 (17.2) million. With total financial debt of EUR 29.5 million, the net cash position of the Group was EUR 106.9 million as per the end of 2021, up from EUR -47.1 million at the end of 2020. Following the IPO, PolyPeptide refinanced an existing EUR 25 million term loan, which was repaid during the second half of the year.

The net cash flows from operating activities excluding the changes in net working capital were EUR 76.8 million. The net cash flow from the changes in net working capital was EUR -19.5 million, also reflecting record sales activities in December 2021. With net cash flows from acquisitions of intangible assets and property, plant and equipment of EUR -77.7 million, the free cash flow in 2021 amounted to EUR -20.4 million.

New capabilities in oligonucleotides

The Group's business strategy is articulated around the four priorities of "Customers first", "Drive innovation", "Go for growth", and "OnePolyPeptide" (see section Strategy). The growth ambition includes the expansion of the Group's capabilities beyond peptides into the emerging market of nucleic acid-based therapies, which is synergistic with peptides given the overlaps in development capabilities and manufacturing processes.

In 2021, a R&D and GMP pilot plant facility with a dedicated team was set up at the site in Torrance (California) and the first customer contract was signed towards the end of 2021. The Group's strategy is to build a portfolio of early-stage oligonucleotides custom projects and to develop the business and infrastructure with a long-term perspective.

Integrated ESG management

To incorporate the relevant environmental-, social- and governance-related aspects as part of its strategic priorities, PolyPeptide conducted an ESG materiality assessment in the second half of 2021. Twelve material ESG topics were identified (see section Corporate Responsibility).

The Group believes that the integration of the identified material ESG topics into its strategy is the most effective way to continuously improve and to meet both business needs and stakeholder expectations, ultimately to benefit the health of millions of patients around the world.

In particular, the search for greener manufacturing solutions is seen as a critical opportunity to improve process performance and reduce the environmental footprint. PolyPeptide has defined a comprehensive multi-faceted program to address this technically complex challenge, working with partners, including academic institutions, technology startups, and customers.

Organizational progress

With the IPO, a new Board of Directors was elected, along with the establishment of the Innovation and Technology, the Remuneration and Nomination and the Audit and Risk Committees. The leadership transition to Raymond De Vré, who was appointed CEO as of the first trading day on SIX Swiss Exchange on 29 April 2021, was completed during the first-half reporting period.

In June 2021, PolyPeptide announced the creation of a General Counsel position at the Executive Committee level and appointed Christina Del Vecchio, who started in her role at the beginning of September 2021. On 1 December 2021, PolyPeptide announced the appointment of Neil Thompson as Director Global Sales and Marketing and member of the Executive Committee as internal successor to Jan Christensen, who stepped down from his role as per the beginning of 2022. Jan Christensen will support selected business development projects before retiring towards the end of 2022.

Effective 1 January 2022, the PolyPeptide Management Committee (PMC) was established as an extension to the Executive Committee (EC) to coordinate the implementation of the Group's integrated strategy more effectively. This was supported by the strengthening of the overall organization, including new Group-wide responsibilities for Quality, integrated Development as well as Employee Health & Safety (EH&S).

Risk management and internal audit

PolyPeptide is committed to continuously improve its controls, processes and strategies to manage the risks associated with its activities. Within its integrated strategy it pursues a holistic approach with the ambition to not only prevent or minimize the impact from unexpected events on the business or the performance, but also to benefit from new opportunities that might arise.

Following the listing in April 2021, PolyPeptide initiated various initiatives to assess, evaluate and mitigate key risks, including those resulting from the growth of the business and the complexity of its operations, also taking into consideration financial, legal, IT and sustainability aspects. The Group plans for an annual risk assessment report to be submitted at least once per year to the Audit and Risk Committee and to be presented to the Board of Directors.

The risk assessment report will be designed to provide a consistent, Group-wide perspective of the key risks as well as other risks identified within the Enterprise Risk Management Framework, which was initiated during the second half of 2021 by the Audit and Risk Committee together with the CFO organization (for a description of the Enterprise Risk Management Framework refer to the Corporate Governance Report).

Employees and people development

As per the end of 2021, the headcount of PolyPeptide was 1,101, with average full-time equivalents up by 14.4% to 1,041 (910). To support growth, most of the new hires were in the manufacturing, process development and quality functions.

Consistent with its integrated strategy and ESG agenda, the Group decided to put a particular focus on people development going forward. Building on robust training procedures at site-level that ensure compliance with GMP requirements and earlier leadership development programs, PolyPeptide aims at further strengthening the Group-wide processes to hire, train and develop talent, particularly for middle management positions.

Dividend

With basic earnings per share of EUR 1.47, the Board of Directors will propose to the Annual General Meeting on 26 April 2022 a cash distribution of CHF 0.30 per share, representing a pay-out of CHF 9.9 million or 20.3% of the result for 2021, which is consistent with PolyPeptide's dividend policy of a pay-out ratio of between 20% and 30% of the result for the year.

Outlook for 2022

Building on its core values of “innovation”, “excellence”, and “trust”, PolyPeptide strives to be the preferred long-term partner for all its customers. With a relentless focus on quality and high delivery performance, it plans to further develop its capacities and capabilities. While being focused on meeting customer expectations and on delivering on its integrated strategy, the Group is currently in the process of updating its long-term business plan.

For 2022, PolyPeptide targets revenue growth of 12-14% versus 2021 with a targeted adjusted EBITDA margin of around 30%. It will continue to invest in modernizing and expanding its infrastructure with capital expenditures as percent of 2022 revenue expected to be above 25%.

Corporate Responsibility

Corporate Responsibility

ESG governance

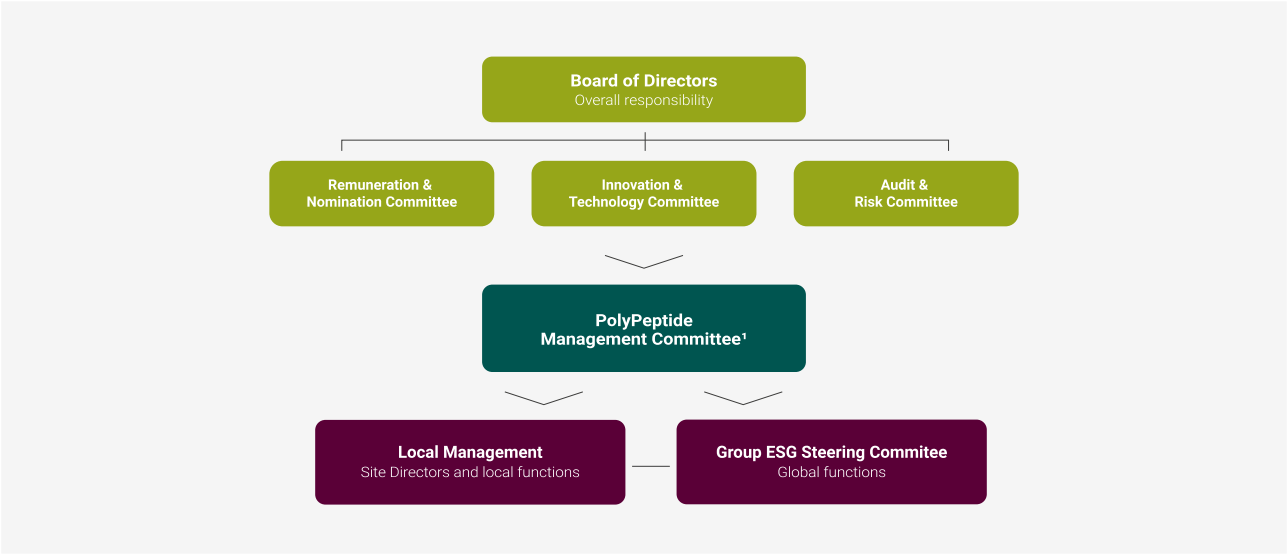
PolyPeptide strives to adhere to fundamental principles of business ethics, corporate responsibility, and compliance as laid out in the company's Code of Conduct. Building on its core values of innovation, excellence, and trust, PolyPeptide pursues an integrated strategy (see chapter Strategy) to incorporate the material environmental, social and governance (ESG) aspects as part of its strategic priorities.

With the IPO and the listing on SIX Swiss Exchange in April 2021, PolyPeptide implemented a governance structure consistent with the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse and international requirements (also see Corporate Governance Report). A new Board of Directors was elected, along with the establishment of the Innovation & Technology, the Remuneration & Nomination, and the Audit & Risk Committees. In the second half of 2021, the Group also created the position of General Counsel at the level of the Executive Committee, and towards the end of the year further reinforced the overall organization, including new global responsibilities for Quality as well as Employee Health & Safety (EH&S). Effective 1 January 2022, the PolyPeptide Management Committee (PMC) was established to ensure the effective implementation of the Group's integrated strategy.

At PolyPeptide, the overall ESG responsibility lies with the Board of Directors. In the second half of 2021, the Group with support of Finch & Beak, a specialized advisory firm, conducted an ESG materiality assessment following a structured process aligned with applicable standards. As a result of this process, twelve material ESG topics were identified. The Board of Directors assigned these topics to its committees, approving the integrated strategy approach and setting the Group's ESG agenda.

The responsibility for the implementation of the Group's ESG agenda has been delegated to the PolyPeptide Management Committee and the ESG Steering Committee. In line with the strategic priority to foster collaboration as "OnePolyPeptide", a Group-wide approach is pursued, building on the solid groundwork laid at each site in previous years. All relevant functions are represented in the ESG Steering Committee and each material ESG topic has been assigned to the manager of the respective global function in order to make sure that the ESG aspects are adequately reflected within the functional plans and in the day-to-day local activities.

PolyPeptide ESG governance



[1] As of 1 January 2022.

ESG materiality assessment

PolyPeptide conducted its materiality assessment in a five-step process in a cross-functional working group that included global function heads and selected Executive Committee members.

The first step consisted of a comprehensive desk research on relevant ESG trends, current and emerging regulations as well as applicable rating and reporting standards, complemented by a peer analysis. This resulted in a list of all sustainability-related topics. Secondly, duplicates were removed and overlapping topics were clustered. The resulting long list of topics was discussed with the working group in order to incorporate feedback and include missing topics. In a third step, the list was further evaluated by the working group for risks and opportunities. This provided first insights on the outside-in impact of ESG topics on PolyPeptide.

In the fourth step, the stakeholder relevance was assessed through interviews with internal stakeholders. This was followed by the fifth and final step with an internal workshop session in which the working group assessed both, the outside-in impact (financial materiality impact) and the inside-out impact (societal materiality impact), also to comply with the concept of double materiality. Along the process, feedback on materiality and all definitions were requested and validated.

As the result, a total of twelve material ESG topics were identified with clear definitions derived from applicable standards and with reference to the United Nations Sustainable Development Goals (SDGs; see table below). PolyPeptide endorses the UN Agenda 2030 and considers the SDGs launched in 2015 as an important reference point to determine and manage its own material ESG topics. Fully acknowledging the comparably limited size and impact of its business, PolyPeptide through its integrated strategy still aims to contribute to the agenda of the world community.

Material ESG topics definition and SDG reference

Topic	Definition at PolyPeptide	SDG[1]	SDG target
Business ethics and compliance	Complying with applicable laws and conducting business with high ethical standards. This includes topics such as corruption and bribery, political contributions, taxation, transparency, as well as anti-competitive practices.	–	–
Circular waste management	Minimize waste generation and resulting pollution, such as wastewater discharge, incineration and landfilling, by engaging in circular waste management practices such as re-designing production processes, use materials more effectively, reducing the use of scarce raw materials, and engaging in reuse, recycling, repurposing, remanufacturing, and chemical recovery of waste.		12.4 12.5
Climate change mitigation	Adopting internal procedures to avoid combustion and fugitive emissions to reduce Scope 1 GHG emissions. Sourcing energy from renewable resources to reduce Scope 2 emissions and reducing Scope 3 emissions such as from suppliers, purchased goods and services and their transportation, as well as work-related travel, leased assets and investments.		13.1 13.2
Data protection	Running a secure and up-to-date digital environment to safeguard the privacy of employees, customers and suppliers, as well as of sensitive intellectual property, product, and, business information.	–	–

Diversity and inclusion	Hiring, promoting and including individuals from different genders and underrepresented social groups. Enabling every employee to perform at their best by ensuring equal pay for equal work, adopting a zero-tolerance policy towards discrimination and creating a fair, inclusive and mutually respectful working environment.		5.1 5.5
			8.5
Environmental protection	Prevent any form of accidental pollution, such as chemical spills, poisonous fugitive emissions and explosions, that have a damaging effect on the surrounding environment and biodiversity. Assessing the local environment in terms of water scarcity, land use and nearby biodiversity areas when considering site expansions. Conserving water, energy and other local natural resources.		3.9
			7.3
			8.4
			12.2
Employee safety	Ensuring the health and safety of employees by providing a contained environment and safety trainings as well as encouraging employees to report on incidents and near misses to constantly improve safety protocols.	–	–
Green chemistry	Applying the principles of green chemistry to produce process innovations and products with a lower environmental footprint. This includes reducing solvents in the production, as well as phasing out hazardous and substances of concern. Partnering with universities, industry organizations and other parties to engage in shared innovation and further advance the industry in a responsible manner.		9.4 9.5
			12.4
Product quality	Ensuring high quality and safety of products. This includes following good manufacturing practices (GMP), receiving approval from regulatory agencies such as the US FDA, customer audits and internationally recognized certification standard such as ISO.		3.8
People development	Attracting the right talent needed to further grow our business operations. Providing employees with trainings and opportunities for growth, as well as respecting their needs and a healthy work-life balance in order to ensure employee retention.	–	–
Stakeholder dialogue	Engage in a solution-oriented dialogue with stakeholders on a regular basis in order to identify risks and solve issues before they become financially material. Enabling employees to give back to local communities through corporate citizenship programs.	–	–
Supply chain engagement	Actively working with suppliers to ensure responsible environmental and human rights practices as set out in the Supplier Code of Conduct. This includes holding collaborative sessions to identify, monitor		8.7

	and mitigate risks, offering a whistleblower hotline, as well as setting targets and applying due diligence mechanisms to new business relations.

[1] For details, refer to https://sdgs.un.org/goals; icons for informational purpose only.

Integrated ESG management

The twelve material ESG topics have been clustered under the headings of "Sustainability partner", "Employer of choice" and "Business excellence" and will be managed as integral part of PolyPeptide's strategy. The Group believes that the integration of the identified material ESG topics into its strategy is the most effective way to continuously improve and to meet both business needs and stakeholder expectations, ultimately to benefit the health of millions of patients around the world. PolyPeptide thereby aims for long-term partnerships, with the material ESG topics of green chemistry, people development and supply chain engagement seen as particular customer value enhancing and differentiating opportunities.

As part of its ESG agenda, the Group plans to consistently report on ESG matters, benefiting in many relevant areas from the groundwork laid over recent years, for example:

- **Green chemistry:** The search for green solutions has been seen for several years as an opportunity to improve process performance and to reduce the environmental footprint of the Group's activities. To that end, it set up an innovation program focused on green peptide manufacturing, including the reduction and recycling of its solvent consumption across the Group or its replacement or even avoidance through green solvents or solvent-free technologies. As part of an effort launched in 2019, PolyPeptide identified optimization opportunities, for example in the resin rinsing steps that are responsible for over 75% of the solvent used in the production of peptides by Solid Phase Peptide Synthesis. By introducing innovative practices, the amount of solvent used for the rinsing of the resin can be reduced by up to 70% compared to the standard way of operating the reactor. PolyPeptide communicated its findings in scientific publications and seeks to expand the application of green manufacturing techniques in customer projects. It is currently preparing metrics to measure and report implementation progress from 2022 onwards.
- **People development:** To support growth, PolyPeptide has extensive hiring efforts ongoing. As per the end of 2021, the headcount of PolyPeptide was 1,101, with average full-time equivalents up by 14.4% to 1,041 (910), with most of the new hires in the manufacturing, process development and quality functions. An inaugural global employee survey was conducted in March 2021 with a participation rate of 77% of employees, yielding overall good results with valuable insights for further improvements. Building on robust training procedures at site-level that ensure compliance with GMP requirements and leadership development programs, PolyPeptide aims at further strengthening the Group-wide processes to hire, onboard, train and develop talent, particularly for middle management positions.
- **Supply chain engagement:** PolyPeptide's Supplier Code of Conduct, which is available on the corporate website, was introduced in 2018 as an integrated part of all supply agreements. It is based on the principles of the United Nations Global Compact and sets out the requirements expected from suppliers in respect of ethics, freely chosen employment, labor, wages and working hours, health and safety, environment, and management systems. As part of these requirements, suppliers shall recognize and be committed to upholding the human rights of their employees and treat them with dignity and respect as understood by the international community. The Group audits the suppliers with focus on quality and criticality, and it plans to further develop and refine its audit model with regard to ESG considerations such as human rights, environmental protection, and health and safety of employees. With this, it also aims to reflect emerging regulations, including non-financial reporting obligations in Switzerland which will apply for the first time with respect to the financial year 2023. By strengthening the supplier performance evaluation program for the Group, PolyPeptide believes that it can also further strengthen supplier relationships and performance.

PolyPeptide sees the ESG materiality assessment and the implementation of a robust ESG governance as the formalization and strengthening of efforts that started a few years ago.

For example, the sites manage their environmental, health and safety (EH&S) performance at local level, with relevant consolidated performance indicators being part of the Group's balanced scorecard. The Group achieved its goals for 2021with less than one lost time incident per 100 employees and zero reportable environmental incidents. The environmental management system to identify, manage, control and monitor environmental impact at the site in Braine-l'Alleud (Belgium) reached the ISO14001 certification in 2021.

The Group uses the sustainability rating services of EcoVadis whose methodology covers a broad range of non-financial matters, including the protection of the environment or the consideration of social and ethical aspects in the business conduct. Starting with a rating for the production sites in Malmö (Sweden) and Braine-l'Alleud in 2019, the coverage was gradually expanded covering four out of the six GMP manufacturing sites in 2021. In 2021, the site in Torrance (California, USA) was awarded a silver rating, which currently also is the rating for the sites in Malmö, Braine-l'Alleud, and Strasbourg (France).

In the fourth quarter of 2021, PolyPeptide conducted a global Code of Conduct e-learning program to reinforce the rules and behaviors for day-to-day business and to protect employees and the interests of the company. By the end of 2021, 98% of online trainings had been completed.

Efforts in 2021, also in context of the IPO, included the implementation of a Trading Policy as well as a Disclosure Policy with new Communications Guidelines. In addition, a whistleblower program has been established to detect corrupt, illegal, or other unethical conduct and to protect the global reputation of the Group. It includes an independent 24/7 hotline in three languages operated by an independent third-party service provider.

ESG agenda

The Board of Directors mandated an ESG implementation plan with specific tasks for 2022, with progress to be reported going forward:

- As part of the integrated strategy, the planning of the relevant global functions shall be made more standardized to include the twelve material ESG topics with their performance indicators for management and reporting purposes.
- For the three material ESG topics of green chemistry, people development and supply chain engagement, specific strategies with targets shall be developed by the end of 2022, possibly leading to a further amendment of the Group's balanced scorecard used for the evaluation of management performance.
- PolyPeptide plans to conduct in 2022 a CO_2 footprint assessment for the manufacturing sites in Braine-l'Alleud and Malmö, using the GHG greenhouse gas protocol as standard, and subsequently integrating the other sites. For this effort, PolyPeptide can build on the experience gained at the site in Braine-l'Alleud, which joined in 2010 a regional initiative to support Belgium's strategy against global warming. A ten-year action plan was implemented with goals set for 2023 versus the baseline from 2010. The Group is confident to over-achieve the set goals, thereby improving energy efficiency in Braine-l'Alleud by more than 20%[1].
- With regards to environmental protection and employee health, the Group, also in the context of its strategic priority of "OnePolyPeptide", aims to further align and standardize its current processes across all sites. It plans to certify all sites according to ISO14001 for environment management systems and ISO45001 for occupational health and safety over the next four years.
- The Group plans to expand its coverage of the sustainability rating by EcoVadis to all of the six manufacturing sites by 2023. Building on the current silver ratings achieved for the four sites in Malmö, Braine-l'Alleud, Strasbourg and Torrance, the sites in San Diego (California, USA) and Ambernath (India) will be integrated in the scope of the EcoVadis assessment.
- PolyPeptide plans to engage in 2022 with the Pharmaceutical Supply Chain Initiative (PSCI) for the site in Malmö, and to evaluate a step-by-step integration of its additional sites.

[1] According to the "Méthodologie des accords de branche de deuxième génération de l'industrie wallonne. Rév2 – Mars 2016".

In pursuing these activities, PolyPeptide seeks continuous improvement through a pragmatic, though effective and integrated approach. Taking into consideration the complexity of the business and the still emerging requirements, this first Corporate Responsibility Report has not been prepared in accordance with any recognized standards and has not been externally assured. The company plans to decide during 2022 on an ESG reporting standard to be implemented for the financial year 2023 and to be published in 2024.

Corporate Governance Report

Corporate Governance Report 2021

We are committed to the highest principles of good corporate governance, which we believe will provide a sustainable framework to realize our strategy and objectives while at the same time strengthening our relationship with shareholders, employees, customers, suppliers and other business partners. Through accountability, transparency, fairness and responsibility, we strive to create an appropriate balance between management and control, while at the same time aligning the interests of our stakeholders.

Our first Corporate Governance Report 2021 provides information on corporate governance in accordance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG"), the Swiss Ordinance against Excessive Compensation with respect to Listed Stock Corporations ("OaEC") and the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse. The information contained herein generally follows the structure of the annex of the DCG.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Our Group's operational structure

We are a leading global independent contract development and manufacturing organization ("CDMO") specializing in innovative peptides and oligonucleotides employed as the active pharmaceutical ingredient (*i.e.*, APIs) in therapeutic products.

We are organized as a group of companies, and PolyPeptide Group AG (the "Company") is the ultimate parent company with its headquarters in Zug, Switzerland.[1]

Our shareholders have the final say at PolyPeptide, and they exercise their rights at the general meeting. Our Board of Directors is directly accountable and reports to our shareholders by whom it is individually and annually elected.

In accordance with our Articles of Association[2], the Board of Directors determines our strategic direction as well as supervises the persons responsible for conducting PolyPeptide's business and achieving our strategic objectives. As provided for in the Company's Organizational Regulations[3], the Board of Directors has delegated the responsibility and authority necessary or appropriate to carry out the day-to-day and operational activities of PolyPeptide to the Executive Committee under the leadership of the CEO. The Executive Committee is further supported by additional members of senior management with deep industry experience that are designated and appointed by the CEO and who, together with members of the Executive Committee, form the Extended Group Management[4]. The Extended Group Management prepares, informs and coordinates the implementation of the decisions of the CEO and the Executive Committee within their respective operational spheres.

In 2021, the Extended Group Management team comprised the Executive Committee together with the Director Global Innovation & Technology, Director Global Human Resources, Director Global Quality Control / Analytical Development, Director Global Regulatory Affairs, Director Global Quality Assurance and Director Global Development / Regulatory / IP. The members of our Extended Group Management team are based across PolyPeptide's sites in Europe and the US.

Complementing our senior management team is our highly qualified and committed workforce. In 2021, we employed an average of 1,041 FTEs across our six (6) manufacturing sites in the US, Europe and India that served our clients custom projects, contract manufacturing and generics needs throughout the world. For information regarding our custom projects, contract manufacturing and generics segments, please refer to note 2 "*Segment information*" of the consolidated financial statements in the Financial Report 2021.

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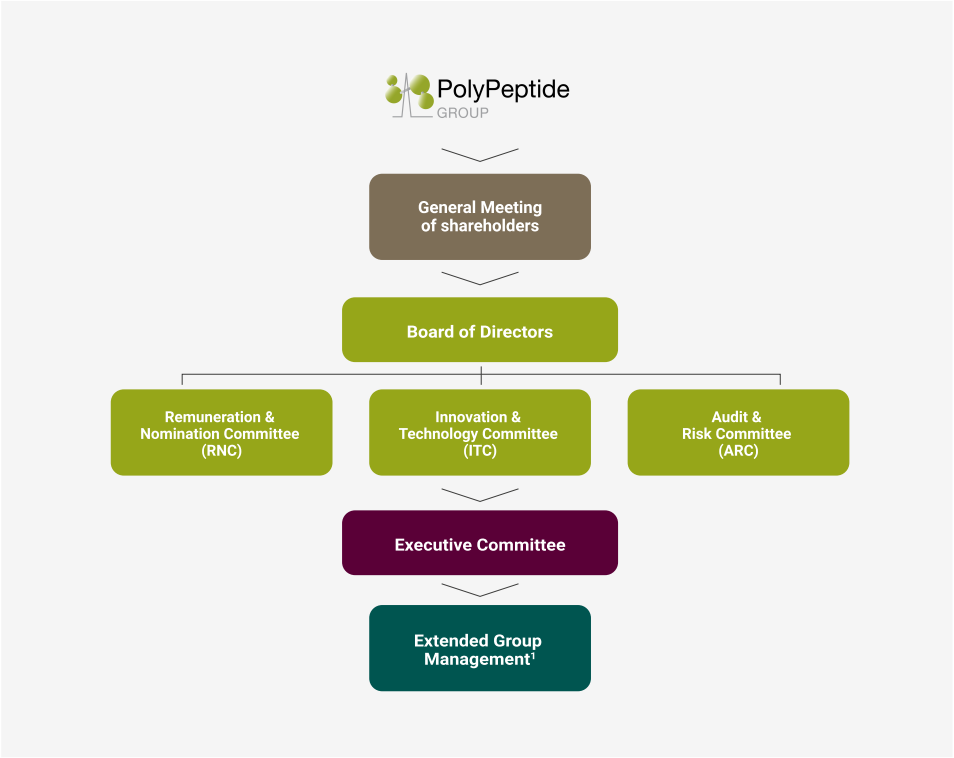
1 At the general meeting on 26 April 2022, shareholders will be asked to approve the change of the Company's registered office from Zug to Baar, Switzerland, where the Company's new registered address will be Neuhofstrasse 24, 6340 Baar, Switzerland.

2 PolyPeptide Group AG's Articles of Association are available at https://group.polypeptide.com/investors/corporate-governance/.

3 PolyPeptide Group AG's Organizational Regulations are available at https://group.polypeptide.com/investors/corporate-governance/.

4 As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee. The PolyPeptide Management Committee consists of the Executive Committee together with Director Global Innovation & Technology, Chief Human Resources Officer (*joining during the first half of 2022*), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications.

Governance bodies



[1] As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee.

1.1.2 Listing and capitalization

PolyPeptide Group AG, with its registered office at Dammstrasse 19, 6300 Zug, Switzerland,[5] is a stock corporation, in accordance with art. 620 et. seq. of the Swiss Code of Obligations (the "CO"). It was incorporated on 6 April 2021 and registered with the commercial register of the Canton of Zug on 7 April 2021 under the company registration number CHE-159.266.771.

The shares of the Company have been listed on SIX Swiss Exchange (ISIN CH1110760852, ticker symbol: PPGN, valor number: 111 076 085) since 29 April 2021 (the "First Day of Trading"). On 31 December 2021, the market capitalization (excluding treasury shares) of the Company's shares amounted to CHF 4,535,334,310. There are no other listed companies belonging to PolyPeptide.

With the exception of the Company's treasury shares (see section 2.1 *"Company's share capital"* of this Corporate Governance Report), which are held by the Company itself, no shares of the Company are owned by any other PolyPeptide subsidiary.

[5] At the general meeting on 26 April 2022, shareholders will be asked to approve the change of the Company's registered office from Zug to Baar, Switzerland, where the Company's new registered address will be Neuhofstrasse 24, 6340 Baar, Switzerland.

1.1.3 Non-listed companies belonging to PolyPeptide

The Company's only direct shareholding is in Polypeptide Laboratories Holding (PPL) AB, which directly or indirectly wholly owns the other companies of the PolyPeptide group. The table below sets forth, as of 31 December 2021, the name, registered office, ownership interest and share capital of all direct and indirect subsidiaries that the Company consolidates.

Non-listed direct and indirect subsidiaries of PolyPeptide Group AG[1]

Company name	Registered office	Country	Interest held (%)	Share capital	Currency
Polypeptide Laboratories Holding (PPL) AB	Limhamn	Sweden	100%	18,264.84	EUR
Polypeptide Laboratories (Sweden) AB	Limhamn	Sweden	100%	11,500,000	SEK
PolyPeptide SA	Braine-l'Alleud	Belgium	100%	40,000,000	EUR
PolyPeptide Laboratories France S.A.S.	Strasbourg	France	100%	9,000,000	EUR
PolyPeptide Laboratories Pvt. Ltd.	Ambernath (East)	India	100%	603,788,800	INR
PolyPeptide Laboratories Inc.	Torrance, CA	USA	100%	7	USD
PolyPeptide Laboratories San Diego, LLC[2]	San Diego, CA	USA	100%	n/a	USD
PolyPeptide Laboratories GmbH[3]	Hamburg	Germany	100%	76,693.78	EUR
PolyPeptide Laboratories A/S[4]	Hillerød	Denmark	100%	20,000,000	DKK

1 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.

2 PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

3 PolyPeptide Laboratories GmbH is a company in liquidation and its share capital is registered as Deutsche Mark 150,000.00. The basis for the conversion between Deutsche Mark and EUR is the official irrevocable conversion rate of 1 EUR = 1.95583 Deutsche Mark. PolyPeptide Laboratories GmbH is expected to be merged into Polypeptide Laboratories Holding (PPL) AB.

4 PolyPeptide Laboratories A/S is a dormant company.

1.2 Significant shareholders

To the best of the Company's knowledge, the following shareholders had holdings reaching or exceeding 3% or more of the voting rights in the Company, as notified in accordance with art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "FMIA").

Shareholder (beneficial owner / direct shareholder)[1]	Number of shares	% of voting rights
Foundation Mamont (St. Peter Port, Guernsey) / Draupnir Holding B.V. (Hoofddorp, The Netherlands)[2]	18,396,859	55.54
The Capital Group Companies, Inc. (Los Angeles, USA) / Capital Research and Management Company (Los Angeles, USA)[3]	1,546,023	5.34
Rudolf Maag (Binningen BL, Switzerland)[4]	1,100,000	3.32
T. Rowe Price Associates, Inc. (Baltimore, USA)[5]	995,004	3.00

[1] The number of shares shown in this Corporate Governance Report and the holding percentages are based on the last disclosure of shareholding communicated by the respective shareholder to the Company and the Disclosure Office of SIX Swiss Exchange. The number of shares held by the relevant shareholder may have changed since the date of such shareholder's notification. Any reportable changes since the date hereof can also be found on the website of the SIX Exchange Regulation (SER), which also includes the individual reports of the significant shareholders: http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html/.

[2] Disclosure notice of 18 November 2021. The voluntary notification included 21,859 shares of the Company (PolyPeptide Group AG, Zug, Switzerland) then currently held in treasury and 18,375,000 shares currently held by Draupnir Holding B.V. Mr. Frederik Paulsen (Lausanne, Switzerland) is at present the principal beneficiary of Foundation Mamont.

[3] Disclosure notice of 6 May 2021. Disclosure notice 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.

[4] Disclosure notice of 4 May 2021.

[5] Disclosure notice of 17 February 2022.

Notifications made in accordance with art. 120 FMIA during the 12 months preceding 31 December 2021, can be viewed at: http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html/.

To the best of the Company's knowledge, as of 31 December 2021, there are no shareholders' agreements in force.

1.3 Cross-shareholdings

The Company does not have any cross-shareholdings exceeding 5% of the capital or voting rights with any other company.

2 Capital structure

2.1 Company's share capital

As of 31 December 2021, the share capital of the Company amounted to CHF 331,250.01 and was divided into 33,125,001 registered shares with a nominal value of CHF 0.01 each. The share capital is fully paid-up.

As of 31 December 2021, the Company held 20,371 treasury shares, representing 0.06% of the Company's share capital. The Company purchased the treasury shares during the initial public offering (the "IPO") as part of the preferential allocation.

2.2 Conditional share capital and authorized share capital of the Company

Below are summaries of the Company's conditional share capital (art. 3a of the Articles of Association) and two categories of authorized share capital (art. 3b and 3c of the Articles of Association) as of 31 December 2021.

2.2.1 Conditional share capital for employee participations

According to art. 3a of the Articles of Association, the share capital of the Company may be increased by up to CHF 6,000 by the issuance of up to 600,000 fully paid-up registered shares with a nominal value of CHF 0.01 each, upon the exercise of option rights or in connection with similar rights regarding shares (including performance stock units (PSU) and/or restricted stock units (RSU)) granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors. The pre-emptive rights and the advance subscription rights of the shareholders shall be excluded. The acquisition of registered shares based on art. 3a of the Articles of Association and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to art. 5 of the Articles of Association. The conditions for the allocation and exercise of the option rights and other rights regarding shares from art. 3a of the Articles of Association are determined by the Board of Directors. The shares may be issued at a price below the respective market price.

The conditional share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this conditional share capital (*i.e.*, CHF 6,000) would equal approximately 1.8% of the existing share capital. The time period for an increase of the Company's share capital pursuant to art. 3a of the Articles of Association is unlimited. As of 31 December 2021, no shares have been issued out conditional share capital.

2.2.2 Authorized share capital for financing and acquisitions

According to art. 3b of the Articles of Association, the Board of Directors shall be authorized to increase the share capital by a maximum amount of CHF 29,999.99 by issuing a maximum of 2,999,999 fully paid in registered shares with a par value of CHF 0.01 each. Increases in partial amounts shall be permissible. The subscription and acquisition of the new registered shares and every subsequent transfer of these registered shares shall be subject to the transfer restrictions pursuant to art. 5 of the Articles of Association.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new registered shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or have not been duly exercised). The Board of Directors is entitled to permit, to restrict or to exclude the trade with pre-emptive rights. It may permit the expiration of pre-emptive rights that have not been exercised, or it may place such rights or shares as to which pre-emptive rights have been

granted, but not exercised, at market conditions or may use them otherwise in the interest of the Company.

The Board of Directors is further authorized to restrict or withdraw pre-emptive rights of existing shareholders and allocate such rights to third parties, the Company or any of its group companies for the acquisition of companies, businesses or participations or for investment projects of the Company or any of its group companies, or for the financing or refinancing of any of such transactions through a placement of shares.

The authorized share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this authorized share capital (*i.e.*, CHF 29,999.99) would equal approximately 9.1% of the existing share capital. The authority of the Board of Directors to increase the Company's share capital by issuing shares out of the Company's authorized share capital according to art. 3b of the Articles of Association lasts until 5 April 2023.

2.2.3 Authorized share capital for IPO

According to art. 3c of the Articles of Association, the Board of Directors shall be authorized to increase the share capital by a maximum amount of CHF 13,750 by issuing a maximum of 1,375,000 fully paid in registered shares with a par value of CHF 0.01 each for purposes of a placement of shares in an initial public offering (IPO), including in connection with an over-allotment option. Increases in partial amounts shall be permissible.

The Board of Directors shall determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new registered shares by means of a firm underwriting through a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the pre-emptive rights of the existing shareholders have been denied or have not been duly exercised).

The Board of Directors is authorized to restrict or withdraw pre-emptive rights of existing shareholders and allocate such rights to third parties, the Company or any of its group companies for purposes of the placement of shares and/or the granting of an over-allotment option in the initial public offering.

The authorized share capital was created at the general meeting on 6 April 2021. If fully utilized, the maximum amount of this authorized share capital (*i.e.*, CHF 13,750) would equal approximately 4.2% of the existing share capital. The authority of the Board of Directors to increase the Company's share capital by issuing shares out of the Company's authorized share capital according to art. 3c of the Articles of Association lasts until 5 April 2023.

2.3 Changes in share capital

The Company was incorporated on 6 April 2021, at which time the issued share capital amounted to CHF 300,000, divided into 30,000,000 fully paid in registered shares with a nominal value of CHF 0.01 each. In connection with the IPO and the reorganization of the Group, on 28 April 2021, the Company's issued share capital was increased by CHF 31,250.01 as a result of the issuance of 3,125,001 shares with a nominal value of CHF 0.01 each out of authorized share capital, resulting in a share capital of CHF 331,250.01, divided into 33,125,001 registered shares with a nominal value of CHF 0.01 each as of 31 December 2021. Specifically, 3,125,000 shares were issued out of art. 3c of the Articles of Association in relation to the shares issued and sold by the Company in the IPO and one share was issued out of art. 3b of the Articles of Association following the contribution in kind of 50,000,000 shares of PolyPeptide Laboratories Holding B.V. from Draupnir Corporation S.à r.l.[6]

[6] For a more comprehensive description of the contribution in kind agreement of 28 April 2021, refer to art. 33 of the Articles of Association.

2.4 Shares and participation certificates

As of 31 December 2021, the share capital of the Company amounted to CHF 331,250.01 and was divided into 33,125,001 registered shares with a nominal value of CHF 0.01 each, all fully paid-up. Subject to the Percentage Limit described in art. 5 para. 3 of the Articles of Association and provided that its holder or usufructuary has been duly entered into the share register as a shareholder with voting rights on or before the relevant Record Date, each share carries one vote at a shareholders' meeting. The shares rank *pari passu* in all other respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company and to pre-emptive rights.

The Company issues its registered shares only as uncertificated securities within the meaning of art. 973c CO, and registers them as book-entry securities within the meaning of the Federal Act on Intermediated Securities (FISA). In accordance with art. 973c CO, the Company maintains a non-public register of uncertificated securities.

Shareholders have no right to request conversion of the form in which registered shares are issued into another form. Each shareholder may, however, at any time require from the Company a confirmation relating to their current shareholding, as reflected in the Company's share register.

The Company has not issued any participation certificates.

2.5 Dividend-right certificates

The Company has not issued any dividend-right certificates.

2.6 Limitations on transferability and Nominee registrations[7]

Art. 5 of the Articles of Association contains restrictions on shareholders' possibility to be entered into the Company's share register as a shareholder with voting rights and on the registration of nominees ("Nominees").[8]

For information regarding registering as a shareholder with voting rights and certain limitations associated therewith under the Company's Articles of Association, specifically a Percentage Limit (as set out in art. 5 para. 3), please refer to section 6 *"Shareholders' participation rights"* of this Corporate Governance Report.

2.6.1 Limitations on transferability

For so long as the Company's shares are issued as uncertificated securities and registered as book-entry securities, the transfer of shares and the granting of security rights must be made in accordance with FISA. The transfer of book-entry securities or the granting of security rights on book-entry securities by way of assignment is excluded. For information regarding the admissibility of Nominee registrations, see section 2.6.3 *"Admissibility of Nominee registrations"* of this Corporate Governance Report.

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7 This Section 2.6 provides a summary of the limitations on transferability of the Company's shares and Nominee registrations. See art. 5 of the Articles of Association for more information.

8 Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in a similar manner, as well as individuals, legal entities or partnerships (especially syndicates) that act in concert are considered as one shareholder or Nominee according to art. 5 para. 7 of the Articles of Association.

2.6.2 Exceptions granted in the period under review

The Company may in special cases approve exceptions to the restrictions as set out in art. 5 (Share Register, Transfer Restrictions) of the Articles of Association.

As of 31 December 2021, no exceptions under art. 5 of the Articles of Association have been granted during the period under review.

2.6.3 Admissibility of Nominee registrations

According to art. 5 para. 5 of the Articles of Association, persons not expressly declaring themselves to be holding the shares for their own account in their application for entry in the share register or upon request by the Company (hereafter referred to as "Nominees") shall be entered in the share register as shareholders with voting rights without further inquiry up to a maximum of 3.0% of the share capital outstanding at that time. Subject to art. 5 para. 3 of the Articles of Association (see also section 6 "*Shareholders' participation rights*" of this Corporate Governance Report), above this limit, registered shares held by Nominees shall be entered in the share register with voting rights only if in its application for registration, or thereafter upon request by the Company, the Nominee discloses the names, addresses and shareholdings of the persons for whose account the Nominee is holding 0.5% or more of the share capital outstanding at that time and provided that the disclosure requirements stipulated by the FMIA are complied with. The Board of Directors has the right to conclude agreements with Nominees concerning their disclosure requirements.

According to art. 5 para. 6 of the Articles of Association and subject to art. 652b para. 3 CO, the described limit for registration also applies to the subscription for or acquisition of registered shares by exercising pre-emptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

The Company may in special cases approve exceptions to the above restrictions according to art. 5 para. 8 of the Articles of Association. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information pursuant to art. 5 para. 3 of the Articles of Association. The concerned person has to be immediately informed about the deletion.

Until an acquirer of shares becomes a shareholder with voting rights for the shares in accordance with art. 5 of the Articles of Association, he/she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights.

2.6.4 Procedure and conditions for cancelling transferability privileges and limitations

The easement or abolition of the restrictions of the transferability of the registered shares requires a resolution of a shareholders' meeting passed by at least two thirds of the represented share votes and an absolute majority of the par value of represented shares (see art. 12 of the Articles of Association).

2.7 Convertible bonds and options

As of 31 December 2021, the Company has not issued any bonds or options regarding its shares.

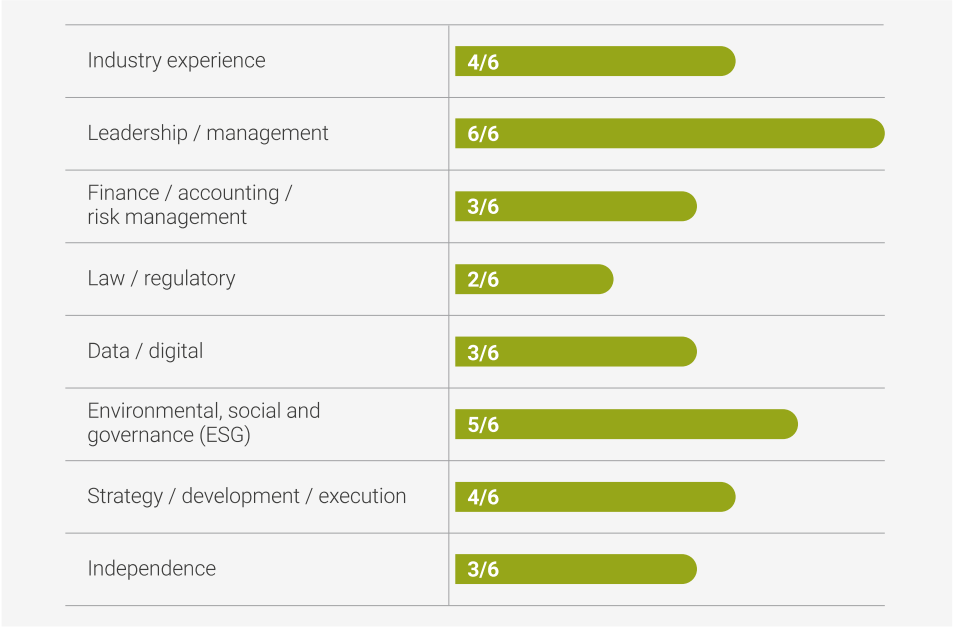
For information regarding the granting of Performance Share Units (PSUs) to selected employees of PolyPeptide, please refer to the section 5.1.4 "*Long-term incentive program*" of the Remuneration Report 2021.

3 Board of Directors

The Board of Directors is responsible for PolyPeptide's overall direction and oversight of management, and holds the ultimate decision-making authority, with the exception of matters reserved for shareholders.

We believe that the composition of our Board of Directors should reflect PolyPeptide's objectives, strategic requirements, geographical reach and its culture. The Board of Directors should further be diverse in terms of gender, nationality, geographical/regional and business experience. In furtherance of this, the Board of Directors has determined a wide range of skills to ensure that all members are well-qualified, committed and will devote the necessary time and effort to effectively perform their responsibilities. Based on the defined set of competencies, the Board members were asked to identify their key skills highlighted by their educational and professional background and personal achievements, as illustrated in the chart below.

Board skills distribution



The Remuneration and Nomination Committee regularly assesses the set of competencies as well as each Director's contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees.

3.1 Members of the Board of Directors

As of 31 December 2021, the Board consisted of six (6) non-executive Directors (including the Chairman and the Lead Independent Director), three (3) of which are independent, as outlined below:

Name	Position	First election	End of term
Peter Wilden	Chairman, Non-executive	2021	AGM 2022
Patrick Aebischer	Vice Chairman, Non-executive and Lead Independent Director[1, 2]	2021	AGM 2022
Jane Salik	Member, Non-executive[3]	2021	AGM 2022
Erik Schropp	Member, Non-executive	2021	AGM 2022
Beat In-Albon	Member, Non-executive and Independent[1]	2021	AGM 2022
Philippe Weber	Member, Non-executive and Independent[1, 4]	2021	AGM 2022

[1] The term "independent" is interpreted in accordance with art. 14 of the Swiss Code of Best Practice for Corporate Governance. In addition, section 4(d) of the Organizational Regulations further specifies that (i) a Director shall be deemed to have no or comparatively minor business relations with any member of the Group as long as such Director is not receiving more than CHF 120,000 during any 12-month period in direct compensation from any member of the Group (other than director fees and related compensations), and (ii) the Director is not a current executive officer of a company that made payments to, or received payments from any member of the Group for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of CHF 200,000 or 5% of the recipient company's consolidated gross revenues for that year, and (iii) the Director has not held any executive position within the Company during the past three years, and (iv) the Director does not represent a shareholder that holds more than 15% of the Company's shares.

[2] Dr. Patrick Aebischer has been a Senior Partner and member of the Investment Advisory Committee of NanoDimension Management Limited since 2017. In 2021, PolyPeptide decided to commit to a limited investment in a partnership managed by NanoDimension Management Limited. Dr. Aebischer abstained from voting on this item (see also section 3.5.2.2 *"2021 Board of Director meetings and key topics"*). The indirect business relationship between PolyPeptide and Dr. Aebischer resulting from said commitment is considered comparatively minor. Thus, Dr. Aebischer is considered independent within the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

[3] Jane Salik (Member) served as the CEO of PolyPeptide from 2006 until 29 April 2021 and was a member of the Executive Committee of PolyPeptide from 2006 until 17 August 2021. Prior to her resignation from the Executive Committee on 17 August 2021, she was considered an executive member of the Board.

[4] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ongoing legal matters. Refer to the section 4.2 *"2021 compensation of the Board of Directors"* of the Remuneration Report 2021 for disclosure of the fees received by NKF in relation to ongoing legal matters. The business relationship between PolyPeptide and Mr. Weber is considered comparatively minor. Thus, Mr. Weber is considered independent within in the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

Set out below is a short description of the business experience, education and activities of each director.

Peter Wilden

Chairman since 2021
Non-executive

Nationality: **German**
Year of birth: **1957**

Professional background

Beginning in 1991, Mr. Wilden held various senior roles within the Ferring Group, ultimately serving as Executive Vice President and CFO of Ferring Pharmaceuticals between 2000 and 2017. During his tenure with the Ferring Group, Mr. Wilden also served as member of the board of directors for various subsidiaries of the Ferring Group. Following his resignation as Executive Vice President and CFO in 2017, Mr. Wilden has continued to hold various directorships and advisory roles within the Ferring Group. Due to the Group's ongoing business relationship with the Ferring Group, which is also considered a related party, Mr. Wilden is assessed as not independent.[9]

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- Vice-Chairman of Schlumberger AG, Austria (since 2014)
- Executive Chairman of Ferring International Center SA, Switzerland (since 2002)

Outside mandates at non-profit organizations

- Director of the Suisse Polar Foundation, Switzerland (since 2018)
- Chairman of Project HOPE Suisse International Foundation, Switzerland (since 2015)
- Director / Vice-Chairman of Project HOPE, USA (since 2012)

[9] Ferring Group is disclosed in note 23 to the consolidated financial statements as a related party because it is related to the Company through the Esperante Investments Group (formerly: C&P Investors Group) ownership structure. For further information, see note 23 "*Related parties*" of the consolidated financial statements in the Financial Report 2021.

Former outside activities and functions

- Director of Ferring Ventures SA (previously named Trizell Holding SA), Switzerland (2014–June 2021)
- Director / Chairman of the Audit Committee / Vice-Chairman of Lonza Group AG, Switzerland (2004–2014)
- Executive Vice-President and CFO of Ferring Pharmaceuticals, Switzerland (2000–2017)
- Director of Trace Biotech AG, Germany (1999–2002)
- Director of Group Finance of Ferring BV, The Netherlands (1995–2000)
- Vice-President Finance & Accounting and Technical Operations of Ferring Arzneimittel GmbH, Germany (1993–1996)
- Director of Finance at Ferring Arzneimittel GmbH, Germany (1991–1993)
- IT Consultant at MaK Data System GmbH (within the Krupp Steel Group), Germany (1988–1991)
- Management Assistant, Krupp MaK Maschinenbau GmbH, Germany (1986–1988)
- Scientific Assistant within the IT-Group at the Institute of World Economics, Germany (1983–1986)
- Tax Inspector at the Inland Revenue Service, Germany (1980–1981)

Education

- PhD in Economics, University of Kiel, Germany (1991)
- MBA in Industrial Economics, University of Kiel, Germany (1986)
- Education Tax Inspector at the German Inland Revenue Service, Germany (1977–1980)

Key skills: Industry experience; Leadership / management; Finance / accounting / risk management; Data / digital; Environmental, social and governance (ESG); Strategy / development / execution

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Patrick Aebischer

Vice-Chairman and Lead Independent Director since 2021[10]
Non-executive

Nationality: **Swiss**
Year of birth: **1954**

Professional background

Since 2000, Dr. Aebischer has served as a Professor of Neurosciences at the Swiss Federal Institute of Technology Lausanne (EPFL), Switzerland. He has received numerous honors, including the Robert Bing Prize of the Swiss Academy of Medicine and the Pfizer Foundation Prize for Clinical Neurosciences. Dr. Aebischer holds various academic advisory positions as well as various positions in non-profit foundations and scientific advisory boards.

[10] Dr. Patrick Aebischer has been a Senior Partner and member of the Investment Advisory Committee of NanoDimension Management Limited since 2017. In 2021, PolyPeptide decided to commit to a limited investment in a partnership managed by NanoDimension Management Limited. Dr. Aebischer abstained from voting on this item (see also section 3.5.2.2 *"2021 Board of Director meetings and key topics"* of this Corporate Governance Report). The indirect business relationship between PolyPeptide and Dr. Aebischer resulting from said commitment is considered comparatively minor. Thus, Dr. Aebischer is considered independent within in the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Director of Logitech SA, Switzerland (since 2016)
- Director of Nestlé SA, Switzerland (since 2015)

Outside mandates at non-listed companies

- Chairman of Vandria SA, Switzerland (since 2021)
- Senior Partner of NanoDimension Management Limited, Cayman Islands (since 2017)
- Chairman of the Novartis Venture Fund, Switzerland (since 2014)
- Chairman of Amazentis SA, Switzerland (since 2007)

Outside mandates at non-profit organizations

- Director of Fondation «Geneva Science & Diplomacy Anticipator», Switzerland (since 2019)
- Director of Fondation du domaine de Villette, Switzerland (since 2018)
- Chairman of Fondation ArtTech, Switzerland (since 2017)
- Director of Fondation Defitech, Switzerland (since 2017)
- Director of Jacobs Foundation, Switzerland (since 2017)
- Chairman of Swiss Polar Foundation, Switzerland (since 2016)
- Director of Fondation Claude Nobs, Switzerland (since 2015)
- Director of Fondation du Festival de Verbier, Switzerland (since 2015)

Former outside activities and functions

- Director of Lonza Group AG, Switzerland (2008–2020)
- Professor of Neurosciences, Swiss Federal Institute of Technology Lausanne (EPFL), Switzerland (2000–2019)
- President of EPFL, Switzerland (2000–2016)
- Founding scientist and Director of Modex Therapeutiques Inc., Switzerland (IPO 2000 on SIX) (1996–2004)
- Professor and Medical Director of the Surgical Research Division at Lausanne University Medical School Hospital (1992–2000)
- Founding scientist and Director of CytoTherapeutics Inc., USA (IPO 1996 on NASDAQ) (1989–1999)
- Professor, Brown University, USA (1986–1990)

Education

- MD, University of Geneva, Switzerland (1980)
- Dr. in medicine, University of Geneva, Switzerland (1983)

Key skills: Industry experience; Leadership / management; Data / digital; Environmental, social and governance (ESG); Strategy / development / execution; Independence

Erik Schropp

Member since 2021
Non-executive

Nationality: **Dutch**
Year of birth: **1964**

Professional background

Currently, Mr. Schropp is CEO of Esperante Investments Group (formerly: C&P Investors Group), and a director of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 *"Significant shareholders"* of this Corporate Governance Report).[11] As a result of these roles, Mr. Schropp is assessed as not independent.

Prior positions at PolyPeptide

- Director of PolyPeptide Laboratories Holding B.V., The Netherlands, and PolyPeptide Laboratories Holding (PPL) AB, Sweden (2017–2021)

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- CEO of Esperante Investments Group (since 2020)
- Director of SEVER Life Sciences B.V., The Netherlands (since 2019)
- Director of Draupnir Holding B.V., The Netherlands (since 2008)
- Director of Esperante B.V., The Netherlands (since 2008)
- Director of Svar Life Science AB, Sweden (since 2008)
- Director of Ferring Foundation B.V., The Netherlands (since 2008)

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Director of FinVector Oy, Finland (2020–2021)
- Director of Altacor Ltd., United Kingdom (2014–2017)
- Group Financial Officer, C&P Investors Group, The Netherlands (2008–2020)
- Group Tax & Finance Director, C&P Investors Group, The Netherlands (2005–2008)
- International Tax & Finance Director, Ferring Pharmaceuticals, The Netherlands and Denmark (1999–2005)
- International Tax Manager, Unisource N.V., The Netherlands (1996–1999)
- Tax Manager, Arthur Andersen, The Netherlands (1988–1996)

Education

- Master's degree in Economics & Tax, Erasmus University, The Netherlands (1988)

Key skills: Leadership / management; Finance / accounting / risk management; Data / digital

[11] Draupnir Holding B.V. is disclosed in note 23 to the consolidated financial statements as a related party because it is related to the Company through the Esperante Investments Group (formerly: C&P Investors Group) ownership structure. For further information, see note 23 *"Related parties"* of the consolidated financial statements in the Financial Report 2021.

Jane Salik

Member since 2021
Non-executive (*since 17 August 2021*)

Nationality: **American**
Year of birth: **1953**

Professional background

Ms. Salik joined PolyPeptide in 1996 as President of PolyPeptide Laboratories Inc., where she was responsible for sales and marketing, and overall management, administration and strategic planning for the company. In 2006, she was appointed CEO during which time she guided PolyPeptide through a period of significant growth, expansion of sales and profits, expanding into new geographies and establishing a culture of innovation and execution of best practice. Ms. Salik resigned as CEO on 29 April 2021 and was a member of the Executive Committee of PolyPeptide until 17 August 2021. Due to her recent operational management roles at the Group, Ms. Salik is assessed as not independent.

Prior positions at PolyPeptide

- President, PolyPeptide Laboratories, Inc., USA (1996–2006)
- Group CEO (2006–April 2021) and Executive Committee member (2006–August 2021)
- Director of PolyPeptide Laboratories Holding B.V., The Netherlands, as well as certain of its direct and indirect global subsidiaries (2003–2021)

Outside mandates at listed companies

- None

Outside mandates at non-listed companies

- None

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Vice President of Sales and Marketing, Bachem California, USA (1986–1996)
- Technical services biochemist, product manager and marketing manager, Boehringer Mannheim, USA (1980–1986)

Education

- PhD in Molecular and Cellular Biology, SUNY Stony Brook, USA (1980)
- B.A. in Biology, Lafayette College, USA (1975)

Key skills: Industry experience; Leadership / management; Environmental, social and governance (ESG); Strategy / development / execution

Beat In-Albon

Member since 2021
Independent; Non-executive

Nationality: **Swiss**
Year of birth: **1952**

Professional background

From 2016 to 2018, Mr. In-Albon was Head of Strategic Projects at Lonza AG, Switzerland, on a part-time basis ahead of his retirement. Previously, Mr. In-Albon served as Senior Vice President and Chief Operating Officer Specialty Ingredients and was a member of the Executive Management Committee of Lonza AG, Switzerland, from 2012 until 2015.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Chairman of Evolva Holding SA, Switzerland (since 2020)

Outside mandates at non-listed companies

- Chairman of Hans Kalbermatten Thermalbad AG, Switzerland (since 2021)
- Director of Deccan Fine Chemicals Pvt. Ltd., India (since 2019)

Outside mandates at non-profit organizations

- Vice-Chairman of Lonza Arena AG, Switzerland (since 2020)

Former outside activities and functions

- Director / Chairman of Escientia Switzerland AG, Switzerland (2020–2021)
- Head of Strategic Projects at Lonza AG, Switzerland (2016–2018)
- Senior Vice President and COO Specialty Ingredients / member of the Executive Management Committee, Lonza AG, Switzerland, (2012–2015)
- Director of Siegfried AG, Switzerland (2009–2012)
- Executive Vice President of Industrial Services, SGS SA, Switzerland (2009–2012)
- Executive Vice President of Life Science Services / Member of the Operations Council, SGS SA, Switzerland (2008–2009)
- Senior Vice President / Head of Organic Fine- & Performance Chemicals / member of the Executive Management Committee at Lonza Group AG, Switzerland (2006–2007)
- Senior Vice President / Head of Organic Fine- & Performance Chemicals / member of the Executive Management Committee of Lonza AG, Switzerland (2003–2006)
- Various positions at Lonza AG, Switzerland, in the fields of Agrochemicals and Organic Fine Chemicals (starting 1983)

Education

- Master of Business Administration in Political Economy, University of Fribourg, Switzerland (1987)
- PhD in Economic Science, University of Fribourg, Switzerland (1983)

Key skills: Industry experience; Leadership / management; Finance / accounting / risk management; Law / regulatory; Environmental, social and governance (ESG); Independence

Philippe Weber

Independent[12]; Non-executive
Member since 2021

Nationality: **Swiss**
Year of birth: **1965**

Professional background

Mr. Weber is a member of the board of directors of Niederer Kraft Frey AG, Zurich (since 2008) and has been a partner of Niederer Kraft Frey AG, Zurich since 2002. He is an attorney-at-law admitted to the Swiss bar.

Prior positions at PolyPeptide

- None

Outside mandates at listed companies

- Vice chairman of Leonteq AG, Switzerland, and Leonteq Securities AG, Switzerland (both since 2020)
- Director of Medacta Group AG, Switzerland (since 2019)
- Director of EDAG Engineering Group AG, Switzerland (since 2015)

Outside mandates at non-listed companies

- Director of NorthStar Holding AG, Switzerland (since 2018)
- Director of Banca del Ceresio SA, Switzerland (since 2017)
- Director of Newron Suisse SA, Switzerland (since 2007)
- Partner at Niederer Kraft Frey AG, Switzerland (since 2002)
- Company Secretary of CLS Group Holdings AG, Switzerland (since 2002)

Outside mandates at non-profit organizations

- None

Former outside activities and functions

- Chairman and managing partner of Niederer Kraft Frey AG, Switzerland (2015–March 2021)
- Director of Robert Aebi AG, Switzerland (2004–2017)

Education

- PhD in law (summa cum laude), University of Zurich, Switzerland (1995)
- LL.M. (with distinction), European University Institute (EUI) in Fiesole, Italy (1994)

Key skills: Leadership / management; Law / regulatory; Environmental, social and governance (ESG); Strategy / development / execution; Independence

[12] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ongoing legal matters. Refer to the section 4.2 "*2021 compensation of the Board of Directors*" of the Remuneration Report 2021 for disclosure of the fees received by NKF in relation to ongoing legal matters. The business relationship between PolyPeptide and Mr. Weber is considered comparatively minor. Thus, Mr. Weber is considered independent within in the meaning of art. 14 Swiss Code of Best Practice for Corporate Governance and section 4(d) of the Organizational Regulations.

3.2 Other activities and vested interests

Except as disclosed in the biographies of the members of the Board of Directors, no further activities or vested interests are carried out outside of PolyPeptide.

3.3 Mandates and other permitted activities

As required by OaEC and in the interest of good governance, our Articles of Association limit the number of functions in superior management or administrative bodies of legal units other than with PolyPeptide that Directors are allowed to hold at one time.

Pursuant to art. 23 of the Articles of Association, the Directors may have the following other functions in the superior management or administrative bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof:

- up to four (4) mandates as member of the board of directors or any other superior management or administrative body of listed companies; and, in addition,
- up to ten (10) mandates as member of the board of directors or any other superior management or administrative body of legal entities that do not meet the above mentioned criteria.

With respect to the additional activities of the Directors, mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

The following mandates shall not be subject to the limitations set forth in art. 23 of the Articles of Association:

- mandates in companies which are controlled by the Company or which control the Company;
- mandates held at the request of the Company or companies controlled by it; no member of the Board of Directors shall, however, hold more than ten (10) such mandates; and
- mandates in associations, charitable organizations, foundations, employee welfare foundations and other similar organizations; no member of the Board of Directors shall, however, hold more than fifteen (15) such mandates.

3.4 Election and term of office

According to our Articles of Association, the Board of Directors consists of a minimum of three (3) members. As prescribed by Swiss Law, all members of the Board of Directors, including the Chairman, have to be elected individually, and may only be removed, by a shareholders' resolution. The maximum term of office for a member of the Board of Directors is one year. In this context, one year means the time period between one general meeting and the next or, if a member is elected at an extraordinary shareholders' meeting between such extraordinary shareholders' meeting and the next general meeting. Re-election is possible. The Company's Articles of Association do not contain a limitation on the number of terms served or the age of members of the Board of Directors, including the Chairman.

The Board of Directors appoints the secretary who does not need to be a shareholder or a member of the Board of Directors.

The members of the Remuneration and Nomination Committee (individually) as well as the independent proxy (the "Independent Proxy") are also elected by the general meeting for a one-year term as required by the OaEC.

If the office of the Chairman of the Board of Directors is vacant, the Remuneration and Nomination Committee is not complete or the Company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next general meeting that must be (with the exception of the Independent Proxy) a member of the Board of Directors.

Please refer to section 3.1 "*Members of the Board of Directors*" of this Corporate Governance Report for information relating to the time of first election to office of the Company's current Directors.

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

3.5.1.1 General

Our Board of Directors is responsible for the ultimate direction of PolyPeptide, supervision of our management and holds the ultimate decision-making authority, with the exception of matters reserved for shareholders.

The Board of Directors determines PolyPeptide's strategy, the allocation of resources, and the management framework. It is also responsible for setting the organizational structure, accounting, financial control and financial planning. In addition, the Board of Directors takes responsibility for all sustainability and environmental, social and governance ("ESG") related issues.

The internal structure of our Board of Directors is set out in the Organizational Regulations, which determines the corporate bodies of PolyPeptide, defines their responsibilities and competences regarding the management and regulates the functioning and cooperation of the various bodies involved in PolyPeptide's management. Subject to applicable law and the Articles of Association, the allocation of tasks within the Board of Directors is determined annually by the Board at its first meeting following the general meeting in accordance with section 2.1.1 of the Organizational Regulations.

To operate effectively and allow in-depth focus in specific areas, the Board of Directors has three standing committees (each, a "Committee"):

Committee	Chair	Member
Audit and Risk Committee (ARC)	Beat In-Albon	Erik Schropp
Remuneration and Nomination Committee (RNC)	Philippe Weber	Peter Wilden
Innovation and Technology Committee (ITC)	Patrick Aebischer	Jane Salik

The Board of Directors may form additional ad-hoc and standing committees for particular areas within the scope of its duties to deal with specific issues. In 2021, no such additional ad-hoc or standing committees were formed.

Each Committee generally comprises two or more members of the Board of Directors with its own charter governing its duties and responsibilities. The Committees have no decision-making authority of their own, and the Board of Directors remains ultimately responsible for the tasks delegated to the Committees by Swiss law, the Articles of Association or the Organizational Regulations.

At least annually, the Board reviews its own performance, as well as the performance of each of the Committees. Such assessment seeks to determine whether each of the Board and the Committees function effectively and efficiently. For 2021, the self-assessments were prepared by the Company based on customary industry evaluations and questionnaires, and reviewed and commented on by the Chairman. In light of the recent IPO, the assessments largely focused on the efficiency and effectiveness of the Board and its Committees. This annual review was finalized during the first quarter of 2022.

Peter Wilden is currently serving as the Chairman of the Board of Directors.

3.5.1.2 Lead Independent Director

The Lead Independent Director is an independent member of the Board of Directors and is elected by the Board of Directors for a term of one year or until the conclusion of the next general meeting. If the Chairman is indisposed, the Lead Independent Director will take the chair at the meetings of the Board of Directors and the shareholders' meeting. In particular, the Lead Independent Director will chair the meeting of the Board of Directors or the shareholders' meeting if the Chairman is required to abstain from the deliberation and decision-taking in case the following items are on the agenda: (i) assessment of the work of the Chairman; (ii) decision of the Board of Directors on the request to the shareholders' meeting for the re-

election or not of the Chairman; (iii) decision about the compensation of the Chairman; and (iv) any other matters in which the Chairman has a conflict of interest. The Lead Independent Director is entitled to call a meeting of the Board of Directors whenever he or she deems fit.

Patrick Aebischer is currently serving as the Lead Independent Director and Vice Chairman.

3.5.2 Working methods of the Board of Directors

3.5.2.1 Overview

Meetings of the Board are held as often as the business requires, but as a general rule at least four (4) times per year, including (i) in the first quarter, *inter alia*, to approve the annual report and the agenda and invitation to the upcoming general meeting; (ii) immediately after the general meeting, *inter alia*, to constitute the Board; (iii) in the third quarter, *inter alia*, to approve the half year financials; and (iv) in the fourth quarter, *inter alia*, to approve the budget for the next financial year. For each of these meetings, the Chairman also generally selects key business or strategic topics for more in-depth focus and discussion, such as near-term capital expenditures strategy. Meetings of the Board are convened by the Chairman if and when the need arises or whenever a Director or the CEO, indicating the reasons, so requests in writing. If the Chairman does not comply with any such request within 14 days, the Lead Independent Director is entitled to call the meeting.

Notice of meetings is given at least five (5) business days prior to the meeting. The notice must set forth the time, place and agenda of the meeting so that Directors may have a reasonable understanding of the business intended to be conducted at the meeting. Directors are provided with all necessary supporting materials at least five (5) business days prior to the meeting. In urgent cases (as determined by the Chairman in his or her discretion), a meeting may be held on appropriate shorter notice. If the Chairman deems it necessary, supporting materials may also be provided later to allow the Board to receive the latest available information. This applies, in particular, to updates on financial and other relevant data. Board meetings may be held in person, by telephone or by video conference.

The Chairman, or in his absence the Lead Independent Director, or in the absence of both, a Director designated by the attending Directors, shall chair the meeting.

If all Directors are present and agree, deviations from the formal requirements set forth in the Organizational Regulations (including those described above) are permitted; in particular, decisions can be taken in respect of items that are not listed on the agenda for the meeting.

Each Director shall disclose to the Chairman and the CEO, respectively, regarding any conflict of interest arising or relating to any matter to be discussed at the meeting of the Board as soon as the Director becomes aware of its potential existence. The Chairman (or, if applicable, the Lead Independent Director or the Remuneration and Nomination Committee) and the CEO, respectively, will decide upon appropriate measures to avoid any interference of such conflict of interests with the decision-making of the Company. As a rule, subject to exceptional circumstances in which the best interests of the Company dictate otherwise, the Director will not participate in the decision-making involving the matter at stake. The Director with a conflict will have the right to, or may be required by the Chairman and the CEO, respectively, to provide a statement of his or her view of the matter.

In principle (and as set forth by the Organizational Regulations), the CEO and the other members of the Executive Committee attend designated and selected sections of the meetings of the Board without the right to vote as guests, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed). For example, as a general matter all members of the Executive Committee attend Board sessions dedicated to reports from management, whereas no members of the Executive Committee are present at the non-executive sessions of the Board meetings. Other members of the Group's senior management are expected to participate at meetings of the Board if specific issues falling within their responsibility are on the agenda. The Chairman decides if and which persons outside the Board are entitled to attend meetings of the Board as guests.

In order to pass resolutions, not less than a majority of the Directors must be participating in the meeting (whether in person, by phone or video conference). The Board may pass resolutions with the majority of the votes cast (simple majority). Abstentions count as votes uncast. In case of a tie of votes, the Chairman has the casting vote. Board resolutions may also be passed by means of circular resolutions, by letter, facsimile or pdf-document (e-mail); provided that no Director requests by phone, facsimile or e-mail within five (5) days of receipt of the proposed resolution that the resolution be deliberated in a meeting. Board resolutions by means of circular resolutions require the affirmative vote of the majority of the Directors.

3.5.2.2 2021 Board of Director meetings and key topics

Since the First Day of Trading on 29 April 2021, the Board of Directors met six (6) times, in a combination of in person sessions and video conferences, for an average duration of approximately two and a half hours (with individual sessions lasting between one to four hours).

The following table outlines the dates and the attendees of each meeting of the Board of Directors.

Date / place	Attendees	Other attendees
23 June 2021 *Video conference*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
16 August 2021 *Zug, Switzerland*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Jan Christensen Daniel Lasanow Michael Stäheli *(Head of Investor Relations and Communications) (for ESG Update)* Christina Del Vecchio *(Secretary)*
11 November 2021 *Video conference*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Christina Del Vecchio *(Secretary)*
15 November 2021 *Video conference*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Michael Stäheli *(Head of Investor Relations and Communications) (for ESG Update)* Julia Jaun *(Investor Relations and ESG Manager) (for ESG Update)* Jan van der Kaaji and Bas Nuijten, Finch & Beak *(ESG Consultants) (for ESG Update)* Christina Del Vecchio *(Secretary)*
29 November 2021 *Obbürgen, Switzerland*	Board of Directors (all)[1]	Raymond De Vré Jan Fuhr Miller Jan Christensen Christina Del Vecchio *(Secretary)*
14 December 2021 *Video conference*	Board of Directors (all)	Raymond De Vré Jan Fuhr Miller Jan Christensen Daniel Lasanow Neil James Thompson Christina Del Vecchio *(Secretary)*

[1] Erik Schropp participated via video conference.

The key topics of the Board of Directors during this period included, among other things:

- Environmental, Social and Governance (ESG) Roadmap
- Review and approval of the 2021 half-year report and consolidated financial statements
- Regular review and discussion regarding the Group's year-to-date sales and full-year outlook
- Deep-dive into PolyPeptide's near-term capital expenditures plans
- Planning and content of the Group's 2021 annual report and topics related to the 2022 general meeting
- Approval of the new credit facility and repayment of outstanding term loan with Danske Bank
- Review and approval of investment as a limited partner investment into NanoDimension IV, L.P.[13]
- Review and approval of the Group's budget for 2022 financial year
- Review and approval of the rules for the long-term incentive program
- Approval of the individual targets and weighting of 2021 variable short-term incentive for the members of the Executive Committee; and approval of the individual targets of 2021 variable long-term incentive for the CEO

3.5.3 Working methods of the Committees

The Committees have no decision-making authority of their own, and the Board remains ultimately responsible for the tasks delegated to the Committees by Swiss law, the Articles of Association or the Organizational Regulations.

The Committees keep the Chairman of the Board of Directors informed on a current basis about all important strategic issues, transactions as well as any business situations and/or developments within their scope of responsibilities and duties. The Chairman monitors such informational duties of the Committees. The chairman of each Committee provides the full Board of Directors at their meeting with an overview of key topics discussed at the most recent Committee meeting.

Each Committee meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings, which are expected to take place at least four times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Committee member. The Audit and Risk Committee further meets upon request of the governance, risk and compliance officer (the "GRC Officer"). Since PolyPeptide had its First Day of Trading on 29 April 2021, certain Committees have met at a reduced frequency than will be the case in the future due to the shortened period in 2021.

The secretary prepares the agenda for each meeting, keeps the minutes, and assists the Committee and the chairman to coordinate and fulfill their duties and assignments. Once signed by the Committee chairman and secretary, the minutes of each Committee meeting are made available to the full Board of Directors for their review.

[13] In accordance with section 9.3(d) of the Organizational Regulations, Dr. Aebischer did not participate in any deliberations or voting in relation to PolyPeptide's investment as a limited partner in NanoDimension IV, L.P.

3.5.3.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is entrusted with preparing and periodically reviewing PolyPeptide's compensation policy, compensation strategy and principles as well as submitting proposals and recommendations to the Board of Directors regarding compensation matters. The Remuneration and Nomination Committee further supports the Board of Directors in preparing the compensation proposals for the general meeting. In addition, the Remuneration and Nomination Committee assists the Board of Directors in relation to the succession planning for and nomination of the members of the Board of Directors and the Executive Committee as well as the corporate governance of the Company and the Group. In furtherance of this, the Remuneration and Nomination Committee, for example, regularly assesses the set of competencies as well as each Director's contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees. The specific responsibilities and competencies of the Remuneration and Nomination Committee are set forth in art. 19 of the Articles of Association, section 5.3 of the Organizational Regulations as well as the Remuneration and Nomination Committee Charter.

The members of the Remuneration and Nomination Committee are individually elected by the general meeting for a one-year term. The chairman of the Remuneration and Nomination Committee shall be independent and is appointed by the Board of Directors. As of 31 December 2021, the Remuneration and Nomination Committee consisted of two members (Peter Wilden and Philippe Weber) and was chaired by Philippe Weber.

2021 Remuneration and Nomination Committee meetings and key topics

Since 29 April 2021, the Remuneration and Nomination Committee met three (3) times, in a combination of in person sessions and video conferences, for an average duration of approximately one and a half hours.

Date / place	Attendees	Other attendees
6 July 2021 *Video Conference*	Philippe Weber Peter Wilden	Raymond De Vré *(Secretary)* Jane Salik
16 August 2021 *Zug, Switzerland*	Philippe Weber Peter Wilden	Raymond De Vré Christina Del Vecchio *(Secretary)*
29 November 2021 *Obbürgen, Switzerland*	Philippe Weber Peter Wilden	Raymond De Vré Christina Del Vecchio *(Secretary)*

During the course of 2021, the key topics discussed by the Remuneration and Nomination Committee included, among other things:

- Review of remuneration principles, strategy and structure
- Establishment of rules for the long-term incentive program
- Individual performance targets and weighting for the 2021 variable short-term incentive for the members of the Executive Committee
- Individual performance targets for the 2021 variable long-term incentive for the CEO
- The structure and approach to the Remuneration Report 2021, including analysis on remuneration disclosure
- Succession planning at PolyPeptide
- Review results of reference group benchmarking in relation to the long-term incentive program as well as Board and Executive Committee remuneration

3.5.3.2 Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors with respect to matters involving the financial and risk management aspects of governance. The Audit and Risk Committee focuses on assessing the adequacy and effectiveness of the Group's internal and prudential systems and controls in relation to both financial and non-financial risks. This includes compliance with legal and regulatory obligations, insurance and related matters. The Audit and Risk Committee will also obtain reasonable assurance with respect to the activity of the Internal Audit, evaluates the external auditors regarding the fulfillment of the necessary qualifications and independence according to the applicable legal provisions and makes

proposals to the Board of Directors concerning the choice of the external auditors. The specific responsibilities and competencies of the Audit and Risk Committee are set forth in section 5.2 of the Organizational Regulations as well as the Audit and Risk Committee Charter.

The members of the Audit and Risk Committee are appointed by the Board of Directors. At least one member, including the chairman, of the Audit and Risk Committee shall be independent. As of 31 December 2021, the Audit and Risk Committee consisted of two members (Erik Schropp and Beat In-Albon) and was chaired by Beat In-Albon.

2021 Audit and Risk Committee meetings and key topics

Since 29 April 2021, the Audit and Risk Committee met four (4) times, in a combination of in person sessions and video conferences, for an average duration of approximately one and a half hours.

Date / place	Attendees	Other attendees
3 August 2021 *Video Conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller *(Secretary)* René Vestergaard *(Director, Corporate Finance)* Jonas Lavik Sonne *(Group Controller, Corporate Finance)* René Füglister *(Partner, BDO)*
16 August 2021 *Zug, Switzerland*	Beat In-Albon Erik Schropp	Jan Fuhr Miller *(Secretary)* Thomas Lorentzon *(Director IS/IT, VC)* René Füglister *(Partner, BDO)*
5 October 2021 *Video Conference*	Beat In-Albon Erik Schropp	Jan Fuhr Miller *(Secretary)* René Vestergaard *(Director, Corporate Finance)* Jonas Lavik Sonne *(Group Controller, Corporate Finance)* René Füglister *(Partner, BDO)*
29 November 2021 *Obbürgen, Switzerland*	Beat In-Albon Erik Schropp[1]	Jan Fuhr Miller René Vestergaard *(Director, Corporate Finance, VC)* Jonas Lavik Sonne *(Group Controller, Corporate Finance, VC)* René Füglister *(Partner, BDO, VC)* Isilay Dagdelen *(Legal Counsel; Secretary)*

[1] Erik Schropp participated via video conference.

During the course of 2021, the key topics discussed by the Audit and Risk Committee included, among other things:

- Review of 2021 half-year consolidated financial statements
- Discussions regarding various key accounting topics, including IPO cost allocation and share-based payments
- Review and monitoring of the Group's year-to-date sales and financial performance, including key operational KPIs
- Discussions around the implementation of the Group's Internal Audit function
- Establishment of an Enterprise Risk Management system, including the function Chief Information Security Officer, and evaluation of the Group's key risks and mitigating strategies
- Plan and requirements for the 2021 audit of the Group's consolidated financial statements
- Compliance and (cyber)security matters
- Implementation of a whistleblower program, including an independent whistleblower hotline
- Internal control system

3.5.3.3 Innovation and Technology Committee

The Innovation and Technology Committee supports the Board of Directors and Executive Committee through the review of PolyPeptide's technology plans and strategies, while monitoring existing and future trends in technology related to PolyPeptide's business. The specific responsibilities and competencies of the Innovation and Technology Committee are set forth in section 5.4 of the Organizational Regulations as well as the Innovation and Technology Committee Charter.

The members of the Innovation and Technology Committee are appointed by the Board of Directors. The chairman of the Innovation and Technology Committee shall be independent. As of 31 December 2021, the Innovation and Technology Committee consisted of two members (Jane Salik and Patrick Aebischer) and was chaired by Patrick Aebischer.

2021 Innovation and Technology Committee meetings and key topics

Since 29 April 2021, the Innovation and Technology Committee met two (2) times, in a combination of in person sessions and video conferences, for an average duration of approximately two hours.

Date / place	Attendees	Other attendees
16 August 2021 *Zug, Switzerland*	Patrick Aebischer Jane Salik	Jon Holbech Rasmussen *(Director Global Development / Regulatory / IP, VC; Secretary)* Olivier Ludemann-Hombourger *(Director Global Innovation & Technology, VC)*
29 November 2021 *Obbürgen, Switzerland*	Patrick Aebischer Jane Salik	Jon Holbech Rasmussen *(Director Global Development / Regulatory / IP; Secretary)* Olivier Ludemann-Hombourger *(Director Global Innovation & Technology)*

During the course of 2021, the key topics discussed by the Innovation and Technology Committee included, among other things:

- Objectives, goals and scope of the Innovation and Technology Committee
- Discussion and selected deep-dives into PolyPeptide's four pillars of innovation (*i.e.*, Green Chemistry and Processes, Business Development, Digitalization and Process & Analytical Performance)
- Considerations regarding potential strategic collaborations, access to experts and new business areas

3.6 Areas of responsibility between the Board of Directors and the Executive Committee

The Board of Directors' responsibilities, duties and competencies and the procedural principles by which it is governed are specified by Swiss law, art. 17 of the Articles of Association and sections 2 through 5 of the Organizational Regulations. Importantly, the responsibilities of the Board of Directors include determining the strategy of PolyPeptide as well as the appointment, supervision and dismissal of the members of the Executive Committee.

According to art. 17 of the Articles of Association and in addition to the non-transferable and irrevocable duties set out in art. 716a CO, the Board of Directors has the further non-transferable and irrevocable duties to (i) adopt resolutions and amendments to the Articles of Association regarding the subsequent payment of capital with respect to non-fully paid-in shares, (ii) adopt resolutions and amendments to the Articles of Association in relation to increases in share capital, (iii) examine compliance with the legal requirements regarding the appointment / election of the external auditors, and (iv) execute the agreements pursuant to art. 12, 36 and 70 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act).

While the Board of Directors is responsible for PolyPeptide's ultimate strategic direction and supervision of management, through the Organizational Regulations the Board has delegated the responsibility and authority necessary or appropriate to carry out the day-to-day and operational activities of PolyPeptide to the Executive Committee under the leadership of the CEO. Nevertheless, the Board of Directors retains certain duties (in addition to the non-transferable and irrevocable duties described above), such as annually approving the budgets and business plans for the Group, monitoring risks as well as ensuring that fundamental policies and controls are in place for compliance with applicable law and regulations. In addition, the Organizational Regulations set out specific parameters, including financial thresholds, for certain strategic, operational and financial matters that remain within the competence of the Board of Directors. This information is also set out in an authority chart, which is an annex to the Organizational Regulations.

The Executive Committee is responsible for ensuring the execution of the decisions of the Board of Directors and implementing the strategy of PolyPeptide in accordance with Swiss law, the Articles of Association, the Organizational Regulations and the resolutions of the shareholders' meeting. The Executive Committee is led by the CEO and comprises the CEO, CFO, the Director of Global Sales and Marketing, the Director of Global Operations and the General Counsel, and such other officers as may be determined by the Board of Directors, in consultation with the CEO, from time to time. The Executive Committee has a dual function in the management of PolyPeptide. On the one hand, under the leadership of the CEO, the Executive Committee is responsible for the day-to-day business of the Company (to the extent not reserved to the Board); and, on the other hand, it is responsible for the operational business of the whole Group as well as of each individual site and subsidiary (to the extent that the respective competences are not reserved to the Board or are, by law, reserved to the boards of directors of the subsidiaries).

Pursuant to the Organizational Regulations, the CEO is appointed and removed by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. The other members of the Executive Committee are appointed and removed by the Board of Directors upon recommendation of the Remuneration and Nomination Committee and in consultation with the CEO.

3.7 Information and control instruments vis-à-vis the Executive Committee

3.7.1 Principles of Board information

The Board of Directors has different information instruments in place to oversee, monitor and control the implementation of PolyPeptide's strategy as well as the execution of the responsibilities delegated to the Executive Committee.

Specifically, the Organizational Regulations require the CEO, together with the other members of the Executive Committee, to regularly inform the Board and its Committees at its meetings on the current course of business and all major business matters, including anticipated opportunities and risks. In addition, the Chairman and the CEO are in contact at regular intervals with respect to all major corporate policy issues. Extraordinary matters, including significant unanticipated developments, must immediately be reported to the Chairman. In addition, the Directors shall be informed immediately of extraordinary events by way of circular letter or, if necessary, in advance by telephone, e-mail or facsimile.

Furthermore, each Director is entitled to request information concerning all of PolyPeptide's affairs reasonably necessary to fulfill his or her fiduciary duties. For Directors requiring information or wishing to review documents outside of ordinary Board meetings, he or she must address his or her request in writing (including by e-mail) to the Chairman. To the extent necessary to fulfill his or her duties, each Director may further request in writing (including by e-mail) that the Chairman authorizes the inspection of the books and records of the Company. If the Chairman rejects a request for information, hearing or inspection, the Lead Independent Director or the Board shall decide whether to grant such request.

3.7.2 Regular reports to the Board

As noted above, the Executive Committee regularly reports to the Board of Directors and its Committees at their respective scheduled meetings. In addition to these meetings, on a monthly basis the Board of Directors receives a financial report with (i) an executive summary, (ii) an assessment of the Group's monthly and year-to-date revenue, (iii) the profit and loss statement, the balance sheet and the cash flow statement, (iv) a capital expenditure overview, (v) site financial performance overviews as well as (vi) Group KPIs, a summary of the business performance, updates on various initiatives and the Group's outlook. These monthly reports illustrate the actual financial results to-date, along with comparisons to the previous period and the budgeted amounts, all with accompanying commentaries. Directors often react to these reports with questions that are responded to by the CFO. In addition, through the Audit and Risk Committee, the Board receives the reports of PolyPeptide's external auditor for the full-year results and procedures performed on the half-year results.

3.7.3 Enterprise Risk Management Framework

During the course of 2021, the Audit and Risk Committee, together with the CFO and members of the finance team, began implementing an Enterprise Risk Management Framework. With the assistance of a consultant, the Group has initiated a risk assessment and has begun evaluating relevant strategies to address the risks identified. While the Board of Directors retains the ultimate responsibility for risk management and for determining the appropriate level of risk that PolyPeptide is willing to accept, the Executive Committee (together with the Audit and Risk Committee) will be responsible for ensuring that the operation of the risk management framework is sound, including risk management of significant risks.

Going forward, the CFO together with the General Counsel, our newly hired Chief Information Security Officer (who joined the Group in February 2022) and other internal stakeholders will prepare an annual risk assessment report to be submitted at least once per year to the Audit and Risk Committee. In addition, the risk assessment report will be presented to the Board of Directors at one of their scheduled meetings for a deep-dive focus and discussion on risk assessment and management.

The risk assessment reports will be designed to provide a consistent, Group-wide perspective of key risks as well as any other risk areas as they are subsequently identified in the Enterprise

Risk Management Framework. The objective of these risk assessments is to (i) make the principal risks to which PolyPeptide is exposed more transparent, (ii) determine treatment measures to control, eliminate and/or exploit the level of the risks while monitoring their effectiveness and (iii) ultimately improve risk management. To the extent that the ongoing evaluation of the Enterprise Risk Management Framework discovers any significant unanticipated developments, the CFO will immediately report these to the Audit and Risk Committee and the Chairman of the Board. The Directors must also be informed of extraordinary events (as described above).

See also "*Risk management and internal audit*" in the Business Review chapter of this Annual Report 2021.

3.7.4 Internal controls

The Board of Directors is also responsible for designing, implementing, and maintaining the Group's internal control system, which provides the ultimate oversight for PolyPeptide's strategy, operations and finances. The Audit and Risk Committee supports the Board of Directors through the assessment of the adequacy and effectiveness of the Group's internal and prudential systems and controls in respect of both financial and non-financial risks, including through discussions with and reviewing reports from the external auditor, internal officers and management. PolyPeptide's internal control system is structured to ensure the correct disclosure and adequate coverage of control over all Group activities, with particular attention on areas considered potentially at risk. The external auditor confirms the existence of the internal control system in connection with the year-end audit.

According to the Organizational Regulations, the CFO, in cooperation with the CEO, ensures good financial governance, overseeing all financial planning, budgeting (short- and mid-term), reporting and risk management activities. Furthermore, the CFO leads the implementation of systems and procedures to seek compliance with regulatory requirements for financial information, reporting, disclosure requirements and internal control. The CFO and the Audit and Risk Committee regularly evaluate the risks of material misstatements in the consolidated financial statements and assess if the risks are reduced to an acceptable level by established and planned mitigating controls and processes. Significant risks are also continuously discussed in the meetings of the Executive Committee and the Audit and Risk Committee, which both take place on a regular basis. In 2021, the Audit and Risk Committee focused on five key areas of internal controls, specifically (i) revenue, (ii) inventories, (iii) payroll, (vi) property, plant and equipment and (v) financial reporting and closing processes. During the course of 2021, the Audit and Risk Committee, together with the CFO and members of the finance team, evaluated key risks of financial misstatements in the identified key areas together with mitigating controls / processes currently in place, all of which were reviewed by the external auditor. In addition, improvement suggestions are submitted by the external auditor on a yearly basis, which are implemented by management in the following year.

3.7.5 Internal Audit

The Board of Directors, through the Audit and Risk Committee, will be further supported by a newly established Internal Audit function in 2022. The Internal Audit's mission is to ensure that PolyPeptide's operations are conducted according to high standards by providing an independent, objective assurance function and by advising on best practice. Through a systematic and disciplined approach, Internal Audit will help us accomplish PolyPeptide's objectives by evaluating and improving the effectiveness of our risk management, control and governance processes. As is customary across the industry, the evaluation and internal audit of our GMP activities will remain with our Quality department under the supervision of our Director Global Quality.

Internal Audit will be responsible for, among other things, (i) developing and implementing annual audit plans using appropriate risk-based methodology, (ii) evaluating and assessing significant merging / consolidating functions and new or changing services, processes, operations, technologies and control processes at the time of their development, implementation or expansion, (iii) establishing an Internal Audit quality assurance program to ensure high standards of operations, (iv) issuing periodic reports to the Audit and Risk Committee as well as the Executive Committee, (v) participating in any investigations at PolyPeptide and (vi) recommending appropriate actions to correct any deficiencies identified.

Further information on the responsibilities of Internal Audit can be found in the Internal Audit Charter, which is an annex to the Organizational Regulations.

3.7.6 Compliance controls

At PolyPeptide, we are committed to the highest levels of ethics and integrity in the way that we do business. We understand that this is crucial to our continued success and reputation. Our values and Code of Business Conduct and Ethics guide our everyday conduct, and to monitor our commitment, the General Counsel shall be or shall designate another person as the Group's governance, risk and compliance officer ("GRC Officer"). Currently, the General Counsel serves as the GRC Officer.

The GRC Officer is responsible for developing and maintaining compliance policies, promoting a culture of responsibility, maintaining risk management, identifying remediation needs, providing training and taking other steps to assist the Group in meeting its legal, regulatory and ethical obligations. The GRC Officer reports to the CEO. However, the GRC Officer also has direct access to the Audit and Risk Committee and reports to the Audit and Risk Committee whenever requested or if there exists a significant compliance or risk issue that involves or implicates a member of the Executive Committee which the GRC Officer believes cannot be or has not been appropriately addressed by, or directly implicates, the CEO.

During the course of 2021, we implemented various compliance initiatives and are in the process of expanding these to respond to PolyPeptide's ever-changing dynamic business environment. For example, PolyPeptide recently introduced an electronic learning tool aimed at reinforcing our Code of Business Conduct and Ethics. In addition, we also recently launched a whistleblower program and hotline where anybody with knowledge or suspicion of illegal activities or serious irregularities at PolyPeptide can report these observations confidentially and even anonymously. To ensure independence, PolyPeptide has mandated the operation of its whistleblower hotline to a third-party service provider. The implementation of these compliance measures is supervised by and regularly reported to the Audit and Risk Committee.

3.7.7 Quality assurance

To oversee and monitor our quality assurance, the CEO has designated a Director Global Quality who reports to the CEO and formed part of the Extended Group Management[14] in 2021. The Director Global Quality supervises the Group's quality control and quality assurance functions and is responsible for setting, reviewing, monitoring, revising and implementing the Group's quality management, quality control systems and quality assurance programs to comply with regulatory requirements and ensure high quality products, processes and related customer support. In addition, the Director Global Quality is responsible for providing results-oriented leadership to sustain and improve an effective and efficient international quality organization comprised of quality operations, quality systems, supplier quality and quality control / analytical development subject matter domains. Currently, Landon Piluso serves as the Director Global Quality.

[14] As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee. The PolyPeptide Management Committee consists of the Executive Committee together with Director Global Innovation & Technology, Chief Human Resources Officer (*new position for H1 2022*), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications.

4 Executive Committee

Through our Organizational Regulations, the Board of Directors has delegated the responsibility and authority necessary or appropriate to carry out the day-to-day and operational activities of PolyPeptide to the Executive Committee under the leadership of the CEO.

The CEO is accountable for the sustainable management and results-oriented performance of the Group. As such, the CEO leads, manages, supervises and coordinates the Executive Committee and the Extended Group Management[15] as well as realizes the corporate goals and strategy as set by the Board of Directors. The detailed responsibilities and functions of the Executive Committee, including the CEO and the CFO, are described in section 6 of the Organizational Regulations.

In general, meetings of the Executive Committee take place on bi-weekly or monthly basis as determined by the CEO, with the expectation that there would be no fewer than six such meetings per calendar year (as provided for in the Organizational Regulations). The resolutions of the Executive Committee are taken by the majority of the members of the Executive Committee present, where the CEO has the power to overrule any Executive Committee resolution. At each meeting the CFO presents the financial situation of the Group to-date, followed by a discussion on other non-financial pre-determined agenda items covering a range of topics across all relevant business and operational areas.

4.1 Members of the Executive Committee

As of 31 December 2021, the Executive Committee comprised the CEO, the CFO, the Director of Global Sales and Marketing, the Director of Global Operations and the General Counsel. In addition, Jane Salik (the Group's former CEO up and until the First Day of Trading) was a member of the Executive Committee until 17 August 2021 (see section 3.1 "*Members of the Board of Directors*" of this Corporate Governance Report). The year of appointment in the table below reflects each Executive Committee member's respective appointment in his/her position with the Group (including at Group subsidiaries).

Name	Year of birth	Year of appointment	Position
Raymond De Vré	1968	2021[1]	CEO
Jan Fuhr Miller	1970	2015	CFO
Jan Christensen	1960	2010[2]	Director Global Sales and Marketing
Daniel Lasanow	1962	2016	Director Global Operations
Christina Del Vecchio	1978	2021[3]	General Counsel
Neil James Thompson	1972	2022[4]	Director Global Sales and Marketing

[1] Member of the Executive Committee as CEO-elect as of 1 April 2021 and CEO as of 29 April 2021.

[2] Member of the Executive Committee and Director of Global Sales and Marketing until 31 December 2021. Since 1 January 2022, Mr. Christensen is supporting selected business development projects until his retirement towards the end of 2022.

[3] Member of the Executive Committee as of 1 September 2021.

[4] Member of the Executive Committee and Director Global Sales and Marketing as of 1 January 2022.

[15] As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee. The PolyPeptide Management Committee consists of the Executive Committee together with Director Global Innovation & Technology, Chief Human Resources Officer (*new position for H1 2022*), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications.

Set out below is a short description of each Executive Committee member's business experience, education and activities.

Raymond De Vré

Chief Executive Officer

Nationality: **Belgian**
Year of birth: **1968**

Professional background

Functions at PolyPeptide

- Chief Executive Officer (since 2021)
- Chairman / Director of several PolyPeptide subsidiaries (since 2021)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Senior Vice President, Head of Biologics and member of the Management Committee, Dr. Reddy's Laboratories, Switzerland (2018–2021)
- Senior Vice President Global Business Operations and Strategy, Biologics, Dr. Reddy's Laboratories, Switzerland (2017–2018)
- Vice President Commercial, Biologics, Dr. Reddy's Laboratories, Switzerland (2012–2017)
- Partner, McKinsey & Company, Switzerland (2004–2011)
- Consultant, McKinsey & Company, Belgium / USA / Switzerland (1996–2003)

Education

- PhD in Applied Physics, Stanford University, USA (1996)
- Master's degree in Applied Physics, Stanford University, USA (1992)
- Master's degree as Ingénieur Civil Physicien, École Polytechnique, Université Libre de Bruxelles, Belgium (1990)

Jan Fuhr Miller

Chief Financial Officer

Nationality: **Danish**
Year of birth: **1970**

Professional background

Functions at PolyPeptide

- Chief Financial Officer (since 2015)
- Director of several PolyPeptide subsidiaries (since 2016)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Vice President, Finance, CMC Biologics A/S, Denmark (2013–2015)
- Nordic Finance Leader, Honeywell A/S, Denmark (2012–2013)
- Director, Finance & Logistics, H. Lundbeck A/S, Denmark (2007–2011)
- Director, Finance & Business Administration, H. Lundbeck A/S, Denmark (2006–2007)
- Senior Manager, Business Information & Technology, H. Lundbeck A/S, Denmark (2004–2006)
- Manager, Marketing Research, H. Lundbeck A/S, Denmark (2003–2004)
- Manager, Business Operations, H. Lundbeck A/S, Denmark (2000–2003)
- Business Analyst, Colgate-Palmolive, Denmark (1998–2000)

Education

- MBA with concentration in Finance, the Keller Graduate School of Management, USA (2011)
- Master of Science, University of Aarhus, School of Management, Denmark (1999)

Jan Christensen

Former Director Global Sales and Marketing

Nationality: **Danish**
Year of birth: **1960**

Professional background

Functions at PolyPeptide

- Business Development (since 2022)
- Director Global Sales and Marketing (2010–2022)
- Director of Sales Europe (2006–2010)
- Head of Global Generics (2004–2006)
- Head of Generics Europe (2002–2004)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Head of Pharma Nordic, Helm Group, USA (1999–2002)
- Head of Chemical Department, Statoil Denmark (later Equinor), Denmark (1997–1999)
- Sales Manager, ICI Nordic, Sweden (1993–1997)
- Sales Manager, ICI Denmark, Denmark (1991–1993)
- Trading Manager, ICI Denmark, Denmark (1988–1991)

Education

- Master of Science in Strategic Planning, Copenhagen Business School, Denmark (1988)
- Bachelor of Science in Economics and Business Administration, Copenhagen Business School, Denmark (1986)

Daniel Lasanow

Director Global Operations

Nationality: **Belgian**
Year of birth: **1962**

Professional background

Functions at PolyPeptide

- Director Global Operations (since 2016)
- Director of several PolyPeptide subsidiaries (since 2016)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Senior Vice President, Multi-site Managing Director, Siegfried Pharma, Switzerland (2015–2016)
- Multi-site Managing Director, BASF Pharma, Switzerland (acquired by Siegfried Pharma) (2012–2015)
- Multi-site Production & Technologies Director, BASF Pharma, Switzerland (2011–2012)
- Production Director, NextPharma Technologies, Belgium (2009–2011)
- Production Director, Lonza, Belgium and UCB Bioproducts, Belgium (acquired by Lonza in 2006) (2000–2009)
- Plant Support Manager, SmithKline Beecham (now GlaxoSmithKline Pharmaceutical), Belgium (1992–2000)
- Junior Scientist, Ciba-Geigy (now Novartis), Switzerland (1987–1988)

Education

- Master of Sciences degree in Organic Chemistry, the University of Louvain, Belgium (1987)

Christina Del Vecchio

General Counsel

Nationality: **Swiss and Swedish**
Year of birth: **1978**

Professional background

Functions at PolyPeptide

- General Counsel and Corporate Secretary (since 2021)

Outside mandates at listed / non-listed companies or non-profit organizations

- None

Former outside activities and functions

- Counsel, Niederer Kraft Frey AG, Switzerland (2018–2021)
- Senior Associate, Niederer Kraft Frey AG, Switzerland (2013–2018)
- Associate, Latham & Watkins LLP, United Kingdom (2008–2012)

Education

- Juris Doctor, James Kent Scholar, Columbia Law School, USA (2008)
- Bachelor of Arts, summa cum laude, University of Florida, USA (2000)

Neil James Thompson

Director Global Sales and Marketing

Nationality: **British**
Year of birth: **1972**

Professional background

Functions at PolyPeptide

- Director Global Sales and Marketing (as of 1 January 2022)
- Group Commercial Director (2019–2022)
- Director Business Development Europe (2015–2019)
- Associate Director Business Development Europe (2010–2015)
- Business Manager Custom Development (2006–2010)
- Regional Sales Manager (2004–2005)

Outside mandates at listed / non-listed companies or non-profit organizations

- Member of the EuroPeptides Advisory Board for the EuroPeptides/EuroTIDES event (since 2012) (event managed and ran by Informa PLC – listed company)

Former outside activities and functions

- Peptide Product Manager, Bachem (UK) Ltd, United Kingdom (2001–2003)
- Assistant Production Manager, Bachem (UK) Ltd, United Kingdom (1999–2003)
- Assistant Production Manager, Peninsula Laboratories (Europe) Ltd, United Kingdom (1993–1999)

Education

- Bachelor of Science in Applied Chemistry and Biochemistry, Liverpool John Moores University, England (1997)

In 2021, the Executive Committee, under the leadership of the CEO, was further supported by additional members of management, that, together with the Executive Committee, formed the Extended Group Management[16].

16 As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee. The PolyPeptide Management Committee consists of the Executive Committee together with Director Global Innovation & Technology, Chief Human Resources Officer (*new position for H1 2022*), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications.

4.2 Other activities and vested interests

Except as disclosed in the biographies of the members of the Executive Committee, no further activities or vested interests are carried out outside of PolyPeptide.

4.3 Mandates and other permitted activities

Pursuant to art. 23 of the Articles of Association, with the approval of the Board of Directors, the members of the Executive Committee may have the following other functions in the superior management or administrative bodies of legal entities obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof:

- up to one (1) mandate as member of the board of directors or any other superior management or administrative body of listed companies; and, in addition
- up to five (5) mandates as member of the board of directors or any other superior management or administrative body of other legal entities that do not meet the above mentioned criteria.

With respect to the additional activities of the members of the Executive Committee, mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

The following mandates shall not be subject to the limitations set forth in art. 23 of the Articles of Association:

- mandates in companies which are controlled by the Company or which control the Company;
- mandates held at the request of the Company or companies controlled by it; no member of the Executive Committee shall, however, hold more than ten (10) such mandates; and
- mandates in associations, charitable organizations, foundations, employee welfare foundations and other similar organizations; no member of the Executive Committee shall, however, hold more than fifteen (15) such mandates.

4.4 Management contracts

The Company and its subsidiaries have not entered into any management contracts with third parties.

5 Compensation, shareholdings and loans

Information on compensation and shareholdings of the members of the Board of Directors and the Executive Committee can be found under the section 4 "*Compensation framework for the Board of Directors*" , section 5 "*Compensation framework for the Executive Committee*" and section 7 "Ownership of shares and options" in the Remuneration Report 2021.

According to art. 28 of the Articles of Association, the Company shall not grant loans, credits, pension benefits (other than from occupational pension funds) or securities to the members of the Board of Directors or the Executive Committee. Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1,000,000 are not subject to these general restrictions.

Furthermore, in principle, there will be no payments to pension funds or similar institutions for the members of the Board of Directors. In exceptional cases, such payments may be made upon request of the Remuneration and Nomination Committee and subject to the approval by the general meeting if the members in question do not have other insurable income from subordinate employment.

For additional information, see the section 4.3 "*Loans and credits*" of the Remuneration Report 2021 and section 5.3 "*Loans and credits*" of the Remuneration Report 2021.

6 Shareholders' participation rights

6.1 Voting rights restrictions and representation

6.1.1 General rules on restrictions to voting rights

Voting rights may be exercised only after a shareholder has been registered in the share register as a shareholder with voting rights up to a specific qualifying day prior to the shareholders' meeting designated by the Board of Directors (the "Record Date"). For such purpose, art. 5 para. 2 of the Articles of Association provide that persons acquiring shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the shares in their own name and for their own account and comply with the disclosure requirements stipulated by the FMIA. Entry in the share register as a shareholder with voting rights is subject to the approval of the Company.

Entry in the share register as a shareholder with voting rights may be refused based on the grounds set out in art. 5 paras 3-7 of the Articles of Association. If the Company does not refuse to register the acquirer as shareholder with voting rights within 20 calendar days upon receipt of the application, the acquirer is deemed to be a shareholder with voting rights. Non-recognized acquirers shall be entered in the share register as shareholders without voting rights. The corresponding shares shall be considered as not represented in the general meeting.

The Board of Directors may, according to art. 5 para. 3 of the Articles of Association, refuse the registration in the share register as a shareholder with voting rights if an acquirer would as a result of the recognition as a shareholder with voting rights directly or indirectly acquire, or hold in the aggregate, more than 10 percent of the registered shares recorded in the commercial register (the "Percentage Limit").

The Board of Directors may enter the registration with voting rights in the share register according to art.5 para. 4 of the Articles of Association even if 10 percent of the registered shares recorded in the commercial register are exceeded, (i) for shareholders who held or were allotted more than 10 percent of the registered shares recorded in the commercial register before completion of the IPO and only to the extent they held or were allotted such registered shares at that time and their respective legal successors ("Incumbent Shareholders"); (ii) if an Incumbent Shareholder (or his legal successor, respectively) acquires additional registered shares after the IPO; or (iii) if (A) a spouse, descendent, parent, sibling or an affiliated person of an Incumbent Shareholder (or his legal successor, respectively) or (B) any other acquirer acquires registered shares from an Incumbent Shareholder (or his legal successor, respectively) off-market, but in each case only to the extent such registered shares held by such Incumbent Shareholder (or his legal successor, respectively) had been registered with voting rights in the share register.

According to art. 5 para. 6 of the Articles of Association and subject to art. 652b para. 3 CO, the described limit for registration also applies to the subscription for or acquisition of registered shares by exercising pre-emptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

According to art. 5 para. 7 of the Articles of Association legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above restrictions (art. 5 para. 3, 4 and 5 of the Articles of Association). After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information pursuant to art. 5 para. 3 of the Articles of Association. The concerned person has to be immediately informed about the deletion. Until an acquirer of shares becomes a shareholder with voting rights for the shares in accordance

with art. 5 of the Articles of Association, he/she may neither exercise the voting rights connected with the shares nor other rights associated with the voting rights.

Subject to the Percentage Limit described above and provided that its holder or usufructuary has been duly entered into the share register as a shareholder with voting rights on or before the relevant Record Date, each share entitles to one vote.

For information regarding Nominee registrations, see section 2.6.3 "*Admissibility of Nominee registrations*" of this Corporate Governance Report.

6.1.2 Exceptions granted in the period under review

No exceptions from the voting rights restrictions (*i.e.*, the Percentage Limit) as set forth in the Articles of Association were granted in the period under review herein.

6.1.3 Procedure and conditions for abolishing voting rights restrictions

Art. 12 of the Articles of Association outlines important shareholder resolutions that require a qualified majority, including the easement or abolition of the restriction of the transferability of the registered shares. All other resolutions can be passed by a simple majority of shareholders as set out in art. 11 of the Articles of Association, to the extent that Swiss law does not provide otherwise.

6.1.4 Rules on participation at shareholders' meetings, instructions to the Independent Proxy and electronic participation at shareholders' meetings

At shareholders' meetings, each shareholder may be represented by the Independent Proxy or by means of a written proxy by any other person who need not be a shareholder. The Board of Directors determines the requirements regarding proxies and voting instructions (art. 11 of the Articles of Association).

Importantly, no shareholder or proxy may, directly or indirectly, exercise voting rights attached to own or represented shares that would collectively exceed 10 percent of the registered shares recorded in the commercial register. Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert are considered as one shareholder for the purposes of such voting. However, the foregoing restriction of voting rights do not apply to the exercise of voting rights by shareholders or their proxies (including the Independent Proxy), to the extent that their shares are registered with voting rights in the share register in accordance with art. 5 para. 4 of the Articles of Association.

The Independent Proxy has a duty to exercise the voting rights assigned to him by shareholders in accordance with their instructions. Further duties of the Independent Proxy are governed by the relevant statutory provisions. Art. 14 of the Articles of Association provides that the general meeting elects an Independent Proxy. Natural persons as well as legal entities and partnerships are eligible for election. The term of office of the Independent Proxy ends at the next general meeting. Re-election is possible. Swiss law allows for proxy instructions both in written as well as electronic form. For the period between the 2021 extraordinary shareholders' meeting held on 19 April 2021 and the next general meeting, ADROIT Attorneys, Kalchbühlstrasse 4, 8038 Zurich, Switzerland, has been elected as the Independent Proxy.

The Articles of Association do not contain any rules on the electronic participation of shareholders in shareholders' meetings.

As a result of the COVID-19 pandemic, the Swiss government has issued specific ordinances permitting companies to hold general meetings without the physical presence of shareholders, subject to certain conditions and other requirements.

6.2 Quorums required by the Articles of Association

The Articles of Association do not prescribe that a quorum of shareholders is required to be present at a shareholders' meeting.

Pursuant to art. 11 of the Articles of Association, shareholders' resolutions generally require the simple majority of the votes cast at the shareholders' meeting, to the extent that neither Swiss law nor the Articles of Association provide otherwise. Abstentions, empty votes and invalid votes will not be taken into account for the calculation of the required majority. The Chairman has no casting vote.

Pursuant to art. 12 of the Articles of Association, a resolution passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required for (i) matters listed in art. 704 of the CO and in art. 18 and art. 64 of the Merger Act, (ii) the easement or abolition of the restriction of the transferability of the registered shares, (iii) any amendment or cancellation of art. 31 of the Articles of Association (*i.e.*, exclusion of mandatory tender offer); (iv) any changes to art. 12 of the Articles of Association (*i.e.*, qualified majority for important resolutions).

6.3 Convocation of the general meeting

The Articles of Association do not differ from applicable Swiss statutory legal provisions, other than that the Board of Directors is required to convene an extraordinary shareholders' meeting within two (2) months if requested by one or more shareholder(s) representing in aggregate at least 5% of the Company's nominal share capital registered in the commercial register. Such demands have to be submitted in writing, setting forth the items to be discussed and the proposals to be decided upon.

A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce at least 20 calendar days before the date of the meeting. To the extent the post and/or e-mail addresses of the shareholders are known, notice may also be sent simultaneously by post and/or e-mail. The notice needs to state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the shareholders' meeting or that an item be included on the agenda.

6.4 Inclusion of items on the agenda

The Board of Directors states the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least 0.5% of the share capital of the Company may demand that items be put on the agenda. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 calendar days before the date of the relevant shareholders' meeting and need to be in writing, specifying the items and the proposals.

No resolutions may be passed on motions concerning agenda items which have not been duly announced apart from those exceptions permitted by Swiss law.

6.5 Entries in the share register

Voting rights may be exercised only after a shareholder has been registered in the share register as a shareholder with voting rights up to a specific qualifying day designated by the Board of Directors (*i.e.*, the Record Date).

There are no statutory rules concerning deadlines for entry in the share register. However, for organizational reasons, the share register is closed several days before the respective shareholders' meeting. The respective Record Date for inscriptions in the share register is announced in the invitation to the shareholders' meeting.

For information on certain limitations on transferability and nominee registrations, please refer to the information provided under the section 2.6 "*Limitations on transferability and Nominee registrations*" of this Corporate Governance Report. For information on certain limitations on share voting rights, please refer to the information provided under the section 6.1.1 "*General rules on restrictions to voting rights*" of this Corporate Governance Report.

7 Change of control and defense measures

7.1 Duty to make an offer

Pursuant to the applicable provisions of FMIA, any person that acquires shares of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of 33⅓% of the voting rights (whether exercisable or not) of such company, must submit a public tender offer to acquire all of the listed shares of such company. A company's articles of association may either waive this requirement entirely ("opting-out") or raise the relevant threshold to up to 49% ("opting-up").

Art. 31 of the Articles of Association includes an opting-out provision and thereby exempts shareholders from the duty to make a mandatory public tender offer pursuant to art. 135 FMIA. As a result, any shareholder or group of shareholders exceeding the threshold of 33⅓% of the voting rights (whether exercisable or not) of the Company is/are not required to make a mandatory tender offer to the other shareholders. Different from other companies listed in Switzerland which have no opting-out clause (and no opting-up clause), upon such shareholder or group of shareholders reaching or exceeding the threshold of 33⅓% of the voting rights (whether exercisable or not) of the Company, the shareholders will neither benefit from the option to sell their shares in a mandatory tender offer nor from minority shareholder protection rules related to such mandatory tender offers.

7.2 Clauses on change of control

PolyPeptide's long-term incentive program ("LTIP") provides that if a change of control (as such term is defined in the LTIP rules) occurs while the participant still holds any unvested awards, then all unvested awards shall immediately vest at target. For more information on our LTIP, please refer to the section 5.1.4 *"Long-term incentive program"* of the Remuneration Report 2021.

Other than in relation to PolyPeptide's LTIP, there are no agreements or schemes in place containing change of control clauses benefiting members of the Board of Directors and/or the Executive Committee.

8 Auditors

8.1 Duration of the mandate and term of office of the Lead Auditor

Our external auditor's term of office is one year. It ends with the approval of the annual financial accounts by the general meeting. Re-election and revocation are possible at any time. The lead audit partner is rotated every seven years in accordance with Swiss law.

Our independent external auditor is BDO AG ("BDO"), Schiffbaustrasse 2, 8005 Zürich, Switzerland, and has been our independent auditor since our incorporation on 6 April 2021. BDO is supervised and regulated by the Federal Audit Oversight Authority. Since 6 April 2021, René Füglister has been the lead auditor partner.

BDO Audit & Assurance B.V., Krijgsman 9, 1186 DM, Amstelveen, The Netherlands, was the independent external auditor of Polypeptide Laboratories Holding B.V. (the Group's predecessor holding company) beginning in 2016. BDO Audit & Assurance B.V. is supervised by the Netherlands Authority for the Financial Markets (AFM). The auditor in charge was A.P. van Veen, who had carried out this function since 2016.

8.2 Auditing fees

For the year ended 31 December 2021, total auditing fees charged by BDO for the audit of the consolidated financial statements, the audit of the statutory financial statements as well as the audit of selected sections of the Remuneration Report 2021 of the Company (*i.e.*, PolyPeptide Group AG) for the financial year 2021 amounted to CHF 597,650.

8.3 Additional fees

For additional services performed by BDO (or its affiliates) in the year ended 31 December 2021, PolyPeptide was charged total non-auditing fees as follows:

CHF	**Amount**
BDO AG, Zurich: Gatekeeper review in connection with IPO and audit of the capital increase by contribution-in-kind in connection with PolyPeptide Laboratories Holding B.V.	91,444
BDO Sweden: Auditor's statement in connection with the reverse merger of PolyPeptide Laboratories Holding B.V. into PolyPeptide Laboratories Holding (PPL) AB	7,065[1]
MSKA & Associates, Mumbai: Review of income tax records of earlier years; review of income tax return for the year ended 31 March 2021; and income tax representation services for the year ended 31 March 2014, 2015, 2016 and 2017	12,985[1]
BDO USA: R&D tax credit assistance for the year ended 31 December 2020	86,610[1]
Total	**198,104**

[1] Amounts converted to CHF from other currencies are translated at the weighted average exchange rates for the year ended 31 December 2021.

8.4 Information instruments pertaining to the External Audit

The Board of Directors monitors compliance and proposes the annual election of the external auditor to the general meeting as recommended by the Audit and Risk Committee. In accordance with the Organizational Regulations and the Audit and Risk Committee Charter, the Audit and Risk Committee oversees the integrity of PolyPeptide's financial statements, the effectiveness of the internal control over financial reporting, the compliance with legal and regulatory requirements and the effectiveness of PolyPeptide's risk management, compliance and quality assurance systems and processes.

In addition, the Audit and Risk Committee annually (or more often as required) assesses the performance, qualifications and independence of the external auditor as well as evaluates the audit fees. The Audit and Risk Committee's assessment of the external auditor is based on the independency and objectivity of the external auditors, the professional competence, the presented reports, the demonstrated technical and operational competences, the quality and sufficiency of resources, the ability to provide effective and practical recommendations as well as the external auditor's open and effective communication and coordination with PolyPeptide's finance team and other employees. Based on its assessment, the Audit and Risk Committee will make a recommendation to the Board of Directors concerning the choice of the external auditor. The budget for audit fees (and any additional non-audit services) is reviewed and negotiated by the Audit and Risk Committee, with the final audit and non-audit fees subject to approval by the Board of Directors.

Since the First Day of Trading on 29 April 2021, the Audit and Risk Committee held four (4) meetings with representatives of BDO. During these meetings various accounting and reporting topics were discussed, including the 2021 half-year consolidated financial statements, key accounting topics, ongoing year-to-date financial performance, implementation of the Internal Audit function, establishment of an Enterprise Risk Management system, evaluation of the Group's key risks and mitigating strategies, audit plan and requirements for the 2021 audit of the consolidated financial statements, compliance and (cyber)security matters and internal control system. On an annual basis, the external auditor also presents a detailed report on the results of the audit of the consolidated financial statements, the findings on significant accounting and reporting matters and findings on the internal control system. This presentation was held at the Audit and Risk Committee meeting on 3 March 2022 (in relation to the approval of the 2021 full-year financial statements). The results and findings of this report are also discussed in detail with the CFO and other members of the PolyPeptide finance team. The chairman of the Audit and Risk Committee presented a summary of the external auditor's presentation (including submitting any accompanying materials for review) to the Board of Directors at its next scheduled meeting, which occurred on 10 March 2022.

For more information regarding the Audit and Risk Committee and their meetings which included the external auditors, please refer to section 3.5.3.2 "*Audit and Risk Committee*" of this Corporate Governance Report.

9 Information policy

We maintain a policy of transparent communication with all our stakeholders.

We release our financial results in the form of an annual report. Our annual report is published in electronic form under the links below at the end of this section 9 within four months of the 31 December balance sheet date. In addition, our financial results for the first-half of each fiscal year are released in electronic form under the links below at the end of this section 9 within three months of the 30 June balance sheet date. Our annual report and half-year results are announced via press releases and media and investor conferences held in person, via telephone or video conference / webcast.

In addition, we comply with the requirements of SIX Exchange Regulation on the dissemination of price-sensitive information. Ad hoc announcements can be accessed at the same time as they are communicated to the SIX Exchange Regulation at the links indicated at the end of this section 9. It is further possible to receive material and price-sensitive information directly, promptly and free of charge from PolyPeptide by e-mail. This service is offered under the links indicated at the end of this section 9.

Notices to shareholders and other announcements are made by publication in the Swiss Official Gazette of Commerce. The Board of Directors may designate further means for official publications.

Contact addresses

Copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at https://www.polypeptide.com/ or obtained upon request from Investor Relations and Corporate Communications, Dammstrasse 19, 6300 Zug, Switzerland[17] (phone: +41 41 723 20 34; email: investorrelations@polypeptide.com).

Main registered office[17]

PolyPeptide Group AG
Dammstrasse 19
6300 Zug
Switzerland
+41 (0) 41 723 20 40

Weblinks

The Company's website:
https://www.polypeptide.com

Subscription for ad hoc messages (*push system*):
www.polypeptide.com/news/subscription/

Ad hoc messages (*pull system*):
www.polypeptide.com/news/

Financial reports:
www.polypeptide.com/investors/results-presentations/

Corporate calendar:
www.polypeptide.com/investors/calendar/

[17] At the general meeting on 26 April 2022, shareholders will be asked to approve the change of the Company's registered office from Zug to Baar, Switzerland, where the Company's new registered address will be Neuhofstrasse 24, 6340 Baar, Switzerland.

Upcoming Important Dates:

- 26 April 2022 – General Meeting 2022
- 27 April 2022 – Last trading day including dividend entitlement
- 28 April 2022 – Dividend ex-date
- 29 April 2022 – Dividend record date
- 2 May 2022 – Dividend payment date
- 19 August 2022 – Half-year Results 2022
- 14 March 2023 – Full-year Results 2022
- 12 April 2023 – General Meeting 2023

10 Quiet periods

Our trading policy sets out internal guidance and rules on the proper handling of inside information and for trading in the Company's securities. In addition, our disclosure policy defines the information requirements and responsibilities with regard to informing the public in a fair and transparent manner, and at the earliest possible stage, about significant developments and changes concerning PolyPeptide.

We have introduced ordinary blocked periods during which time the Company and blocked persons must not deal in Company securities or make respective recommendations to any other person regardless of whether or not such person is in possession of inside information. PolyPeptide's ordinary blocked periods are (i) from 31 December until the lapse of one trading day following the public release of our annual results and (ii) from 30 June until the lapse of one trading day following the public release of our half-year results.

Blocked persons subject to the ordinary blocked periods include members of the Board of Directors, the Executive Committee, the Extended Group Management[18] as well as other individuals having access to inside information during these periods as identified by the CFO and General Counsel, in consultation with other members of management. The General Counsel maintains a list of the blocked persons, which is reviewed together with the CFO ahead of the commencement of each ordinary blocked period, and informs such individuals of their designation as a blocked person. Each blocked person must also deliver an acknowledgment of their designation as a blocked person to the General Counsel. In addition, the General Counsel reminds all blocked persons by email of the applicable restrictions ahead of each ordinary blackout period.

In 2021 and since the IPO, the following ordinary blocked periods applied: from 30 June 2021 until (and including) 17 August 2021 and from 31 December 2021 until (and including) 15 March 2022.

In addition to ordinary blocked periods, the Chairman, CEO, CFO or the General Counsel may each impose extraordinary blocked periods from time to time where they consider it necessary or appropriate, including (without limitation) where inside information exists or may arise (for example in connection with a potential material transaction) or where restrictions are required or appropriate to comply with regulatory or other requirements.

[18] As of 1 January 2022 the Extended Group Management has been restructured as the PolyPeptide Management Committee. The PolyPeptide Management Committee consists of the Executive Committee together with Director Global Innovation & Technology, Chief Human Resources Officer (*new position for H1 2022*), Director Global Quality, Director Global Development / Regulatory / IP and Head of Investor Relations and Corporate Communications.

Remuneration Report

Letter from the Chairman of the Remuneration and Nomination Committee

"Our goal is to ensure that our remuneration provides optimal incentives for successful leadership and is closely aligned with the interests of our shareholders."

Philippe Weber
Chairman of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration and Nomination Committee, it is my pleasure to share with you PolyPeptide's first Remuneration Report as a publicly listed company. The Remuneration Report explains our remuneration policies, principles and elements, as well as how PolyPeptide's performance results impacted the variable incentive payments to the Executive Committee. This report also includes a review of the key activities and decisions of the Remuneration and Nomination Committee following PolyPeptide's first day of trading on SIX Swiss Exchange on 29 April 2021.

Since PolyPeptide went public, a key focus of the Remuneration and Nomination Committee has been to develop a remuneration structure and governance framework that is simple, clear and transparent. Our goal is to ensure that our remuneration provides optimal incentives for successful leadership and is closely aligned with the interests of our shareholders.
In furtherance of this, in 2021 the Remuneration and Nomination Committee refined the short-term incentive program for the Executive Committee that more closely links performance to pay and introduced PolyPeptide's share-based long-term incentive program. For 2021, a portion of the current CEO's variable pay qualified under the long-term incentive program, and during the upcoming year, we plan to further expand the eligible long-term incentive program target group.

In the coming period, we will continue to proactively assess and review our remuneration programs to ensure that they are fulfilling their purpose, remaining competitive to attract the best talent and rewarding individual performance, competence and desired behaviors in line with PolyPeptide's values and leadership principles. Our aim is to balance fixed and variable compensation and short- and long-term incentives so that management's interests are aligned with those of our shareholders. In short, we want to create a culture of sustainable value creation.

We encourage candid dialogue with our shareholders as we continue to develop and evolve our remuneration structure. At the general meeting in April 2022, you will have the opportunity to express your opinion on our remuneration policies, principles and elements through a consultative vote on this Remuneration Report. We will also ask for your approval of the aggregate compensation amount to be awarded (i) to the Board of Directors for the period until the next general meeting in 2023 and (ii) to the Executive Committee for the financial year 2023. We respectfully ask for your endorsement of these agenda items at the general meeting in April 2022.

I would like to thank you for your ongoing support and trust that you will find this first Remuneration Report interesting and informative.

Sincerely,

Philippe Weber
Chairman of the Remuneration and Nomination Committee

Remuneration Report 2021

This Remuneration Report describes PolyPeptide's remuneration governance and principles, structure and elements. We have prepared this report in compliance with the requirements of the Swiss Ordinance against Excessive Compensation with respect to Listed Stock Corporations ("OaEC") as well as PolyPeptide Group AG's Articles of Association and, with respect to compensation disclosure, in compliance with the SIX Swiss Exchange Directive on Information relating to Corporate Governance ("DCG") and the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse.

1 Remuneration governance

1.1 Articles of Association

Our Articles of Association[1] include the principles governing remuneration. The key provisions are summarized below.

Table 1: Articles of Association

Votes on compensation *Article 13*	The general meeting approves, separately and bindingly, the aggregate amounts of: (i) the maximum compensation of the Board of Directors for the term of office until the next general meeting that may be paid or allocated; and (ii) the maximum overall compensation of the Executive Committee (fixed and variable based components) that may be paid or allocated in the subsequent business year.
Principles of compensation Board of Directors *Article 25 para. 1*	The compensation of the members of the Board of Directors consists of fixed compensation elements and may comprise variable compensation elements; the fixed compensation comprises a fixed base fee and fixed fees for chairmanship and memberships in Board committees or for roles of the Board of Directors as well as a lump sum compensation for expenses; the variable compensation (if applicable) comprises performance-related compensation elements and financial instruments (e.g., performance stock units (PSU)) and depends on the achievement of strategic and/or financial targets set in advance by the Board of Directors over the course of a performance period defined by the Board of Directors. The compensation is awarded in cash, in form of shares in the Company and other benefits.
Additional services by Directors *Article 25 para. 3*	Members of the Board of Directors providing consulting services to PolyPeptide in a function other than as members of the Board of Directors may be compensated in cash according to standard market rates subject to approval by the general meeting.
Principles of compensation Executive Committee *Article 26 para. 1*	Compensation for members of the Executive Committee consists of fixed base compensation in cash as well as variable compensation. The fixed compensation comprises the base compensation and may comprise additional compensation elements and benefits. The variable compensation may comprise short-term and long-term compensation components. Compensation to members of the Executive Committee may be awarded in cash, in form of shares in the Company and other benefits.
Short-term and long-term variable compensation *Article 26 paras 2-4*	Short-term variable compensation of the Executive Committee depends on the achievement of targets set in advance by the Board of Directors over the course of a one-year performance period; the long-term variable compensation of the Executive Committee shall take into account the sustainable long-term performance and strategic objectives of PolyPeptide and achievements are generally measured based on a period of several years.
Agreements related to compensation and maximum contract terms of the Executive Committee *Article 24*	The employment agreements of the members of the Executive Committee shall in principle be concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term shall not exceed one year. Employment agreements for an indefinite term may have a termination notice period of maximum 12 months; non-competition obligations for the time following termination of an employment contract with members of the Executive Committee and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition undertaking shall not exceed the last paid fixed annual compensation of such member.
Additional compensation for new members of the Executive Committee *Article 29*	If newly appointed or promoted members of the Executive Committee take office after the general meeting has approved the aggregate maximum amount of compensation of the members of the Executive Committee for the next business year, such newly appointed or promoted members may receive a compensation in each case of up to 50% of the last aggregate maximum amount of compensation for the Executive Committee approved by the general meeting.

Loans and credits *Article 28 para. 1*	The Company shall not grant loans, credits, pension benefits (other than in the context of occupational pension) or securities to the members of the Board of Directors or the Executive Committee. Advance payments of fees for lawyers, court fees and similar costs relating to the defense against corporate liability claims up to a maximum amount of CHF 1,000,000 are permitted.

In addition, our Organizational Regulations[2], including the Charter of the Remuneration and Nomination Committee, further describe and define the roles and responsibilities of the Remuneration and Nomination Committee and the Board of Directors.

[1] PolyPeptide Group AG's Articles of Association are available at https://group.polypeptide.com/investors/corporate-governance/.

[2] PolyPeptide Group AG's Organizational Regulations are available at https://group.polypeptide.com/investors/corporate-governance/.

1.2 Role and activities of the Board of Directors and shareholders

As provided for in the OaEC and our Articles of Association, our shareholders have significant influence on the compensation of PolyPeptide's governing bodies and annually approve the maximum aggregate compensation for the members of our Board of Directors and Executive Committee for the applicable periods.

At PolyPeptide, the approach to remuneration is mainly structured by the Remuneration and Nomination Committee, with our Board of Directors being ultimately responsible for ensuring that we comply and implement our shareholders' resolutions on compensation matters as well as adhere to statutory compensation provisions and the compensation principles set out in our Articles of Association.

The decision-making relationship between our shareholders, the Board of Directors and the Remuneration and Nomination Committee is illustrated below.

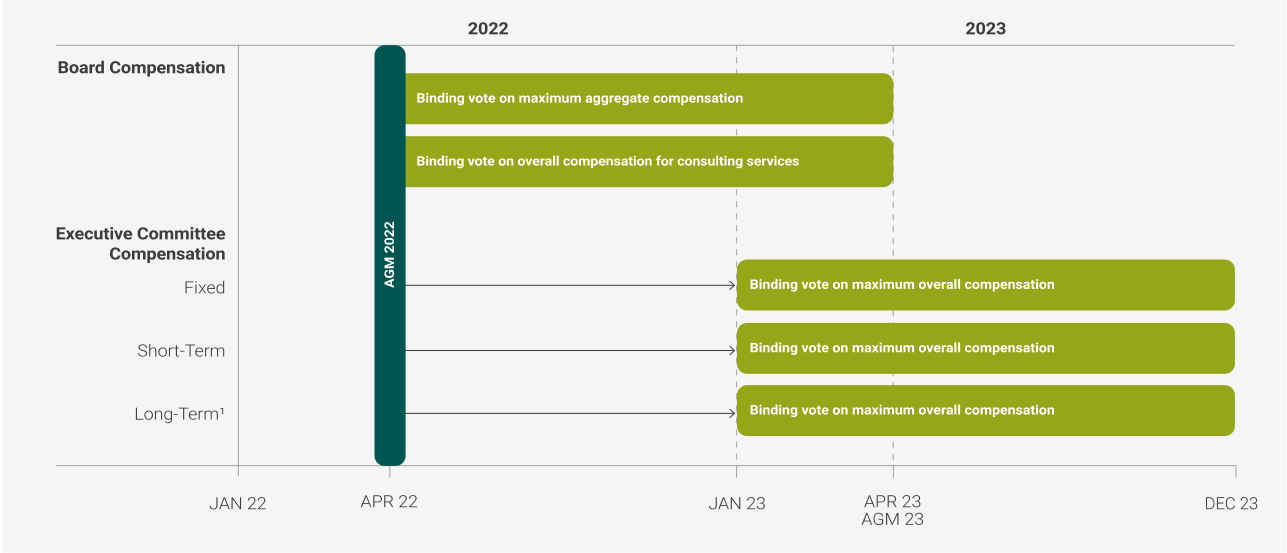
Table 2: Responsibilities regarding compensation decisions

The Board of Directors will submit three separate compensation-related resolutions for shareholder approval at the upcoming general meeting 2022:

- The maximum aggregate amount of compensation of the Board of Directors for the term of office ending at the conclusion of the next general meeting (*i.e.*, until the next general meeting in 2023);
- The maximum overall compensation of the Executive Committee (fixed and variable based components) for the financial year 2023; and
- The aggregate amount of compensation to members of the Board of Directors for consulting services to PolyPeptide in a function other than as members of the Board of Directors for the term of office ending at the conclusion of the next general (*i.e.*, until the next general meeting in 2023).

In addition, the Board of Directors will submit this Remuneration Report to shareholders for a separate consultative vote.

Table 3: Structure of shareholder voting on compensation at the AGM 2022



[1] For details regarding the LTIP including vesting periods, see section 5.1.4 "*Long-term incentive program*" of this Remuneration Report.

The Board of Directors may divide the maximum overall compensation of the Executive Committee to be proposed for approval into a maximum fixed and maximum variable compensation and submit the respective proposals for separate approval by the general meeting. Further, the Board of Directors may present to the general meeting deviating or additional proposals for approval in relation to the same or different time periods.

If the general meeting does not approve the amount of the proposed fixed and variable compensation, as the case may be, the Board of Directors may either submit new proposals at the same general meeting, convene a new extraordinary general meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next general meeting.

1.3 Role and activities of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is entrusted with preparing and periodically reviewing PolyPeptide's compensation policy, compensation strategy and principles and the performance criteria related to compensation and periodical review of their implementation as well as submitting proposals and recommendations to the Board of Directors regarding compensation matters. The Remuneration and Nomination Committee further supports the Board of Directors in preparing the compensation proposals for the general meeting.
In addition, the Remuneration and Nomination Committee assists the Board of Directors in relation to the succession planning for and nomination of the members of the Board of Directors and the Executive Committee as well as the corporate governance of the Company and the Group. In furtherance of this, the Remuneration and Nomination Committee, for example, regularly assesses the set of competencies as well as each Director's contributions to ensure that an appropriate mix of skills, expertise and diversity is represented on the Board of Directors and its Committees. The specific responsibilities and competencies of the Remuneration and Nomination Committee are set forth in art. 19 of the Articles of Association, section 5.3 of the Organizational Regulations as well as the Remuneration and Nomination Committee Charter.

The Remuneration and Nomination Committee consists of at least two members of the Board of Directors that are elected individually and annually by the general meeting. The term of office of the members of the Remuneration and Nomination Committee is one year. In this context, one year means the time period between one general meeting and the next or, if a member is elected at an extraordinary shareholders' meeting between such extraordinary shareholders' meeting and the next general meeting. Re-election is possible. The chairman of the Remuneration and Nomination Committee is independent and is appointed by the Board of Directors. As of 31 December 2021, the Remuneration and Nomination Committee consisted of two members (Peter Wilden and Philippe Weber) and was chaired by Philippe Weber.

The Remuneration and Nomination Committee meets at such frequency as it deems necessary to fulfill its duties, normally ahead of ordinary Board meetings, which are expected to take place at least four (4) times per year. Additional meetings may be held and may be convened at the request of either the Board of Directors or any Remuneration and Nomination Committee member. Since PolyPeptide had its first day of trading on 29 April 2021, the Remuneration and Nomination Committee met three (3) times with all members present, in a combination of in-person sessions and video conferences, for an average duration of one and a half hours.

The Remuneration and Nomination Committee keeps the Board of Directors informed on a regular basis about all important strategic issues, transactions as well as any business situations and/or developments within its scope of responsibilities and duties. In addition, the chairman of the Remuneration and Nomination Committee provides the full Board of Directors at their meeting with an overview of key topics discussed at the most recent Remuneration and Nomination Committee meeting. The signed minutes from each Remuneration and Nomination Committee meeting are also circulated to the full Board once available for their review.

The Remuneration and Nomination Committee may invite to meetings and communicates periodically with the CEO, the CFO and the Director Global Human Resources, as well as such other persons (including external specialist advisors) as the Remuneration and Nomination Committee deems appropriate. Such individuals may attend meetings without the right to vote as guests, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed).

During the year ended 31 December 2021, the Remuneration and Nomination Committee worked with HCM International Ltd., Zurich ("HCM International") as external independent advisor on remuneration matters, in particular with regards to the development of the long-term incentive program. HCM International did / does not have any additional mandates at PolyPeptide.

In accordance with art. 19 of the Articles of Association and the Remuneration and Nomination Committee Charter, the Remuneration and Nomination Committee discussed the following topics at its meetings in 2021:

- Review of remuneration principles, strategy and structure
- Establishment of rules for the long-term incentive program
- Individual performance targets and weighting for the 2021 variable short-term incentive for the members of the Executive Committee
- Individual performance targets for the 2021 variable long-term incentive for the CEO
- The structure and approach to the Remuneration Report 2021, including analysis on remuneration disclosure
- Succession planning at PolyPeptide
- Review results of reference group benchmarking in relation to the long-term incentive program as well as Board and Executive Committee remuneration

For more information, see also section 3.5.3.1 "*Remuneration and Nomination Committee*" of the Corporate Governance Report 2021.

2 Remuneration philosophy and principles

We believe that a corporate culture offering employees dynamic and stimulating working conditions with great opportunities to grow and contribute to the shared objective of creating customer satisfaction and fostering long-term customer loyalty through excellence in peptide and oligonucleotide technology, quality, value, service and customer support is key for safeguarding PolyPeptide's long-standing success.

In order to attract, motivate and retain talented individuals who drive performance, the Remuneration and Nomination Committee gives careful consideration to PolyPeptide's remuneration framework, which aims to be simple, clear and transparent. The Remuneration and Nomination Committee is guided by the following key principles:

- the remuneration framework should be competitive, commensurate with market conditions and drive sustainable long-term value creation
- the remuneration framework should reward individual performance and align the interests of the Board of Directors and Executive Committee with the interests of PolyPeptide and its shareholders
- the remuneration framework should be traceable
- the remuneration framework should contain a balance of both fixed and variable components to create sustainable value
- short-term variable components should be based on clear criteria and performance targets tied to PolyPeptide's strategic objectives and values, with consideration given to qualitative factors, including the individual's commitment to PolyPeptide's values through demonstrated behaviors
- long-term variable components should be evaluated and only awarded on the basis of PolyPeptide's long-term performance to promote the creation of shareholder value
- the remuneration framework should avoid creating unintended, undesirable or conflicting incentives or behaviors

In connection with the IPO and in establishing the remuneration framework for the newly listed Company, the members of the Remuneration and Nomination Committee reviewed and took into account (i) published industry benchmarking studies, including Swiss-focused reports issued by PwC Switzerland and (ii) evaluated the remuneration and the composition of the remuneration (*e.g.*, cash only or cash and shares) of similarly sized Swiss and international listed life science companies and contract and development manufacturing organizations (CDMOs) (*e.g.*, on the basis of revenue, number of employees and market capitalization).[3]

The benchmarking assessment generally showed that the existing and contemplated remuneration levels and structure (including the proportion and discount associated with any Board share-based payments) at PolyPeptide were comparable at the median range to the defined reference market. Thus, the benchmarking assessment was used as a basis to support the compensation proposals for the Board of Directors and the Executive Committee made to and ultimately approved at the extraordinary general meeting held on 19 April 2021 (the "EGM 2021") (see section 4.2 "*2021 compensation of the Board of Directors*" and section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of this Remuneration Report). The Remuneration and Nomination Committee believes that the remuneration levels and framework will provide a competitive compensation package and allow PolyPeptide to access best in class candidates.

[3] The similarly sized Swiss and international listed life science companies and CDMOs included Idorsia Ltd, Medacta Group SA, Bachem Holding AG and Siegfried Holding AG.

In the future and to support compensation recommendations to the Board of Directors, the Remuneration and Nomination Committee will annually (or more often as required) benchmark the compensation of the members of the Board of Directors and the Executive Committee against the compensation of comparable companies to ensure that PolyPeptide's remuneration continues to be guided by its established principles and remuneration levels remain competitive to support the retention and attraction of talent. For these purposes, the Remuneration and Nomination Committee currently views similarly sized Swiss and international listed life science companies and CDMOs (*e.g.*, on the basis of revenue, number of employees and market capitalization) as relevant for their analysis.[4]

However, when undertaking such benchmarking exercises in the future, the Remuneration and Nomination Committee will critically consider the relevant reference groups as well as the findings and will exclude companies that skew the comparative results due to their unique corporate governance frameworks or other factors that may impact the comparability. The Remuneration and Nomination Committee will further continue to place particular emphasis on selecting functions and responsibilities that reflect PolyPeptide's global activities, the growing complexity of its industry as well as the Group's expanding human capital management responsibilities with an increasing number of employees. Following such assessments, the Remuneration and Nomination Committee may propose to the Board of Directors any compensation adjustments (*e.g.*, increases / decreases in base salaries or changes in the proportion of the compensation components) for proposal to the general meeting. The Remuneration and Nomination Committee may also decide to consult external advisors for specific remuneration matters and related topics.

4 The similarly sized Swiss and international listed life science companies and CDMOs included Idorsia Ltd, Medacta Group SA, Bachem Holding AG and Siegfried Holding AG.

3 Agreements related to the compensation for members of the Board of Directors and the Executive Committee

According to art. 24 of the Articles of Association and in line with art. 3 para. 2 OaEC, any mandate agreements with members of the Board of Directors have a fixed term until the conclusion of the next general meeting. Early termination or removals remain reserved. The employment agreements of the members of the Executive Committee are in principle concluded for an indefinite period. If the Board of Directors considers a fixed term appropriate, such fixed term will not exceed one year. Employment agreements for an indefinite term may have a termination notice period of maximum 12 months. Non-competition obligations for the time following termination of an employment contract with members of the Executive Committee and the associated compensation are permitted to the extent that this is justified from a business perspective. The compensation for such a non-competition undertaking shall not exceed the last paid fixed annual compensation of such member.

Currently, all members of the Executive Committee are employed under contracts of unlimited duration with a notice period up to a maximum of twelve months. Executive Committee members are not contractually entitled to termination payments or any change of control provisions (other than the special vesting provisions of any applicable LTIP awards, see section 5.1.4 "*Long-term incentive program*" of this Remuneration Report). In addition, the Executive Committee agreements contain non-competition clauses, and, in accordance with art. 24 of the Articles of Association, any compensation for such a non-competition undertaking does not exceed the last paid fixed annual compensation of such Executive Committee member.

4 Compensation framework for the Board of Directors

4.1 Remuneration approach

Pursuant to art. 25 of the Articles of Association, the compensation of the members of the Board of Directors (including the Chairman) is determined by the entire Board of Directors based on the proposal of the Remuneration and Nomination Committee and subject to and within the limits of the aggregate amounts approved by the general meeting. According to section 4(b) of the Organizational Regulations, the Chairman is required to abstain from the deliberation and decision-making about his or her own compensation. The compensation consists of fixed compensation elements and may comprise variable compensation elements. The fixed compensation includes a fixed base fee and fixed fees for chairmanship and memberships in Board committees or for roles of the Board of Directors as well as a lump sum compensation for expenses which are determined by the full Board of Directors based on the proposal of the Remuneration and Nomination Committee, subject to and within the limits of the aggregate maximum amounts approved by the general meeting.

Any variable compensation comprises performance-related compensation elements and financial instruments (*e.g.*, performance stock units (PSU)) and depends on the achievement of strategic and/or financial targets set in advance by the Board of Directors over the course of a performance period defined by the Board of Directors. The compensation is awarded in cash, in form of shares in the Company and other benefits. In case the compensation is paid in whole or in part in shares or financial instruments, the Board of Directors determines the grant conditions as well as any restriction periods and forfeit conditions.

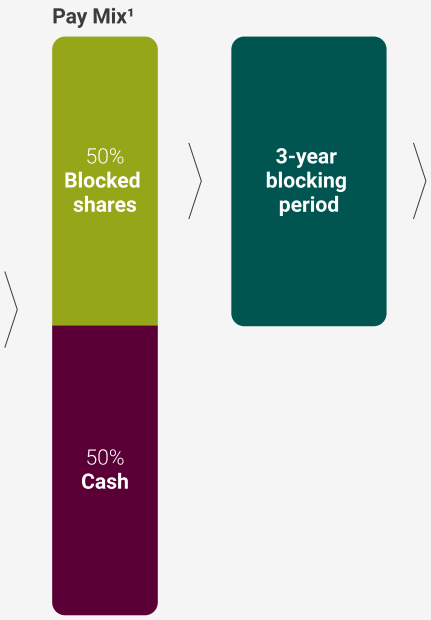
Currently, members of the Board of Directors only receive fixed compensation elements, of which at least half are payable in shares and the remainder in cash. Board members have the option to elect to be paid up to 100% of their fixed fee in shares. For Board members electing to receive more than 50% of their fixed fee in shares, the shares exceeding the 50% portion will be granted at a discount of 20% to market price.[5] We believe that the share-based component strengthens the alignment of the Board of Directors' interests with those of our shareholders as well as further incentivizes the members of the Board of Directors to drive PolyPeptide's success. During the period under review, there were no payments to pension funds or similar institutions for the members of the Board of Directors.

[5] The market price is the volume weighted average share price over the last five trading days prior to the quarterly payment date.

Below is an overview of the current remuneration framework for the Board of Directors.

Table 4: Remuneration framework for the Board of Directors (in CHF)

Fixed annual compensation	
Base fees	
Chairman	300,000
Lead Independent Director and Vice Chairman	160,000
Other members	140,000
Committee chairman fees	
Audit and Risk Committee	40,000
Remuneration and Nomination Committee	40,000
Innovation and Technology Committee	40,000



[1] Board members have the option to elect on an annual basis 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 will be granted at a discount of 20% to market price (calculated based on the volume weighted average share price over the last five trading days prior to the quarterly payment date).

The cash and share compensation are paid out on a quarterly basis. The number of shares is determined by dividing each Board member's respective share-based compensation by the volume weighted average closing share price over the last five trading days prior to the quarterly payment date (and with a discount of 20% on the shares exceeding 50% of the fixed fee, if applicable) and rounded down to the next whole number of shares. Any shares delivered to Board members in connection with their compensation are / will be blocked for a period of three years from the date of grant.

If a Board member resigns before completion of the respective term of office (*i.e.*, mid-term), such member is entitled to the respective pro-rata compensation earned up and until the resignation date, and any compensation already received in excess of the pro-rata entitlement are to be transferred back to the Company.

In addition, in accordance with art. 25 para. 3 of the Articles of Association, the members of the Board of Directors providing consulting services to PolyPeptide in a function other than as members of the Board of Directors may be compensated in cash according to standard market rates, subject to approval by the general meeting (for further information on such compensation paid in the year ended 31 December 2021, see section 4.2 "*2021 compensation of the Board of Directors*" of this Remuneration Report). Furthermore, pursuant to art. 27 of the Articles of Association, expenses that are not covered by the lump sum compensation for expenses (if applicable) pursuant to PolyPeptide's expense regulations are reimbursed against presentation of the relevant receipts. Amounts paid for expenses actually incurred do not need to be approved by the general meeting.

4.2 2021 compensation of the Board of Directors

The following table shows the compensation of the Board of Directors for the period from 7 April 2021 to 31 December 2021. In light of the Company's incorporation in 2021 and its recent IPO, there are no meaningful prior year comparisons. For the current period (*i.e.*, until the general meeting 2022), the Board did not receive a lump sum for expenses; rather any expenses incurred were reimbursed against the presentation of the relevant receipts.

Table 5: Compensation of the Board of Directors (7 April 2021 – 31 December 2021)

CHF	Position	Cash compensation	Share-based compensation[1]	Total (cash and shares)	Social security contributions	Total compensation
Peter Wilden	Chairman	56,250	182,346	**238,596**	16,546	**255,142**
Patrick Aebischer	Vice-Chairman, Lead Independent Director	37,500	121,519	**159,019**	8,993	**168,012**
Erik Schropp[2]	Member	–	–	**–**	–	**–**
Jane Salik[3]	Member	52,500	52,363	**104,863**	–	**104,863**
Beat In-Albon	Independent Member	33,750	109,422	**143,172**	8,007	**151,179**
Philippe Weber[4]	Independent Member	13,500	134,729	**148,229**	10,271	**158,500**
Total Board of Directors[5]		**193,500**	**600,379**	**793,879**	**43,817**	**837,696**

[1] The number of shares due quarterly for each Director is the fair value at grant date determined by dividing each Board member's respective share-based compensation by the volume weighted average share price over the last five trading days prior to the quarterly payment date and rounded down to the next whole number of 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 the volume weighted average share price over the last five trading days prior to the quarterly payment date.

[2] Erik Schropp, as representative of Draupnir Holding B.V. (one of the Company's significant shareholders, see section 1.2 "*Significant shareholders*" of the Corporate Governance Report 2021), waived all compensation for his Board duties for the term of office from the EGM 2021 to the general meeting 2022. However, Mr. Schropp received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder) for services rendered on the board of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

[3] Jane Salik also received separate compensation for her role on the Executive Committee up and until 17 August 2021. The total separate compensation paid for her services on the Executive Committee during the period 1 January 2021 to 17 August 2021 is included in the compensation disclosed in the table presented in section 5.2.2 "*2021 aggregate compensation of the Executive Committee*" of this Remuneration Report. Ms. Salik also received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

[4] Philippe Weber is a Partner at Niederer Kraft Frey AG (NKF), which acted as legal adviser to PolyPeptide in connection with its IPO and other ongoing legal matters. For the year ended 31 December 2021, the Group paid CHF 122,559 to NKF for legal services in relation to ongoing legal matters (other than in relation to the IPO), well within the CHF 1 million limit approved by the EGM 2021.

[5] One member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company), who subsequently was not elected to the Board of the Company, received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

For the term to the general meeting 2022, the EGM 2021 approved a maximum aggregate amount of fixed compensation for the Board of Directors of CHF 1.6 million (including social security costs, etc.). The table below shows the reconciliation between the compensation that has been / will be paid / granted for the respective term of office and the maximum aggregate amount approved by the shareholders:

Table 6: Compensation approved and compensation paid / to be paid / granted for the members of the Board of Directors

	Total compensation granted	Maximum aggregate amount available	Status
EGM 2021 to AGM 2022	CHF 1,120,867[1]	CHF 1,600,000	Approved EGM 2021

[1] The amount represents an estimate for the term of office from EGM 2021 to the general meeting 2022. The final amount will be disclosed in the Remuneration Report 2022. The amount is calculated as an estimate for the six members of the Board of Directors elected at the EGM 2021, of which one member (Erik Schropp) waived his compensation for his Board duties for the current term of office.

Importantly, the amount of compensation granted for the period referenced in the table above does not include the IPO Recognition Bonus that Erik Schropp and Jane Salik received following the successful IPO granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

In addition, with reference to art. 25 para. 3 of the Articles of Association, for the period from the EGM 2021 until 31 December 2021, the Group paid CHF 122,559 to Niederer Kraft Frey AG (NKF), where Philippe Weber (Director) is a Partner, for legal services in relation to ongoing legal matters (other than in relation to the IPO), well within the CHF 1 million limit approved by the EGM 2021. The final amount for the period between EGM 2021 to the general meeting 2022 will be disclosed in the Remuneration Report 2022.

4.3 Loans, credits and related-party compensation

In accordance with art. 28 of the Articles of Association, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2021 to current or former members of the Board of Directors or to persons closely associated with current or former members of the Board of Directors.

In addition, during the period under review no compensation, which was not at market terms or standards, was directly or indirectly paid or granted to persons closely associated with current or former members of the Board of Directors.

5 Compensation framework for the Executive Committee

5.1 Remuneration approach

Pursuant to art. 26 of the Articles of Association, the compensation of the members of the Executive Committee is determined by the entire Board of Directors based on the proposal of the Remuneration and Nomination Committee and subject to and within the limits of the aggregate amounts approved by the general meeting. In principle (and as set forth by the Organizational Regulations), members of the Executive Committee shall attend designated and selected sections of the meetings of the Board as guests without the right to vote, except where not appropriate (*e.g.*, if particular matters relating to their performance or remuneration are discussed). Compensation to members of the Executive Committee may be awarded in cash, in form of shares in the Company and other benefits.

The remuneration framework for members of the Executive Committee consists of fixed base compensation in cash as well as variable compensation elements. The fixed compensation comprises the base salary and additional pension and other benefits. The variable compensation comprises short-term and long-term compensation components.

Below is an overview of the current remuneration framework for the Executive Committee.

Table 7: Remuneration framework for the Executive Committee

Component	Instrument	Purpose	Criteria
Fixed compensation			
Base salary	Monthly cash payment	Attract, motivate and retain talented and qualified management	Responsibilities and scope of the position; employee qualifications and skills; financial considerations; market conditions and competitiveness
Pension and other benefits	Pension plan, insurances and benefits	Safeguard employees and their dependents in the event of retirement, sickness, inability to work and death; provide competitive employee benefits	Comply with local laws and regulations (i.e., Switzerland, Sweden, the US, etc.); tailored to market conditions
Variable compensation			
Short-term incentive program	Annual cash bonus	Motivate and reward annual/short-term financial, operational and strategic objectives as well as demonstrated commitment to PolyPeptide values	Achievement of pre-identified performance targets (e.g., financial, operational and personal) at the end of a financial year
Long-term incentive program[1]	Annual grant of performance share units (PSUs)	Motivate, enhance and reward loyalty and align interests of shareholders and management	Achievement of pre-identified performance targets at the end of a three-year performance period

[1] For the year ended 31 December 2021 the only eligible participant in the LTIP was the current CEO. 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.

5.1.1 Base salary

The base salary for each member of the Executive Committee is a fixed component of compensation paid in cash on a monthly basis. The base salary reflects the scope and key responsibilities of the role as well as the qualification and skills required to perform the role,

along with the employee's individual skill set, qualifications and experience. Financial considerations, such as budget and affordability, together with market conditions (see section 2 "*Remuneration philosophy and principles*" of this Remuneration Report for further information regarding benchmarking analyses) and competitiveness are also considered.

5.1.2 Pension and other benefits

Pension and other benefits provide security for employees and their dependents in the event of retirement, sickness, inability to work and death. The members of the Executive Committee participate in the pension and social insurance schemes in the countries where their employment contracts were entered into or where they are resident, as the case may be. As such, the plans vary according to local market practice and regulations; however, at a minimum they reflect the statutory requirements of the respective countries. For example, in line with local employment practice for Swiss employees, all employees under Swiss employment contracts are covered by a supplementary non-compulsory occupational welfare plan in addition to PolyPeptide's compulsory occupational pension scheme.

We also offer competitive employee benefits. Depending on the market practice, such additional benefits may include company car or car allowance, health coverage, etc. and, where relevant, relocation-related and international benefits, such as executive benefits allowance or reimbursements, tax advisory services, etc. In addition, to the extent applicable, supplemental awards to incoming Executive Committee members to compensate for remuneration forfeited at the previous employer (generally on a "like-for-like" basis) are reported as "other benefits". The monetary value of any of these remuneration elements are disclosed in the compensation table.

Out-of-pocket expenses incurred by members of the Executive Committee in connection with their employment services for PolyPeptide are duly reimbursed in accordance with the applicable regulations and are not considered to be compensation subject to approval and, hence, are not further considered in the compensation table presented further below.

5.1.3 Short-term incentive program

5.1.3.1 Overview

The short-term incentive program ("STIP") is an annual cash-based incentive program intended to motivate and reward the Executive Committee to deliver on PolyPeptide's short-term financial, operational and strategic objectives.

In accordance with art. 26 of the Articles of Association, the STIP performance targets are determined in advance by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, for one financial year, where any awards are based on the audited consolidated financial statements for that specific financial year (as applicable). Performance targets are determined on an annual basis for each member of the Executive Committee, taking into account his/her position, responsibilities, and tasks, before or at the beginning of the one-year performance period.

We set demanding STIP financial performance targets to incentivize the delivery of best-in-class financial and operational performance. In parallel, individual performance targets (which are of a more qualitative and strategic nature and may include, for example, leadership skills, organizational development, demonstration of behaviors in line with PolyPeptide's values and management of strategic projects) also serve to encourage and motivate the Executive Committee to achieve the Group's objectives. Pay-outs are subject to caps that are expressed as pre-determined multipliers of the respective performance target levels.

In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on the conditions of such termination and subject to applicable law. Any STIP awards are paid in cash by 30 June following the approval of the applicable audited consolidated financial statements and are not subject to forfeiture or claw-back provisions.

Following the end of the applicable financial year, the Remuneration and Nomination Committee assesses the achievement of the STIP financial and operational performance targets and calculates the corresponding payout factor, which is subject to approval of the

Board of Directors. For the individual performance component, the Remuneration and Nomination Committee conducts an assessment of the individual contributions of each member of the Executive Committee and includes the corresponding payout factor in its proposal to the Board of Directors.

5.1.3.2 2021 STIP

For the year ended 31 December 2021, the individual target incentive amount for the former and current CEO corresponded to 60.0% of base salary and for the other four members of the Executive Committee to 35.0% of base salary. The maximum payout amount for the former and current CEO is equivalent to 90.0% of base salary and for other four members of the Executive Committee on average to 52.5% of base salary.

Currently, payouts under the STIP are calculated based on the achievement level of the respective performance targets, with 100% achievement resulting in 100% payout. For each performance target, there is a minimum threshold performance level of 85% achievement of the performance target, below which there is no payout. There is also a maximum performance level of 115% achievement of the performance target, at which threshold the payout is capped at 150%. Linear extrapolation is used to calculate the payout between the minimum threshold and target, and target and maximum. Thus, total payout under the STIP can range from 0% to 150% of the target incentive amount.

For the year ended 31 December 2021, the STIP objectives for the Executive Committee comprised both financial and individual performance objectives, as detailed in the table below.

Table 8: 2021 STIP performance objectives and weighting for the Executive Committee

Focus in 2021	Performance objective	Weighting
	CEO[1]	
Growth	Revenue	40%
Profitability	Adjusted EBITDA	40%
Individual performance	Personal objectives	20%
	Other members of the Executive Committee	
Growth	Revenue	25%
Profitability	Adjusted EBITDA	25%
Global Balance Scorecard[2]	Group operational performance	30%
Individual performance	Personal objectives	20%

[1] Jane Salik served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021. Raymond De Vré served as CEO-elect and member of the Executive Committee as of 1 April 2021 and CEO as of 29 April 2021. See also section 5.2.2 *"2021 aggregate compensation of the Executive Committee"* of this Remuneration Report.

[2] The Global Balanced Scorecard contains quantified targets on "on time in full" (OTIF), quality, people retention, environmental health and safety, independent customer feedback, innovation initiatives and critical project execution.

The identified performance objectives have been chosen because they are key value drivers for PolyPeptide and generally reward Executive Committee members for supporting the Group's growth, increasing profitability and promoting sustainable value creation. We consider our STIP financial, operational and individual performance targets commercially sensitive information. Communicating such targets would provide privileged insight into PolyPeptide's strategy and could lead to a competitive disadvantage. Therefore, we have decided not to disclose the specific STIP performance targets, but to provide a general comment on their achievement at the end of the cycle (*e.g.*, see table 11 in section 5.2.1 *"Overview and performance assessment"* of this Remuneration Report for an overview of the STIP target performance in 2021). As a general principle, though, both the financial, operational and individual performance targets set each year incorporate significant improvements against the previous year's achievements.

5.1.4 Long-term incentive program

5.1.4.1 Overview

The share-based long-term incentive program ("LTIP") is designed to motivate, reward and retain key employees by providing them with the opportunity to become shareholders as well as participate in the future long-term success and prosperity of PolyPeptide. Furthermore, the LTIP is intended to align the interests of eligible employees with those of the Company's shareholders, to promote a performance culture throughout the organization and to align remuneration with the creation of shareholder value.

In accordance with art. 26 of the Articles of Association, the LTIP takes into account the sustainable long-term performance and strategic objectives of PolyPeptide. Achievements are generally measured based on a period of several years. The long-term compensation pay-outs are subject to caps that may be expressed as pre-determined multipliers of the respective target levels.

The Board of Directors or, to the extent delegated to it, the Remuneration and Nomination Committee determines the performance metrics, target levels and target achievement as well as determines grant, vesting, exercise, restriction and forfeiture conditions and periods in relation to shares or similar rights regarding shares to be awarded. In particular, the conditions may provide for continuation, acceleration or removal of vesting, exercise, restriction and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of an employment or mandate agreement. We may procure the required shares or other securities through purchases in the market or by using conditional share capital. Compensation may be paid by PolyPeptide or companies controlled by it.

5.1.4.1 LTIP Plan[6]

During the second half of 2021, the Board of Directors adopted the LTIP rules (the "Plan"). For the period under review, the only recipient under the LTIP is the current CEO. 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.

According to the Plan, in any calendar year from and including 1 January through 31 December (a so-called "Plan Year"), the eligible employees may be awarded the contingent right to receive a certain number of registered Company shares in the future, provided that certain performance and other conditions are achieved ("Performance Share Unit(s)" or "PSU(s)"). Any shares awarded will only be transferred after such PSUs have vested following the three-year performance period and contingent upon continuous employment (subject to certain limited exemptions).

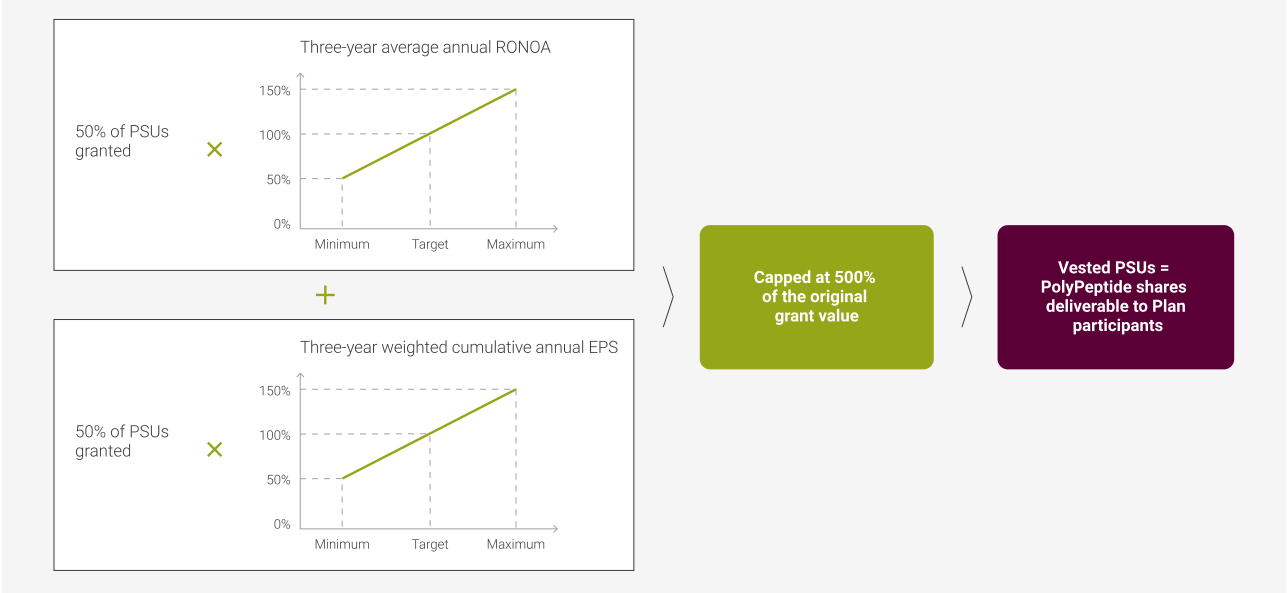
For awards made to any members of the Executive Committee (including the current CEO in 2021), the Board of Directors approves any granting of PSUs upon recommendation of the Remuneration and Nomination Committee and such number of PSUs are/will be subject to the amounts approved at the applicable general meeting. With regard to the current CEO, his employment agreement provides an annual target value for the allocation of PSUs. The number of allocated PSUs to the other members of the Executive Committee will depend on the individual LTIP grant level determined by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee, based on, *inter alia*, the individual's position, complexity of the function and level of responsibility. For eligible employees outside the Executive Committee, such individuals will be selected by the Executive Committee based on objective and subjective criteria determined by the Executive Committee, in each case following discussion with the Remuneration and Nomination Committee.

[6] Summary of the relevant LTIP Plan; not comprehensive.

As a rule, the number of PSUs to be granted will equal the award amount divided by the volume weighted average share price over the last 20 trading days prior to the PSU grant date. PSUs represent an unsecured, contingent right to the future transfer of shares in accordance with and subject to the restrictions set out in the Plan. PSUs do not provide the participant with any shareholding rights such as dividends, voting rights or the like during the vesting period. The right to receive any PSUs and/or shares under the Plan cannot be settled in cash.

The vesting of (i) 50% of the granted PSUs will be based on the three-year average of annual return on net operating assets (RONOA) and (ii) 50% of the granted PSUs will be based on the three-year weighted cumulative earnings per share (EPS) of the Company, as attributable to shareholders on a fully diluted basis, in each case as achieved during the three-year performance period compared to pre-defined performance ranges with minimum, target, and maximum goals set by the Board of Directors, upon recommendation from the Remuneration and Nomination Committee. RONOA is defined as last twelve months operating result in percent of average net operating assets and expresses how well PolyPeptide utilizes its assets to generate earnings. EPS illustrates PolyPeptide's profitability. The RONOA and EPS performance achievements will determine the percentage of vested shares from the RONOA and EPS portion, respectively, of the PSUs with a variable factor from 0% up to 150%.

Table 9: LTIP Plan



In preparing the proposals for the RONOA and EPS targets for the LTIP 2021 award (and as ultimately approved by the Board of Directors), the Remuneration and Nomination Committee assessed, *inter alia*, PolyPeptide's historical growth and performance, its strategic and business plans as well as the expectations from equity analysts currently following PolyPeptide. The actual RONOA and EPS targets are considered commercially sensitive information, and we believe that communicating such targets would provide privileged insight into PolyPeptide's strategy and could lead to a competitive disadvantage. As such, we will disclose the targets and the corresponding results at the end of the respective performance period (*i.e.*, for the 2021 LTIP award with the reporting for the financial year 2023).

On the vesting date, if the minimum performance for a financial measure RONOA or EPS as defined in the performance range is not met, the portion of the PSUs relating to that financial measure expires unconditionally and the PSUs do not vest. If the maximum performance is met or exceeded for a financial measure, participants may receive up to 150% of that portion of the PSUs relating to that financial measure. Between minimum and target performance as well as between target and maximum performance, the variable factor will increase linearly. The number of vested PSUs is subject to an absolute value cap representing, in each case, 500% of the original grant value.

If PSUs vest and the respective shares are transferred to a participant pursuant to the Plan, that participant will receive an additional number of shares to compensate for missed dividend payments during the vesting period. The number of additional shares will equal the total amount of dividends during the vesting period attributable to the shares transferred to that participant, divided by the weighted average share price over the last 20 trading days prior to the vesting date.

Generally, in case of termination of employment, PSUs are forfeited without any compensation. In certain circumstances, for example the termination of employment as a result of death, all PSU grants will vest with immediate effect on a pro-rata basis at target. Upon the occurrence of a corporate event (*e.g.*, change of control due to a merger), all unvested PSUs shall immediately vest at target. In the event of termination of employment due to retirement or disability, PSUs are subject to a pro-rata vesting at the end of each of the applicable vesting period(s). If a participant's employment is terminated without cause effective before the vesting date, any PSUs held will vest pro-rata at the end of each of the applicable vesting period(s).

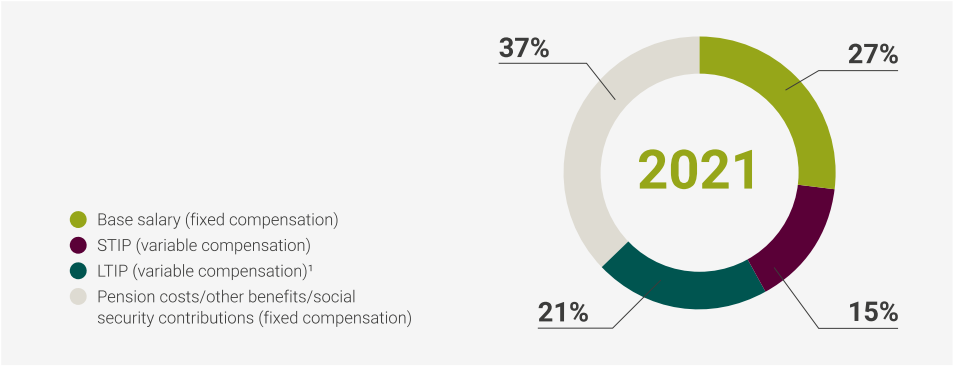
5.2 2021 compensation of the Executive Committee

5.2.1 Overview and performance assessment

For the year ended 31 December 2021, the Executive Committee received base salary, variable compensation and pension and other benefits, in line with the remuneration framework described in section 5.1 "*Remuneration approach*" of this Remuneration Report.

Overall, in 2021 total variable compensation of the current CEO (*i.e.*, STIP and LTIP) amounted to 48.6% of his total compensation and 94.7% of his total fixed compensation (*i.e.*, base salary, pension costs, other benefits and social security contributions). The total variable compensation of the former CEO, the (*i.e.*, STIP only) amounted to 39.5% of her total compensation and 65.3% of her total fixed compensation (*i.e.*, base salary, pension costs, other benefits and social security contributions). For the other members of the Executive Committee (excluding the current and former CEO), the total variable compensation (*i.e.*, STIP only) amounted to on average 18.1% of the total compensation and 22.0% of the total fixed compensation (*i.e.*, base salary, pension costs, other benefits and social security contributions). Below is a cumulative overview of the compensation received by the Executive Committee.

Table 10: Breakdown of Executive Committee compensation

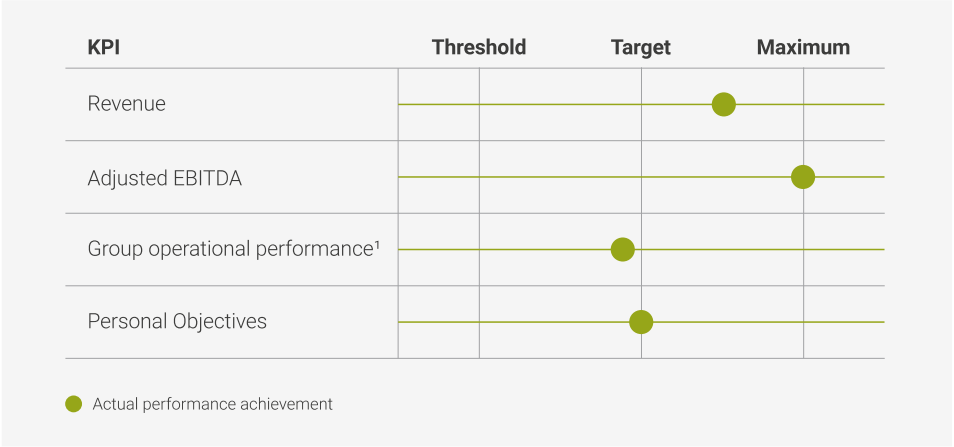


[1] For the year ended 31 December 2021 the only eligible participant in the LTIP was the current CEO.

In light of PolyPeptide's reported revenue growth of 26.5% and adjusted EBITDA growth of 42.4%, the STIP 2021 financial performance objectives exceeded their targets for growth and profitability, reaching the maximum target for adjusted EBITDA. With regard to the Global Balanced Scorecard, the Group's overall achievement was slightly below target. Upon recommendation of the Remuneration and Nomination Committee following its assessments of the respective individuals, the Board determined that the former and current CEO as well as

the other members of the Executive Committee also achieved their targets (*i.e.*, 100%) for each of their respective personal objectives. The table below illustrates the outcome of the STIP performance targets for 2021 (see table 8 in section 5.1.3.2 *"2021 STIP"* of this Remuneration Report for an overview of the 2021 STIP performance objectives and weighting for the Executive Committee).

Table 11: 2021 STIP performance of objectives



1 Executive Committee members other than the current and former CEO.

Thus, under the STIP, the combined payout for the financial, operational and individual performance targets is 131.0% of the STIP target incentive amount for the former and current CEO and 117.1% of the STIP target incentive amounts for the other members of the Executive Committee.

In 2021, the current CEO was the only employee eligible to participate in the LTIP and was granted 6,606 PSUs.

5.2.2 2021 aggregate compensation of the Executive Committee

The following table shows the total aggregate compensation for the former and current CEO (the highest paid members of the Executive Committee during the respective periods) as well as the aggregate amount for the other four members of the Executive Committee (*i.e.*, excluding the former and current CEO) for the period from 1 January 2021 to 31 December 2021. In light of the Company's status as a newly listed company, there are no meaningful prior year comparisons.

Table 12 Compensation of the Executive Committee (1 January 2021 – 31 December 2021)

CHF	Jane Salik[1]	Raymond De Vré[2]	Other members of the Executive Committee	Total
Base salary	251,209	356,250	1,066,620	1,674,079
Pension costs	12,297	73,221	217,306	302,824
Other benefits[3]	30,880	1,173,147[4]	371,955[5]	1,575,982
Social security contributions[6]	8,077	61,012	328,051	397,140
Total fixed compensation	**302,463**	**1,663,630**	**1,983,932**	**3,950,025**
STIP Bonus[7]	197,471	280,041	437,153	914,665
LTIP Grant[8]	–	1,296,097	–	1,296,097
Total compensation[9]	**499,934**	**3,239,768**	**2,421,085**	**6,160,787**

1 Jane Salik served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021. For information regarding her separate compensation as member of the Board of Directors, see section 4.2 "*2021 compensation of the Board of Directors*" of this Remuneration Report. Ms. Salik also received an IPO Recognition Bonus granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

2 Raymond De Vré served as CEO-elect and member of the Executive Committee as of 1 April 2021 and CEO as of 29 April 2021.

3 Other benefits may include company car or car allowance, health coverage, etc. and, where relevant, relocation related and international benefits, such as executive benefits allowance, tax advisory services, etc. For information regarding the IPO Recognition Bonus that eligible members of the Executive Committee received and that was granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as the selling shareholder), see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

4 In addition to applicable other benefits, Raymond De Vré received a one-time grant of shares at a value of CHF 750,000, which were calculated at a 20% discount to the IPO offer price (*i.e.*, CHF 64) as compensation for the loss of unvested options from his previous employer. The shares are subject to continuous employment at the Group and will vest over a period of three years, one-third each year starting in June 2022. The shares are entitled to dividends, if any, during the vesting period. To further compensate Raymond De Vré for his loss of variable payments for 2020 and 2021 from his previous employer, he received CHF 100,000 in cash and CHF 100,000 in shares at 15% discount to the IPO offer price (*i.e.*, CHF 64) vesting at the beginning of July 2022. For an overview of the vesting of these shares, see footnote 3 to the table 15 in section 7 "*Ownership of shares and options*" of this Remuneration Report. The EGM 2021 approved the transition compensation for Raymond De Vré in the maximum aggregate amount of CHF 1.4 million for loss of options and other entitlements (including bonuses) from termination of his previous employment agreement, of which CHF 1,155,147 has been paid and/or granted, as the case may be. The value of the shares is calculated at the fair value at grant date in accordance with IFRS 2 (see also note 4 "*Share-based payment*" of the consolidated financial statements in the Financial Report 2021).

5 A member of the Executive Committee received a one-time IPO Appreciation Bonus in the form of cash funded by PolyPeptide in acknowledgement for the substantial time commitment involved in the preparation and execution of the IPO. For information regarding the separate IPO Recognition Bonus that eligible members of the Executive Committee received and that was granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as the selling shareholder), see section 6 "*IPO Recognition Bonus*" of this Remuneration Report.

6 The social security contributions for LTIP awards are not included as they are only due at vesting; they are expected to trigger employer social security costs up to 7% of the gain at vesting.

7 STIP for 2021 to be paid by 30 June 2022.

8 Fair value at grant date in accordance with IFRS 2 (see also note 4 "*Share-based payment*" of the consolidated financial statements in the Financial Report 2021). For the year ended 31 December 2021, the only recipient under the LTIP is Raymond De Vré, the current CEO. The LTIP value at vesting may vary based on performance outcomes and the share price at the time of vesting.

9 All compensation amounts are disclosed in gross amounts. Amounts converted to CHF from other currencies are translated at the weighted average exchange rates for the year ended 31 December 2021.

For the financial year 2021, the EGM 2021 approved a maximum aggregate amount of fixed and variable compensation for the Executive Committee of CHF 7.0 million (including social security contributions, etc.). Christina Del Vecchio joined the Executive Committee after the EGM 2021; however, no additional compensation amount in excess of that approved by the EGM 2021 has been paid, since the approved aggregate amount of compensation for the financial year 2021 was sufficient to compensate this newly appointed member.

The table below shows the reconciliation between the compensation that has been paid / granted for the respective term of office and the maximum aggregate amount approved by the shareholders:

Table 13: Compensation approved and compensation paid / granted for the members of the Executive Committee

	Total compensation granted	Maximum aggregate amount available	Status
1 January 2021 – 31 December 2021	CHF 5,005,640[1]	CHF 7,000,000	Approved EGM 2021
1 January 2022 – 31 December 2022	–	CHF 7,000,000	Approved EGM 2021

[1] The amount presented excludes the CHF 1,155,147 that Raymond De Vré has been paid and/or granted, as the case may be, for loss of options and other entitlements (including bonuses) from termination of his previous employment agreement. The EGM 2021 approved the transition compensation for the current CEO in the amount of CHF 1.4 million. For further information, please refer to footnote 4 to table 12 in section 5.2.2 *"2021 aggregate compensation of the Executive Committee"* of this Remuneration Report.

Importantly, the amount of compensation granted for the year ended 31 December 2021 reflected in the table above does not include the IPO Recognition Bonus that eligible members of the Executive Committee received and that was granted and funded (or reimbursed, as the case may be) by Draupnir Holding B.V. (as the selling shareholder). For detailed information on the IPO Recognition Bonus, see section 6 *"IPO Recognition Bonus"* of this Remuneration Report.

5.3 Loans, credits and related-party compensation

In accordance with art. 28 of the Articles of Association, no loans or credits were directly or indirectly granted or outstanding as at 31 December 2021 to current or former members of the Executive Committee or to persons closely associated with current or former members of the Executive Committee.

In addition, during the period under review no compensation was directly or indirectly paid or granted to persons closely associated with current or former members of the Executive Committee.

6 IPO Recognition Bonus

Following the successful IPO, Draupnir Holding B.V (as the selling shareholder) granted and funded (or reimbursed, as the case may be) a bonus to eligible members of the Board of Directors and the Executive Committee as well as other eligible employees and a former director of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company) in recognition of their past efforts to the Group. The IPO Recognition Bonus was paid in cash; however, eligible members of the Board of Directors, the Executive Committee and certain other senior managers received 50% of their IPO Recognition Bonus in shares.

The EGM 2021 approved the IPO Recognition Bonus in a cumulative amount of EUR 7.0 million (excluding social security costs, etc.), of which the following amounts set forth in the table below were paid and/or granted to eligible members of the Board of Directors and the Executive Committee as well as other eligible employees and a former director of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). All costs, including additional associated costs (*e.g.*, social security contributions), were fully reimbursed by Draupnir Holding B.V. (*i.e.*, the Company did not incur any costs or make any additional contributions in association with the IPO Recognition Bonus).

Table 14: IPO Recognition Bonus paid / granted by Draupnir Holding B.V.

EUR	Cash compensation	Share-based compensation	Total (cash and shares)	Social security and other contributions[5]	Total IPO Recognition Bonus
Erik Schropp[1]	185,000	185,000	**370,000**	–	**370,000**
Jane Salik[2]	1,000,000	1,000,000	**2,000,000**	17,608	**2,017,608**
Jan Fuhr Miller[3]	450,000	450,000	**900,000**	7,924	**907,924**
Jan Christensen[3]	450,000	450,000	**900,000**	460,884	**1,360,884**
Daniel Lasanow[3]	450,000	450,000	**900,000**	477,770	**1,377,770**
Other employees[4]	1,485,000	445,000	**1,930,000**	516,818	**2,446,818**
Total	**4,020,000**	**2,980,000**	**7,000,000**	**1,481,004**	**8,481,004**

[1] Erik Schropp previously served as a member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company). Erik Schropp is also a member of the Company's current Board of Directors. For further information, see section 4.2 *"2021 compensation of the Board of Directors"* of this Remuneration Report.

[2] Jane Salik served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021. For information regarding her compensation as member of the Board of Directors, see section 4.2 *"2021 compensation of the Board of Directors"* of this Remuneration Report. For information regarding her compensation related to her services as CEO and member of the Executive Committee during the period from 1 January 2021 to 17 August 2021, see section 5.2.2 *"2021 aggregate compensation of the Executive Committee"* of this Remuneration Report.

[3] Jan Fuhr Miller (CFO), Jan Christensen (Director Global Sales and Marketing until 31 December 2021) and Daniel Lasanow (Director Global Operations). For information regarding their separate compensation as members of the Executive Committee, see section 5.2.2 *"2021 aggregate compensation of the Executive Committee"* of this Remuneration Report.

[4] Consists of 18 other senior managers of PolyPeptide as well as a member of the board of directors of PolyPeptide Laboratories Holding B.V. (the Group's predecessor holding company), Peter Nilsson, who received EUR 90,000 in cash compensation and EUR 90,000 in share-based compensation.

[5] Social contributions and other required contributions.

7 Ownership of shares and options

The members of the Board of Directors and Executive Committee held 0.2% of the outstanding shares as at 31 December 2021, as illustrated in the table below. The below table does not include any unvested PSUs.

Table 15: Shares held by members of the Board of Directors and the Executive Committee

Name	Role	Shares held as at 31 December 2021
Board of Directors[1]		
Peter Wilden	Chairman	1,658
Patrick Aebischer	Vice-Chairman, Lead Independent Director	1,105
Erik Schropp	Member	3,193
Jane Salik[2]	Member	17,737
Beat In-Albon	Independent Member	995
Philippe Weber	Independent Member	1,225
Executive Committee		
Raymond De Vré[3]	CEO	16,486
Jan Fuhr Miller	CFO	7,767
Jan Christensen[4]	Director Global Sales and Marketing	7,767
Daniel Lasanow	Director Global Operations	7,767
Christina Del Vecchio[5]	General Counsel	–
Neil James Thompson[6]	Director Global Sales and Marketing	1,122

[1] Any shares delivered to Board members in connection with their compensation are blocked for a period of three years from the date of grant.

[2] Jane Salik served as CEO from 1 January 2021 until 29 April 2021 and then as member of the Executive Committee until 17 August 2021.

[3] Raymond De Vré served as CEO-elect and member of the Executive Committee as of 1 April 2021 and CEO as of 29 April 2021. The 16,486 shares are subject to vesting periods and continuous employment at the Group. Specifically, 4,882 shares vest as of 1 June 2022 and 1,838 shares vest as of 1 July 2022. Thereafter, 4,883 shares vest as of 1 June 2023 and 4,883 shares vest as of 1 June 2024, respectively.

[4] Member of the Executive Committee until 31 December 2021.

[5] Member of the Executive Committee as of 1 September 2021.

[6] Member of the Executive Committee as of 1 January 2022.

As of 31 December 2021, Raymond De Vré (CEO) held a total of 6,606 PSUs with respect to grants made under the LTIP in 2021.

As of 31 December 2021, none of the members of the Board of Directors or the Executive Committee held any stock options.

8 Other remuneration-related information under the OAEC

For the reporting period, no compensation other than as described in this Remuneration Report was paid or granted to former or current members of the Board of Directors or the Executive Committee.

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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of PolyPeptide Group AG, Zug

We have audited the remuneration report of PolyPeptide Group AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14 - 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in table 5 "Compensation of the Board of Directors (7 April 2021 - 31 December 2021)" on page 89 and table 12 "Compensation of the Executive Committee (1 January 2021 - 31 December 2021)" on page 98 and table 14 "IPO Recognition Bonus paid / granted by Draupnir Holding B.V." on page 100 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 December 2021 of PolyPeptide Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Zurich, 10 March 2022

BDO Ltd

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

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.

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.

Definitions and Reconciliations

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

Abbreviations

API – Active Pharmaceutical Ingredient

APM – Alternative Financial Performance Measure

CAGR – Compound Annual Growth Rate

CDMO – Contract Development and Manufacturing Organization

CMC – Chemistry, Manufacturing & Controls

EH&S – Employee Health & Safety

ESG – Environmental, Social and Governance

FTE – Full-time equivalent

GMP – Good Manufacturing Practice

ICH – International Council for Harmonization

IPO – Initial Public Offering

LCM – Life Cycle Management

NDA – New Drug Application

PPQ – Process Performance Qualification

SIX – SIX Swiss Exchange

Operational indicators

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

Our reference to

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

Active custom projects include (i) projects with ongoing manufacturing activities, (ii) projects with ongoing non-manufacturing activities (development, analytical services, regulatory, stability studies), (iii) projects with open orders in the Group's accounting system pending to be delivered, and (iv) projects that are active at the customer's end, but not necessarily active at PolyPeptide (i.e., when the customer is conducting pre-clinical or clinical studies, formulation studies, etc.).

As part of an annual customer survey commissioned to a third party, PolyPeptide systematically monitors customer-related performance indicators, including the Net Promoter Score (NPS). It is considered to be a key metric that allows to track promoters and detractors within the customer base and to measure the organization's performance through its customers' eyes. The calculation of the NPS starts with the question “How likely are you to recommend us to a friend or colleague?” and score the answers on a zero-to-ten scale. The NPS is the percentage of customers who are promoters (those who scored 9 or 10) minus the percentage who are detractors (those who scored 0 to 6).

Alternative Financial Performance Measures (APM)

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

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

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

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

EBITDA Margin: EBITDA as a percentage of revenue.

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

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

Gross Margin: Gross profit as a percentage of revenue.

Headcount: Number of people employed by PolyPeptide at the time indicated (i.e. excluding contractors).

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

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

Operating result (EBIT): Earnings before total financial result and income tax charge.

Proposed cash distribution per share: Proposed cash distribution divided by total number of outstanding shares as at 31 December

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

Reconciliations

Operating result to EBITDA and Adjusted EBITDA

kEUR	2021	2020	2019
Operating result	64,165	44,378	33,549
Depreciation, amortization and impairment charges (if any)	20,683	17,545	15,808
EBITDA	**84,848**	**61,923**	**49,357**
Government loans waived	-2,370	0	0
IPO consultancy services	1,381	0	0
IPO cash bonus	1,342	0	0
IPO share bonus	2,998	0	0
Equipment damage provision	0	-489	1,700
Costs related to the IPO	0	524	0
Adjusted EBITDA	**88,199**	**61,958**	**51,057**

Return on net operating assets (RONOA)[1]

kEUR	2021	2020	2019
Operating result (EBIT)	64,165	44,378	33,549
Average[2] Net operating assets:			
Total non-current assets (average)	229,773	179,293	152,525
Total current assets (average)	255,734	161,266	141,960
Cash and cash equivalents (average)	-76,756	-17,358	-13,773
Total current liabilities (average)	-102,905	-79,893	-60,941
Average Net operating assets	305,847	243,309	219,771
Return on net operating assets (RONOA)	**21.0%**	**18.2%**	**15.3%**

[1] For 2018, the Average Net operating assets was kEUR 203,029 and RONOA was 13.7%.

[2] The average amounts are calculated as: (Current year's figures + last year's figures) / 2.

Proposed cash distribution per share

	2021	2020	2019
Result for the year (kEUR)	47,258	31,335	25,737
Proposed pay-out ratio (%)	20.3%	0.0%	0.0%
Proposed cash distribution (kEUR)	9,613	–	–
Exchange rate (EUR/CHF)	0.97	–	–
Proposed cash distribution (kCHF)	9,931	–	–
Number of outstanding shares as at 31 December ('000)	33,105	–	–
Proposed cash distribution per share (CHF)	**0.30**	**–**	**–**

Free Cash Flow

kEUR	2021	2020
Net cash flows from operating activities	57,352	49,482
Acquisition of intangible assets	-3,747	-2,580
Acquisition of property, plant and equipment	-73,961	-40,621
Free Cash Flow	**-20,356**	**6,281**

Net Cash

kEUR	2021	2020
Cash and cash equivalents	136,303	17,208
Interest-bearing liabilities (Total financial debt):		
Interest-bearing loans and borrowings (Non-current)	0	-25,000
Lease liabilities (Non-current)	-14,947	-10,454
Other financial liabilities (Non-current)	-10,302	-16,697
Lease liabilities (Current)	-3,058	-1,979
Other financial liabilities (Current)	-1,145	-10,199
Interest-bearing liabilities (Total financial debt)	-29,452	-64,329
Net Cash	**106,851**	**-47,121**

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.

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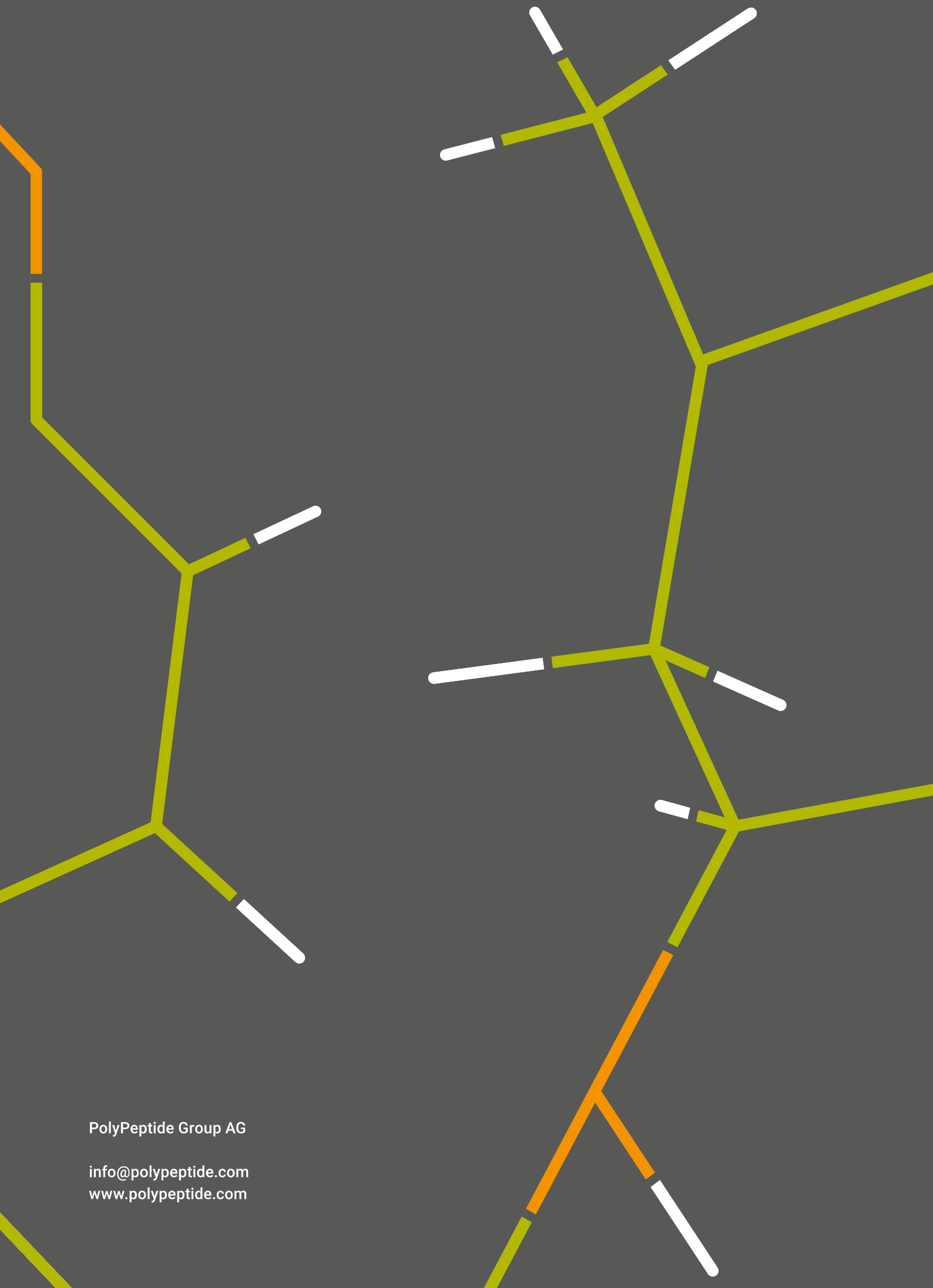

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