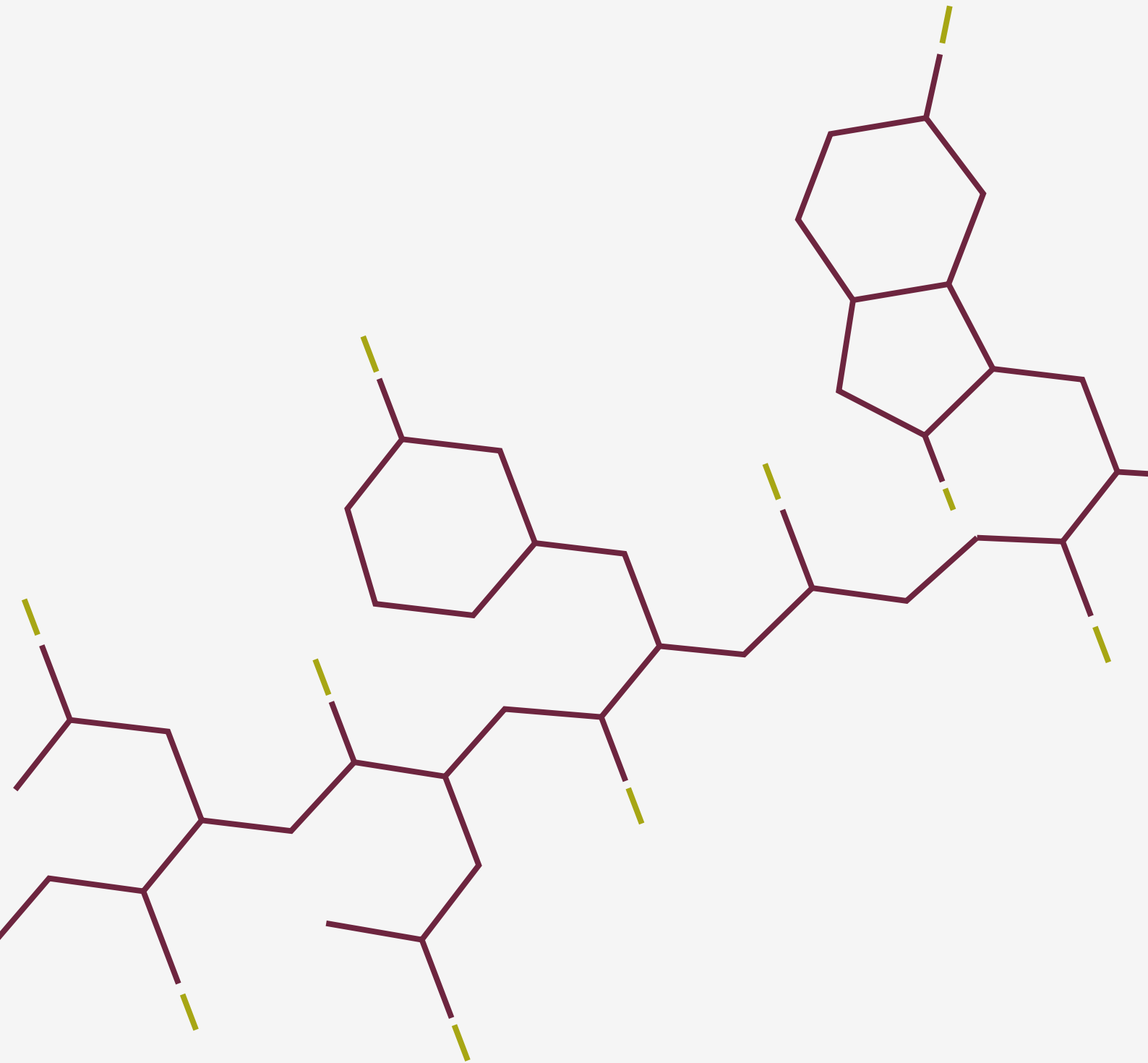


22

ANNUAL REPORT

A focused CDMO for peptides and oligonucleotides

INNOVATION | EXCELLENCE | TRUST



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Editorial



"In 2022, as we scaled up for accelerated growth, we faced significant challenges. We have taken comprehensive measures to ensure improved delivery performance. In addition, we are working with customers to further optimize our commercial relationships. We are making good progress in the search for our new CEO, who will have the opportunity of leading PolyPeptide into a future with significant structural growth opportunities."

2022, a challenging year

As we reflect on the past year, we must acknowledge that 2022 did not meet our expectations for growth. We invested in the expansion of our workforce to scale up the organization, but faced a range of challenges both external and internal, which resulted in a significant decline in profitability. PolyPeptide was impacted by rising input costs and wage inflation and, particularly in the second half of 2022, by the technical and manufacturing process problems that hindered our performance. As a result, revenue for the year was down by 0.4% to EUR 281.0 million, and our adjusted EBITDA declined by 56.2% to EUR 38.7 million, highlighting the need for us to take comprehensive measures to address these challenges.

Focus on operational excellence

These measures include the strengthening of our workforce capabilities to instill technical proficiency, operational best practice and rigor, and also to provide improved onboarding and training to new employees. We are highly focused on ensuring quality and restoring our delivery performance by taking steps to minimize the risk from unforeseen technical failures, and have launched an internal program to strengthen operational procedures and controls across the business. In addition, we continue to implement our pricing measures, which have been launched to mitigate inflationary pressure. While I fully expect that these efforts will generate significant benefits and position PolyPeptide for long-term success, these changes will take time to fully implement and to achieve their intended results.

Positioning for growth

I have great confidence in the structural growth opportunities in the peptides market and we are continuing to experience strong demand from customers. With volume requirements for certain projects reaching unprecedented levels, a robust commercial and operational set-up will be critical. We are therefore exploring opportunities to work with our customers and suppliers more closely along the value chain. Furthermore, we aim to further standardize and integrate processes to strengthen our operational resilience across our manufacturing presence in different geographies. This remains a complex undertaking, but in the longer term

will simplify cross-site product collaboration, allow further flexibility for customers, and mitigate risk.

Dividend and financial guidance for 2023

With the significant drop in profitability in 2022 and the ongoing efforts needed to restore revenue growth and profitability, we will not be proposing the payment of a dividend to our shareholders at the annual General Meeting on 12 April 2023 ("AGM 2023").

An improvement in profitability in 2023 largely depends on the Group's ability to achieve revenue growth. With the time required until the remediation measures yield results, we expect revenue for the first half of 2023 to be comparable with the previous year, with profitability significantly lower. A marked recovery in revenue and profitability is expected thereafter in the second half. For the full year of 2023, we currently expect high single-digit percentage revenue growth versus 2022, with an adjusted EBITDA margin in the mid-teens. Capital expenditure is planned to be around 10% of revenue, lower compared to 2022 (29.5% of revenue) and reflecting the planned completion of our accelerated capital deployment for growth launched in 2021.

We aim to provide an update of our mid-term outlook with the announcement of results for the first half of 2023 on 15 August 2023.

CEO search and new Board member

Following Mr De Vré's resignation at the end of January 2023, PolyPeptide is currently conducting a CEO search, and we are committed to identifying a candidate who has the leadership skills and relevant experience to drive our growth and expansion plans. We have established a comprehensive search process with the support of a leading executive search firm to ensure a rigorous and thorough selection process.

Our Board of Directors is critical to our success, and we are committed to ensuring that it comprises individuals who possess the skills, experience and expertise necessary to guide our company into the future. To this end, I am pleased to announce that Dorothee A. Deuring (Austrian, 1968) will be nominated as a new member of the Board of Directors at the AGM 2023, who will further strengthen diversity and independence within the Board.

On behalf of the rest of the Board, I would like to thank our shareholders, as well as all other stakeholders, for their continuing support during this challenging year and for their trust in PolyPeptide moving forward. In particular, I would like to also thank our employees for their contribution in making PolyPeptide a trusted long-term partner. Their continued commitment is at the heart of our ability to deliver on our rich agenda and to turn our growth plans into success.

Baar, 14 March 2023

Sincerely,

Peter Wilden
Executive Chairman

Key Figures¹

kEUR	2022	2021	Change
Revenue	280,978	282,126	-0.4%
Custom Projects	140,044	167,006	-16.1%
Contract Manufacturing	110,753	89,600	23.6%
Generics & Cosmetics	30,181	25,520	18.3%
EBITDA	38,670	84,848	-54.4%
Adjusted ² EBITDA	38,670	88,199	-56.2%
Adjusted ² EBITDA in % of revenue	13.8%	31.3%	-17.5 ppts
Operating result (EBIT)	12,607	64,165	-80.4%
Operating result (EBIT) in % of revenue	4.5%	22.7%	-18.3 ppts
Result for the year	7,767	47,258	-83.6%
Result for the period in % of revenue	2.8%	16.8%	-14.0 ppts
Earnings per share (EUR), basic	0.24	1.47	-84.0%
Return on net operating assets (RONOA)	3.2%	21.0%	-17.8 ppts
Cash and cash equivalents (end of period)	37,528	136,303	-72.5%
Net cash flow from operating activities	5,460	57,352	-90.5%
Capital expenditures	82,985	76,652	8.3%
Capital expenditures in % of revenue	29.5%	27.2%	2.4 ppts
Total assets (end of period)	575,782	595,038	-3.2%
Equity ratio (end of period)	73.2%	70.8%	2.5 ppts
Employees (# of FTEs, average)	1,139	1,041	9.5%

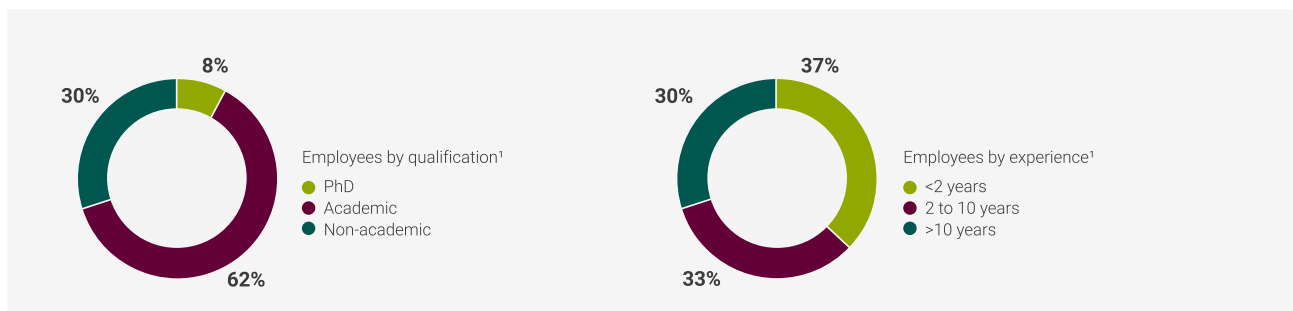
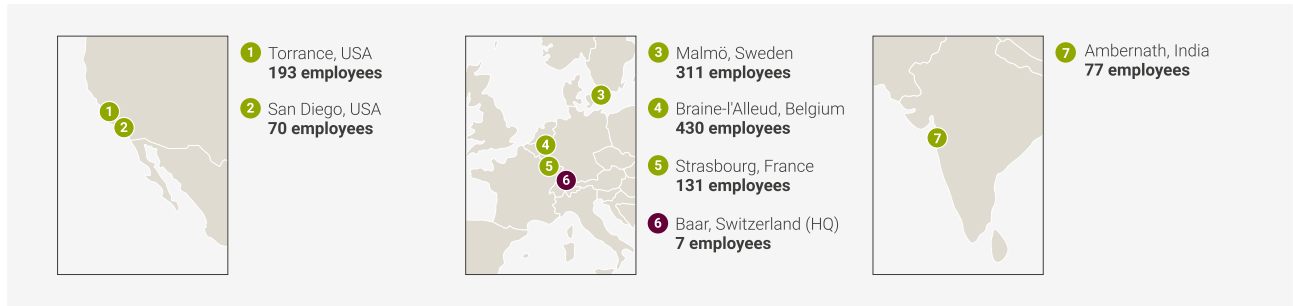
¹ This table and report include references to operational indicators and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based 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 For 2022, no EBITDA adjustments were recognized. Adjusted EBITDA for 2021 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

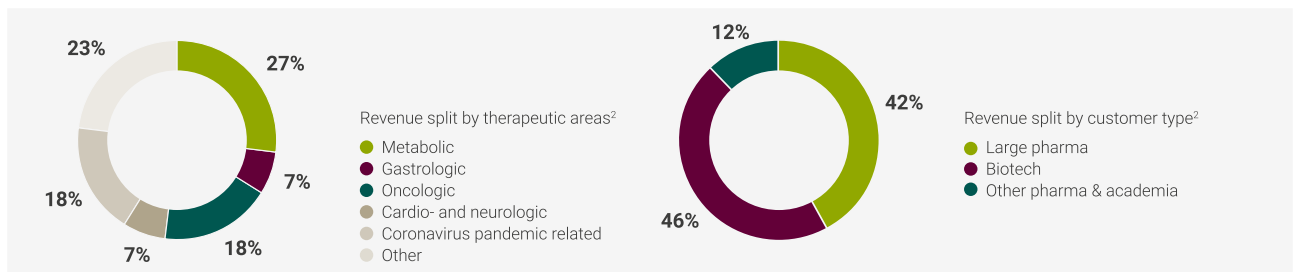
Footprint with customer proximity

Six cGMP-certified sites on three continents¹



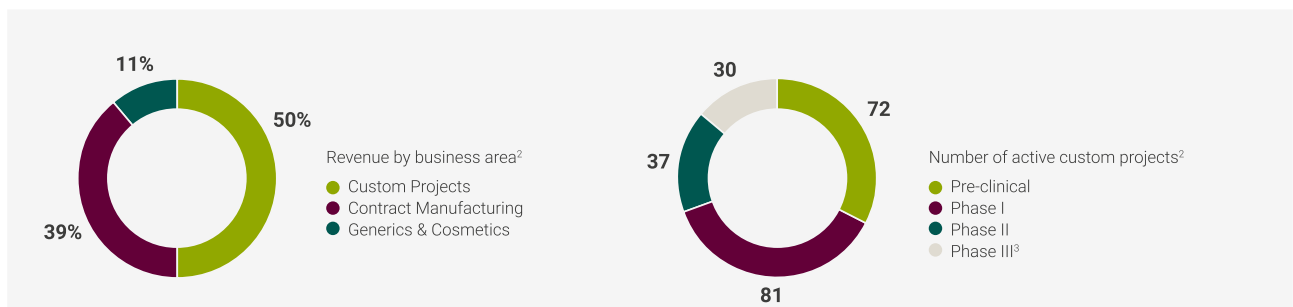
Helping patients across multiple health indications

Revenue from across therapeutic areas with pharma and biotech customers



Solutions for development and commercial products

“Start here – stay here”



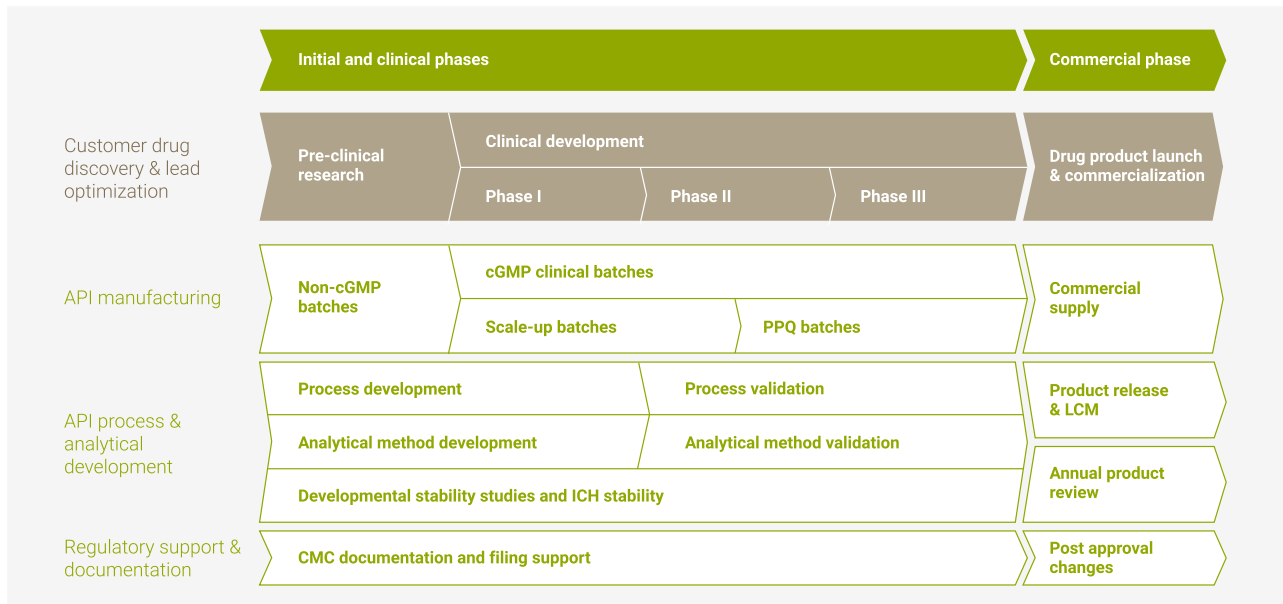
¹ Data based on headcount as at 31 December 2022.

² Approximate splits as per 31 December 2022.

³ Subsequent to the reporting period, one phase III project related to the treatment of cancer was terminated by the customer.

Business model

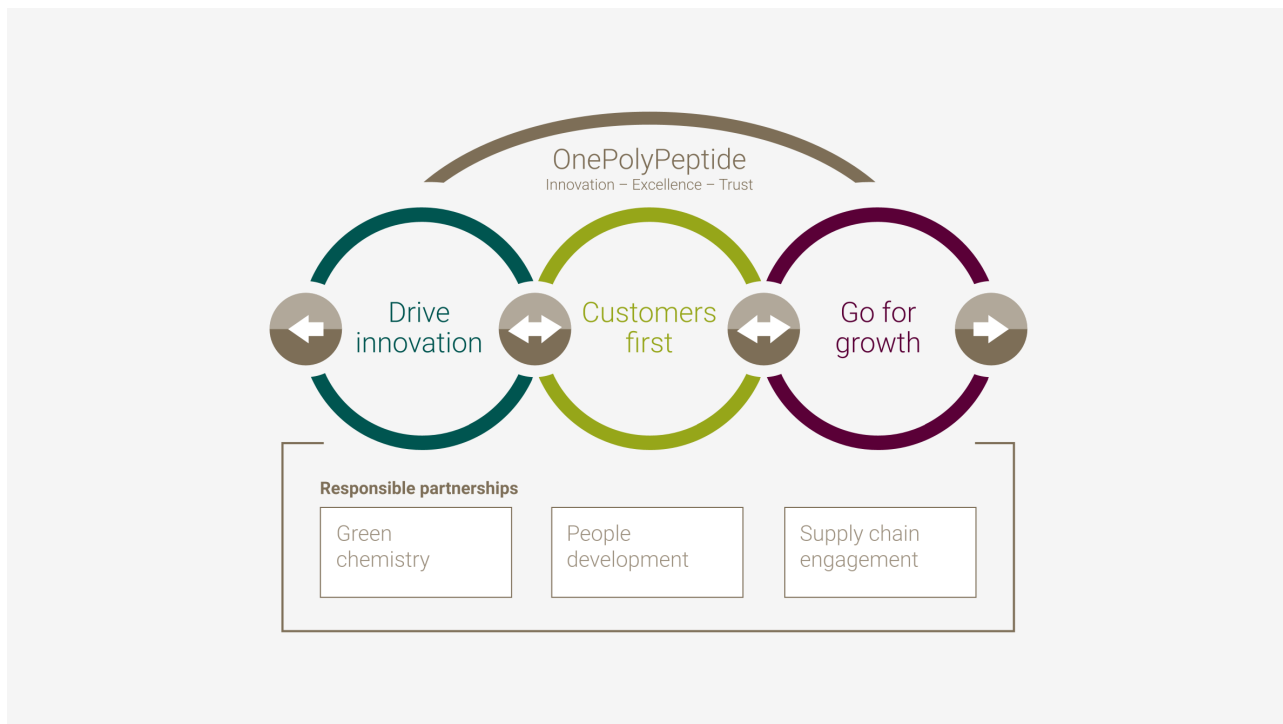
Providing expert knowledge for peptide- and oligonucleotide-based APIs along the entire life cycle



API – Active Pharmaceutical Ingredient; CMC – Chemistry, Manufacturing & Controls; cGMP – current 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



Strategy

Company profile

PolyPeptide is a globally active contract development and manufacturing organization (CDMO) specializing in the development and manufacturing of peptides and oligonucleotides used as intermediates and 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 cGMP peptides and has developed into a full-service provider with differentiated technologies and capabilities to manufacture the most complex and innovative peptides. In the United States, the offering includes neoantigen peptides to support personalized cancer therapies. In 2021, the Group added oligonucleotides to its offering given the increasing relevance and substantial R&D investments in this therapeutic modality.

Business model

The main business of PolyPeptide is providing expert knowledge in peptide- and oligonucleotide-based API development and manufacturing along the entire life cycle of a drug, supporting initial and clinical phases, as well as commercialization. In the spirit of "start here – stay here", the Group serves its customers across three business areas, Custom Projects, Contract Manufacturing and Generics and Cosmetics.

In the Custom Projects business area, PolyPeptide generally supports customers in the pre-clinical through clinical stage development with flexible supply. The Group's pipeline of active custom projects, in particular the projects in the late stage of phase III clinical development, is seen as a driver of growth over the mid-term, as projects shift from development to commercialization. In the Contract Manufacturing business area, peptides and oligonucleotides are manufactured for approved commercial stage therapeutics, at scale, in commercial batches. In the Generics and Cosmetics business area, peptides are manufactured that are either off-patent or used in cosmetics.

The Group operates six cGMP certified sites in Europe, the US and India, adhering to stringent production standards and product quality specifications. Across the business areas, PolyPeptide provides complementary services, including process and analytical development as well as regulatory support.

The Group's customer relationships are typically long-term in nature, as the Group provides its services in a "start here – stay here" philosophy along the entire life cycle of a drug. It applies a cost-based pricing model throughout its areas of activity and within the framework of master service or commercial supply agreements. As part of its integrated strategy, the Group pursues the continued harmonization of its processes, systems and organization and plans to accelerate the standardization of its operational processes across sites. This will enable it to leverage its manufacturing footprint to the benefit of customers and to strengthen its resilience.

For further details on the footprint and the business model of the company, refer to the chapter [Profile](#).

Market

According to an estimate by PolyPeptide based on third-party market reports published in 2022, the peptide therapeutics market is estimated to grow with a compound annual growth rate (CAGR) of around 10% to approximately USD 65 billion by 2027, driven by, among other factors, 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 at the end of 2022, 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 approximately 500 in pre-clinical development.

Compared to the market for peptide-based therapeutics, the market for oligonucleotide-based therapeutics is more nascent, but faster growing. Based on market reports published in 2022, PolyPeptide estimates this market to grow with a CAGR of around 18% to USD 9 billion by 2027. As at the end of 2022, circa 15 oligonucleotide-based therapies were approved by the FDA, with approximately 190 in clinical development (phases I to III) and approximately 700 in pre-clinical development.

Integrated strategy

The Group's mission is to help customers develop products, secure regulatory approvals and 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 their CDMO partners to have deep operational experience and scientific knowledge, coupled with a relentless focus on quality and a high delivery performance.

As a multinational company with 1,219 employees at the end of 2022, PolyPeptide fosters an agile, open and collaborative work environment. In an increasingly competitive labor market, the Group relies on a qualified and engaged workforce to closely collaborate with customers and to ensure a high delivery performance. Attracting the right talent and retaining it, also through appropriate human capital development, is essential for PolyPeptide to grow its business and to implement its integrated strategy.

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 its workforce to meet customer expectations.
- **Drive innovation:** The value generation of the Group is closely linked to its leading 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 custom projects pipeline and to serve its customers throughout the life cycle of their products. Given the strength of its late-stage custom projects pipeline, the Group continuously optimizes the utilization of its production infrastructure while building additional capacity 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 APIs, 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 in areas including, for example, digitalization, automation, cybersecurity, 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. The Group thereby pursues a holistic approach to

Overview

sustainability that includes reducing its environmental footprint, promoting continued improvement towards business excellence as well as strengthening the company as an employer of choice. It believes that the integration of material ESG topics into its strategy is the most effective way to meet both business needs and stakeholder expectations.

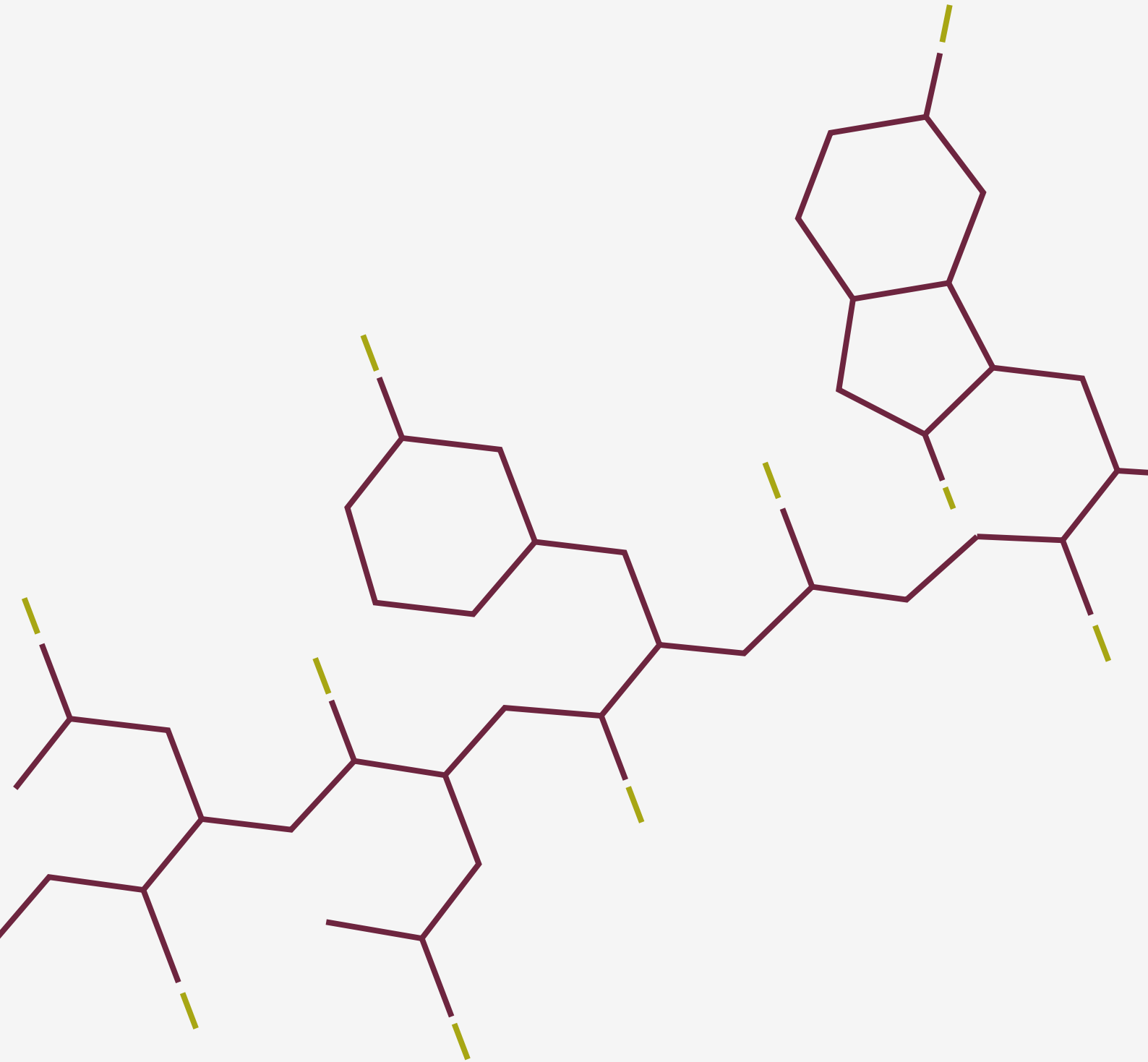
For the visualization of the Group's integrated strategy, refer to the chapter [Profile](#) and for the progress report on its ESG agenda to the chapter [Corporate Responsibility](#).

Scorecard and financial aspiration

The Group maintains a global balanced scorecard for supporting the implementation of its strategic agenda and operational plans and for executive compensation purposes (see [Remuneration Report](#)). In addition to 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 approved by the Board of Directors and include "on-time-in-full" (OTIF) delivery performance, quality, employee turnover, Environment Health & Safety (EH&S), green chemistry and critical project execution.

In line with the Group's accelerated capital deployment program for growth launched in 2021 and the increase in the workforce in 2022, the Group aims to consistently grow revenue over the mid-term with a progressive adjusted EBITDA margin.

For the financial guidance for 2023, please refer to the [Business Review](#).



PolyPeptide Group AG

info@polypeptide.com
www.polypeptide.com