# 22
ANNUAL REPORT

# A focused CDMO for peptides and oligonucleotides

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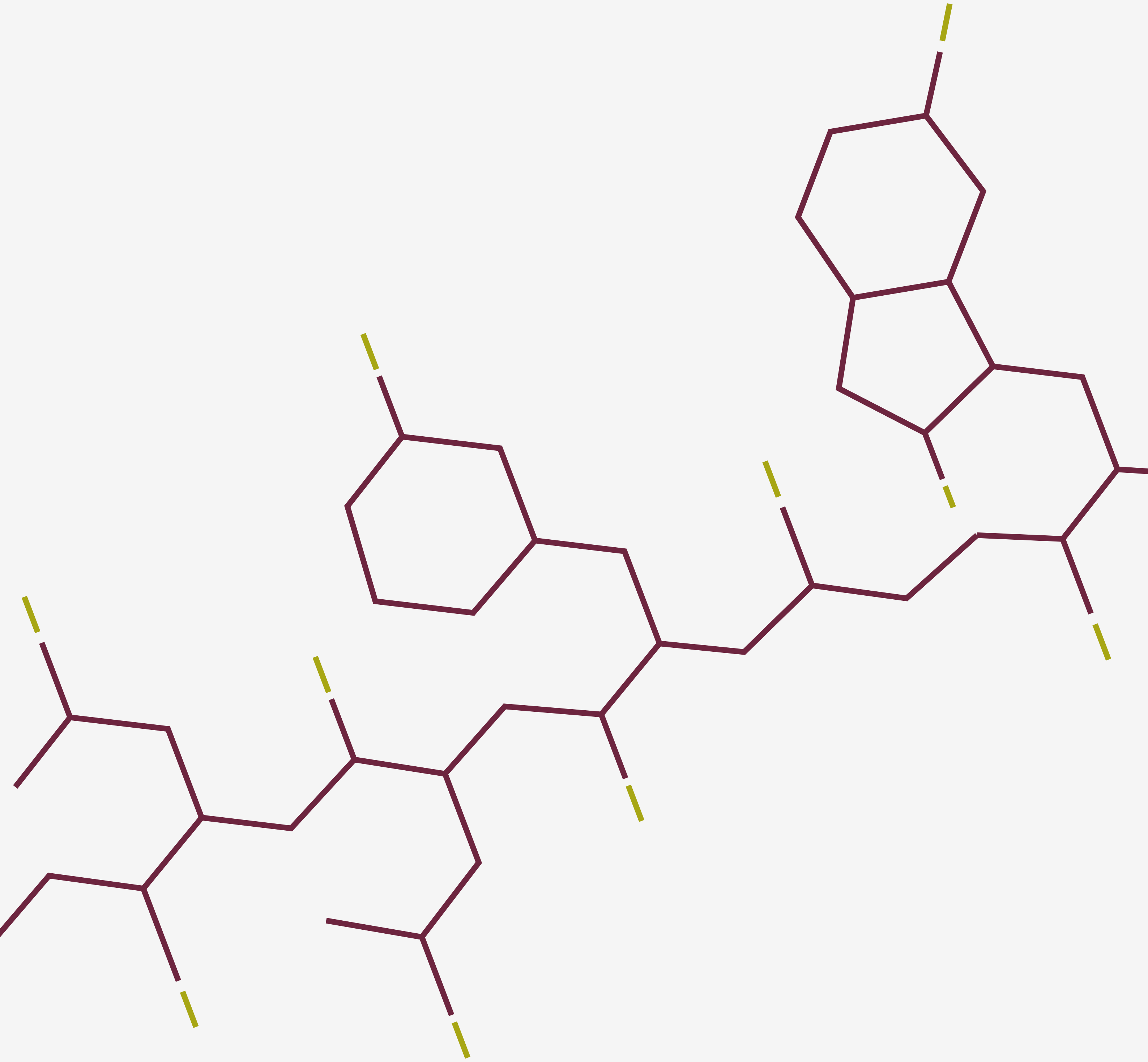

PolyPeptide

# Financial Report

Consolidated financial statements


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# Consolidated income statement

1 January - 31 December

| kEUR | Note | 2022 | 2021 |
|---|---|---|---|
| Revenue | 3 | 280,978 | 282,126 |
| Other operating income | 3 | 2,486 | 4,091 |
| **Total income** | | **283,464** | **286,217** |
| Cost of sales | | -228,987 | -182,426 |
| **Gross profit** | | **54,477** | **103,791** |
| Marketing and sales expenses | 3 | -4,905 | -3,864 |
| Research expenses | 3 | -1,243 | -1,407 |
| General and administrative expenses | 3 | -35,722 | -34,355 |
| **Total operating expenses** | | **-41,870** | **-39,626** |
| **Operating result (EBIT)** | | **12,607** | **64,165** |
| Financial income | 3 | 9 | 653 |
| Financial expenses | 3 | -5,049 | -4,970 |
| **Total financial result** | | **-5,040** | **-4,317** |
| **Result before income taxes** | | **7,567** | **59,848** |
| Income tax charges | 5 | 200 | -12,590 |
| **Result for the year** | | **7,767** | **47,258** |
| Attributable to shareholders of PolyPeptide Group AG | | 7,767 | 47,258 |
| Earnings per share in EUR, basic | 7 | 0.24 | 1.47 |
| Earnings per share in EUR, diluted | 7 | 0.24 | 1.47 |

# Consolidated statement of comprehensive income

1 January - 31 December

| kEUR | Note | 2022 | 2021 |
|---|---|---|---|
| Result for the year | | 7,767 | 47,258 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | |
| Exchange differences on translation of foreign operations, net of tax | | 4,834 | 14,901 |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | | **4,834** | **14,901** |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | | |
| Remeasurement gain / (loss) on defined benefit plans | | 13,526 | 1,187 |
| Income tax effect | 5 | -3,174 | -354 |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | **10,352** | **833** |
| **Other comprehensive result for the year, net of taxes** | | **15,186** | **15,734** |
| | | | |
| **Total comprehensive result for the year, net of taxes** | | **22,953** | **62,992** |
| Attributable to shareholders of PolyPeptide Group AG | | 22,953 | 62,992 |

# Consolidated statement of financial position

As at 31 December

| **Assets, kEUR** | **Note** | **2022** | **2021** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 8 | 15,865 | 14,268 |
| Property, plant and equipment | 9 | 275,878 | 216,486 |
| Right-of-use assets | 10 | 21,416 | 18,956 |
| Deferred income tax assets | 5 | 8,286 | 10,255 |
| Other financial assets | 24 | 2,767 | 3,467 |
| **Total non-current assets** | | **324,212** | **263,432** |
| **Current assets** | | | |
| Inventories | 12 | 145,073 | 113,001 |
| Trade receivables | 13 | 46,486 | 65,233 |
| Contract assets | 3 | 2,660 | 2,556 |
| Corporate income tax receivables | | 7,373 | 3,699 |
| Other current assets | 14 | 12,450 | 10,814 |
| Cash and cash equivalents | 15 | 37,528 | 136,303 |
| **Total current assets** | | **251,570** | **331,606** |
| **Total assets** | | **575,782** | **595,038** |

# Consolidated statement of financial position (continued)

As at 31 December

| **Equity and liabilities, kEUR** | **Note** | **2022** | **2021** |
|---|---|---|---|
| **Equity attributable to equity holders of the parent company** | | | |
| Share capital | 6 | 302 | 302 |
| Share premium | | 203,129 | 212,800 |
| Translation reserve | | 14,119 | 9,285 |
| Treasury shares | | -13,609 | -1,187 |
| Other capital reserves | | 3,590 | 3,946 |
| Retained earnings | | 214,146 | 196,027 |
| **Total equity** | | **421,677** | **421,173** |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 5 | 1,878 | 1,106 |
| Pensions | 16 | 26,637 | 38,981 |
| Provisions | 17 | 2,476 | 4,568 |
| Lease liabilities | 10 | 17,652 | 14,947 |
| Other financial liabilities | 18 | 9,410 | 10,302 |
| **Total non-current liabilities** | | **58,053** | **69,904** |
| **Current liabilities** | | | |
| Lease liabilities | 10 | 3,566 | 3,058 |
| Other financial liabilities | 18 | 1,096 | 1,145 |
| Corporate income tax payable | | 67 | 4,001 |
| Trade payables | 20 | 45,933 | 28,481 |
| Contract liabilities | 3 | 27,538 | 46,072 |
| Other current liabilities | 20 | 17,852 | 21,204 |
| **Total current liabilities** | | **96,052** | **103,961** |
| **Total liabilities** | | **154,105** | **173,865** |
| **Total equity and liabilities** | | **575,782** | **595,038** |

# 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 2022** | **302** | **212,800** | **9,285** | **-1,187** | **3,946** | **196,027** | **421,173** |
| Result for the year | | | | | | 7,767 | 7,767 |
| Remeasurement gain / (loss) on defined benefit plans, net of tax | | | | | | 10,352 | 10,352 |
| Currency exchange differences | | | 4,834 | | | | 4,834 |
| **Total comprehensive income** | **0** | **0** | **4,834** | **0** | **0** | **18,119** | **22,953** |
| Purchase of own shares | | | | -13,933 | | | -13,933 |
| Dividends paid | | -9,671 | | | | | -9,671 |
| Share-based payment | | | | | 1,155 | | 1,155 |
| Transfer of own shares | | | | 1,511 | -1,511 | | 0 |
| **Total transactions with owners** | **0** | **-9,671** | **0** | **-12,422** | **-356** | **0** | **-22,449** |
| **Balance as at 31 December 2022** | **302** | **203,129** | **14,119** | **-13,609** | **3,590** | **214,146** | **421,677** |

# Consolidated statement of changes in equity (continued)

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** | **180,521** |
| **Balance as at 31 December 2021** | **302** | **212,800** | **9,285** | **-1,187** | **3,946** | **196,027** | **421,173** |

# Consolidated statement of cash flows

1 January - 31 December

| kEUR | 2022 | 2021 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Result for the year | 7,767 | 47,258 |
| **Adjustments to reconcile cash generated by operating activities** | | |
| Depreciation and amortization | 26,063 | 20,683 |
| Movement in provisions | -713 | -236 |
| Movement in pensions | 1,545 | 1,465 |
| Share-based payment expense | 1,155 | 1,208 |
| Financial income | -9 | -653 |
| Financial expenses | 5,049 | 4,970 |
| Income tax charge | -200 | 12,590 |
| Government grant income | 0 | -2,387 |
| IPO-related transaction costs | 0 | 5,721 |
| **Changes in net working capital** | | |
| (Increase) / decrease in inventories | -33,129 | -17,669 |
| (Increase) / decrease in trade receivables | 18,898 | -11,751 |
| (Increase) / decrease in contract assets | -115 | -488 |
| (Increase) / decrease in other current assets | -1,636 | -3,905 |
| Increase / (decrease) in trade payables | 13,231 | 1,178 |
| Increase / (decrease) in contract liabilities | -18,628 | 11,492 |
| Increase / (decrease) in other current liabilities | -3,353 | 1,648 |
| **Cash generated from operations** | **15,925** | **71,124** |
| Interest income received | 9 | 8 |
| Interest expenses paid | -2,494 | -2,384 |
| Income taxes paid | -7,980 | -11,396 |
| **Net cash flows from operating activities** | **5,460** | **57,352** |
| **Cash flow from investing activities** | | |
| Acquisition of intangible assets | -3,665 | -3,747 |
| Acquisition of property, plant and equipment | -75,099 | -73,961 |
| Disposal of property, plant and equipment | 12 | 122 |
| Movement in other financial assets | 317 | -3,259 |
| **Net cash flows from investing activities** | **-78,435** | **-80,845** |

# Consolidated statement of cash flows (continued)

1 January - 31 December

| kEUR | 2022 | 2021 |
|---|---|---|
| **Cash flow from financing activities** | | |
| Proceeds from the issue of ordinary shares | 0 | 182,141 |
| Purchase of own shares | -13,933 | -5,464 |
| Dividends paid | -9,671 | 0 |
| IPO-related transaction costs | 0 | -7,376 |
| Repayment by Draupnir Holding B.V. related to IPO bonus | 0 | 2,998 |
| Proceeds from short-term borrowings from banks | 0 | 25,000 |
| Repayment of long-term borrowings from banks | 0 | -25,000 |
| Repayment of short-term borrowings from banks | 0 | -25,000 |
| Repayment of lease liabilities | -2,695 | -2,637 |
| Repayment of other financial liabilities | -570 | -13,734 |
| **Net cash flow from financing activities** | **-26,869** | **130,928** |
| **Net movement in cash and cash equivalents** | **-99,844** | **107,435** |
| | | |
| Cash and cash equivalents at the beginning of the year | 136,303 | 17,208 |
| Net foreign currency exchange differences | 1,069 | 11,660 |
| **Cash and cash equivalents at the end of the year** | **37,528** | **136,303** |

# 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- and oligonucleotide-based compounds for use in the pharmaceutical and related research industries. The Group offers 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.

In 2007, PolyPeptide Laboratories Holding B.V. (incorporated under the laws of the Netherlands) became the holding company of the Group, which consisted 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 has since been merged into the Swedish holding company in 2022.

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. The registered office of the Company is Neuhofstrasse 24, 6340 Baar, Switzerland.
As at 31 December 2022, the Company was a 55.47% subsidiary of Draupnir Holding B.V., a company registered in the Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Cryosphere Foundation, a foundation registered on Guernsey of which Mr. Frederik Paulsen (Lausanne, Switzerland) is at present the principal beneficiary pursuant to the charter of the foundation governed by the laws of Guernsey, although he has no vested interest in any portion of the foundation assets.

### 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).

The financial year for the Group is 1 January – 31 December 2022.

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

#### Changes in accounting policies and presentation
The following amendments became mandatorily effective from 1 January 2022:
- Amendments to IFRS 3, IFRS 9, IFRS 16, IAS 16, IAS 37 and IAS 41

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.

#### 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 Swiss Franc (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 the Euro, US Dollar, Indian Rupee, and the Swedish Krona. As at the reporting date, the assets and liabilities of the subsidiaries with a functional currency other 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 in time when 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 to 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 may also be 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.

### Research expenses

Research expenses relating to Custom Projects are included in ‘Cost of sales’ in the income statement. Research expenses not relating to Custom Projects are presented on the separate financial line item ‘Research expenses’ in the income statement.

### Share-based payment

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

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 between the tax bases of assets and liabilities at the reporting date 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, maximizing 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 costs 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 labor 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 cash equivalents
Cash and cash equivalents 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 comprised 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 18. This contingent consideration was 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 at 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 consolidated 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 the 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 the 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 that 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 favor of the Group if it is reasonably 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 a 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 are increased 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 cash equivalents comprise cash on hand and in banks and short-term deposits with an original maturity of three months or less. 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 2023 or later.

The Group has not early adopted any of these and does not expect them to have a significant impact on the consolidated financial statements:

- IFRS 17 Insurance Contracts
- 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)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or non-Current)
- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants)

**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 rising inflation and interest rates***

Inflation and interest rates increased in 2022, spurred by the geopolitical tensions.
The increased interest rates primarily impacted the measurement of the defined benefit obligation at the reporting date since it is measured by discounting future cash flows to a net present value, using a discount rate that reflects the general interest rate level.
The increases in inflation resulted in increased energy and raw material costs, wages, etc., particularly leading to increased cost of sales recognized in the income statement.

***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 is 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). Even though 2022 was characterized by a volatile macroeconomic environment as discussed above, the Group has not identified any indicators for impairment. No impairment losses of non-current assets have thus been recognized in 2022 (2021: no impairment losses).

***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

PolyPeptide generates revenue that can be divided into the three business areas described in Note 3. The chief operating decision maker (i.e., the Executive Committee) reviews revenue generated within each business area but does not review results at this disaggregated level. The chief operating decision maker rather reviews the results of the Group as a whole to assess performance. This internal assessment of performance has not changed since the last annual financial statements of the Group. However, the definition of an operating segment according to IFRS 8 – *Operating segments* has been revisited, and it has been concluded that the three business areas should not be considered three separate operating segments since only revenue information for each area is reviewed by the chief operating decision maker. As a result, there is only one operating segment according to IFRS 8 – *Operating segments*.

The segment disclosures are thus provided in accordance with the requirements applicable for entities that have a single reportable segment.

### Revenue from major customers (10% or more of total revenue)
In 2022, revenues of approximately kEUR 48,300 and kEUR 41,300 were derived from two customers.
In 2021, revenues of approximately kEUR 57,600 and kEUR 35,900 were derived from two customers.

### 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.

| 2022<br>kEUR | USA | Europe<br>& Asia | Total |
|---|---|---|---|
| Revenue | 90,158 | 190,820 | 280,978 |
| Additions to intangible assets and PP&E | 20,850 | 62,135 | 82,985 |
| Non-current assets, carrying amount | 106,825 | 206,334 | 313,159 |

| 2021<br>kEUR | USA | Europe<br>& 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 |

# 3 Revenue and expenses

PolyPeptide generates revenue that can be divided into the three business areas described below:

### Revenue by business area

| kEUR | 2022 | 2021 |
|---|---|---|
| Custom Projects | 140,044 | 167,006 |
| Contract Manufacturing | 110,753 | 89,600 |
| Generics and Cosmetics | 30,181 | 25,520 |
| **Total revenue** | **280,978** | **282,126** |

**Custom Projects** business area specializes in the manufacturing of custom research-grade peptides and oligonucleotides, in milligram, gram or pilot scale quantities, at predefined purity levels for use in pre-clinical and clinical development as well as for regulatory and scientific studies. Custom Projects also provides cGMP manufacturing services during the later phases of development. Revenue is allocated to Custom Projects for sales of products in the pre-clinical through clinical stage development (i.e., prior to commercial launch) as generally set out in master service agreements and/or the accompanying work / purchase orders.

**Contract Manufacturing** business area manufactures peptides for commercial stage peptide therapeutics, at scale, in commercial batches and in accordance with cGMP requirements. The Group's Contract Manufacturing services also include consultation for continuous improvement and process stabilization / optimization to support scale-up, process changes to support cost of goods sold enhancement, lifecycle management and extension as well as regulatory support. Revenue is allocated to Contract Manufacturing where production is related to the commercial supply of products, including the production of commercial generic products where we manufacture for the patent originator, as generally set out in master supply agreements and/or the accompanying work / purchase orders.

**Generics and Cosmetics** business area manufactures peptide-based generics for the human and veterinary market, produced on an industrial scale following cGMP guidelines. Generally, PolyPeptide’s generic products are off-patent and manufactured for numerous generic customers. The business area also includes revenue generated from the sale of peptides used in cosmetics, primarily for anti-aging applications. Revenue is allocated to Generics and Cosmetics for product sales to generics manufacturers and non-originators (i.e., not the original patent holder) as well as cosmetics sales, each as generally set out in nonproprietary master supply agreements and/or the accompanying work / purchase orders.

### Revenue by geographical area

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

| kEUR | 2022 | 2021 |
|---|---|---|
| Americas | 133,437 | 116,083 |
| Europe | 125,820 | 142,697 |
| Asia Pacific | 21,255 | 21,084 |
| Others | 466 | 2,262 |
| **Total revenue** | **280,978** | **282,126** |

## Revenue from contracts with customers

**2022**

| kEUR | API | Related services | Total |
|---|---|---|---|
| **Timing of transfer of goods and services** | | | |
| Point in time | 246,006 | | 246,006 |
| Over time | | 34,972 | 34,972 |
| **Total revenue** | **246,006** | **34,972** | **280,978** |

**2021**

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

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.

## Contract assets and contract liabilities

**Contract assets**

| kEUR | 2022 | 2021 |
|---|---|---|
| **As at 1 January** | **2,556** | **2,044** |
| Transfer in the period from contract assets to trade receivables | -2,537 | -2,044 |
| Transfer of services to customers during the period where payment is not due as at the balance sheet date | 2,652 | 2,532 |
| Currency exchange differences | -11 | 24 |
| **As at 31 December** | **2,660** | **2,556** |

**Contract liabilities**

| kEUR | 2022 | 2021 |
|---|---|---|
| **As at 1 January** | **46,072** | **33,480** |
| Amounts included in contract liabilities that were recognized as revenue during the period | -45,677 | -33,480 |
| Cash received in advance of performance and not recognized as revenue during the period | 27,050 | 44,972 |
| Currency exchange differences | 93 | 1,100 |
| **As at 31 December** | **27,538** | **46,072** |

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 | 2022 | 2021 |
|---|---|---|
| Research refund | 1,683 | 1,190 |
| Invoiced freight and insurance | 413 | 292 |
| Export incentives | 90 | 17 |
| Investment grants | 80 | 115 |
| Other | 220 | 2,477 |
| **Total other operating income** | **2,486** | **4,091** |

The research refund of kEUR 1,683 (2021: kEUR 1,190) relates to a deduction on tax paid due to qualified research in chemistry. The investment grants of kEUR 80 (2021: kEUR 115) relates to improving air emission handling, etc.
US government loans waived of kEUR 2,370 in the context of the coronavirus pandemic are included as 'Other' in 2021.

### Marketing and sales expenses

| kEUR | 2022 | 2021 |
|---|---|---|
| Salaries and employee benefits | -3,122 | -2,933 |
| Marketing and promotion costs | -826 | -428 |
| Other | -957 | -503 |
| **Total marketing and sales expenses** | **-4,905** | **-3,864** |

### Research expenses

| kEUR | 2022 | 2021 |
|---|---|---|
| Salaries and employee benefits | -790 | -756 |
| Other | -453 | -651 |
| **Total research expenses** | **-1,243** | **-1,407** |

### General and administrative expenses

| kEUR | 2022 | 2021 |
|---|---|---|
| Salaries and employee benefits | -14,847 | -16,935 |
| Other staff expenses | -2,636 | -1,951 |
| Service fee Group-related company | -10 | -147 |
| Depreciation and amortization | -1,302 | -1,590 |
| Professional services | -4,884 | -5,646 |
| Insurance cost | -2,318 | -1,801 |
| IT services | -2,794 | -2,263 |
| Other | -6,932 | -4,022 |
| **Total general and administrative expenses** | **-35,722** | **-34,355** |

### IPO cost

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

| kEUR | 2022 | 2021 |
|---|---|---|
| Consultancy services | 0 | -1,381 |
| IPO cash bonus | 0 | -1,342 |
| IPO share bonus | 0 | -2,998 |
| **Total IPO cost** | **0** | **-5,721** |

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 was charged directly to the share premium reserve in 2021 in accordance with IAS 32.

### Financial income

| kEUR | 2022 | 2021 |
|---|---|---|
| Interest income due from third parties | 9 | 8 |
| Fair value decrease of contingent consideration (see Note 18) | 0 | 645 |
| **Total financial income** | **9** | **653** |

### Financial expenses

| kEUR | 2022 | 2021 |
|---|---|---|
| Interest expenses due to third parties | -2,091 | -2,127 |
| Interest on contingent consideration (see Note 18) | 0 | -696 |
| Foreign currency exchange losses | -1,627 | -1,867 |
| Other financial expenses | -1,331 | -280 |
| **Total financial expenses** | **-5,049** | **-4,970** |

### Staff costs and employee information

| kEUR | 2022 | | 2021 | |
|---|---|---|---|---|
| | Indirect | Direct | Indirect | Direct |
| Salaries and wages | -14,097 | -68,722 | -15,394 | -56,672 |
| Social charges | -2,695 | -14,817 | -3,062 | -13,119 |
| Pension costs | -1,967 | -4,851 | -2,168 | -4,572 |
| **Total staff cost** | **-18,759** | **-88,390** | **-20,624** | **-74,363** |

An amount of kEUR 88,390 (2021: kEUR 74,363) 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**

| | 2022 | 2021 |
|---|---|---|
| Production | 618 | 585 |
| Marketing and sales | 19 | 17 |
| Research and development | 176 | 154 |
| General and administration | 89 | 79 |
| Quality control | 130 | 112 |
| Quality assurance | 107 | 94 |
| **Total** | **1,139** | **1,041** |

**Depreciation and amortization included in the income statement**
**Included in Cost of sales:**

| kEUR | 2022 | 2021 |
|---|---|---|
| Depreciation | -22,731 | -17,231 |
| Amortization | -2,030 | -1,862 |
| **Total** | **-24,761** | **-19,093** |

**Included in General and administrative expenses:**

| kEUR | 2022 | 2021 |
|---|---|---|
| Depreciation | -1,295 | -1,090 |
| Amortization | -7 | -500 |
| **Total** | **-1,302** | **-1,590** |

## 4 Share-based payment

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

The following equity-settled share-based payment arrangements are recognized in the consolidated financial statements:

**Board of Directors**
Members of the Board of Directors receive at least half of their fixed fees in shares, with 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 (in excess of 50%) and cash is selected by each Board member upon election at the annual general meeting and is fixed until next annual general meeting. 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 799 (2021: kEUR 731), reflecting a measurement based on a total number of shares of 9,835 (2021: 12,540) and the price of EUR 81 (CHF 83) per share as at 26 April 2022 (2021: The initial public offering price of EUR 58 (CHF 64) per share).

All shares will be fully vested at the annual general meeting in April 2023. In 2022, a total amount of kEUR 809 (2021: 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**

During the year ended 31 December 2021, the then current CEO of the Group, Raymond De Vré, was 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 from 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 329 recognized as "General and administrative expenses" in 2022 (2021: kEUR 401).

- A grant of shares at a value of kCHF 100 at 15% discount to the initial public offering price 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 included a service condition of one year and vested on 1 July 2022. The expenses have been recognized on a straight-line basis in the income statement, resulting in an amount of kEUR 45 recognized as "General and administrative expenses" in 2022 (2021: kEUR 66).

- 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, inter alia, 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.

  During the course of 2022, the Remuneration and Nomination Committee considered the expansion of the LTIP to the full executive Committee as well as other members of senior management. However, in light of PolyPeptide's disappointing financial performance in 2022, the Remuneration and Nomination Committee ultimately recommended to the Board of Directors not to grant any long-term incentive awards in 2022. The then current CEO of the Group, Raymond De Vré, voluntarily agreed not to receive his annual target value 2022 for the allocation of PSUs as set out in his employment agreement. The Remuneration and Nomination Committee plans to revisit this topic during the course of 2023.

  For the year ended 31 December 2021, the only eligible participant in the LTIP was the then current CEO of the Group, Raymond De Vré. The PSUs were granted to Raymond De Vré on 29 November 2021. In accordance with IFRS 2, the maximum number of shares potentially vesting was 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 vesting period ends 10 trading days after the shareholders approve the 2023 audited consolidated financial statements.

  In 2022, no expenses have been recognized in the income statement since it is expected that no shares from the 2021 grant will eventually vest. In 2021, an amount of kEUR 28 was recognized as "General and administrative expenses" in the income statement. This amount has been reversed in 2022.

**IPO share bonus**

For the year ended 31 December 2021, 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 was recognized in the income statement in the year ended 31 December 2021 as “General and administrative expenses” (see Note 3). The amount was subsequently fully reimbursed by Draupnir Holding B.V., which was recognized directly in equity on “Other capital reserves” in the same period.

## 5 Taxation

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

| kEUR | 2022 | 2021 |
|---|---|---|
| **Consolidated income statement** | | |
| Current income tax charge | -2,705 | -9,217 |
| Deferred income tax charge | 2,905 | -3,373 |
| **Total income tax charge** | **200** | **-12,590** |
| **Consolidated statement of comprehensive income** | | |
| Income tax directly charged to comprehensive income | -3,174 | -354 |
| **Total income tax charge (credit)** | **-3,174** | **-354** |

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 Swiss 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 | 2022 | 2021 |
|---|---|---|
| Result before income taxes | 7,567 | 59,848 |
| At Swiss statutory income tax rate of 11.8 % | -895 | -7,080 |
| Different income tax rates of other countries | -1,148 | -7,829 |
| Non-deductible expenses and non-taxable income | -688 | 600 |
| Non-capitalized tax losses | -382 | -826 |
| R&D tax credits | 3,152 | 2,220 |
| Effect of change in tax rates | 209 | 185 |
| Adjustments in respect of current income tax of previous year | -48 | 141 |
| **At an effective income tax rate of -2.7% (2021: 21.0%)** | **200** | **-12,590** |

The effective tax rate for 2022 is negative by -2.7%, which is due to the Group having a tax income, despite having a positive profit before tax result. The tax income is mainly due to recognized R&D tax credits in the USA, which are expected to be utilized in the future to reduce tax liabilities.

Non-capitalized tax losses are related to impairment of deferred tax assets on tax losses in Polypeptide Group AG. A deferred tax asset has not been recognized due to uncertainty on whether the tax loss will be utilized before a seven-year expiry limitation.

Income from R&D tax credits is related to US R&D tax credits. Included in the tax benefit recognized is a provision of kEUR 632 for the uncertainty about whether the claimed R&D tax credits will be sustained by the US tax authorities.

The deferred tax assets include an amount of kEUR 2,888 relating to US R&D tax credits that have been claimed but for which uncertainty exists about whether these will be sustained by the US tax authorities.

| kEUR | 2022 | 2021 |
|---|---|---|
| Differences in carrying amount and fiscal valuation of assets and liabilities | 4,232 | 7,846 |
| Capitalized tax losses carried forward | 4,054 | 2,409 |
| **Total deferred income tax assets** | **8,286** | **10,255** |

The deferred tax assets for losses carried forward relate to tax losses of PolyPeptide Laboratories Inc. (USA), PolyPeptide Laboratories France S.A.S. (France) and PolyPeptide SA (Belgium). The tax losses are expected to be offset against future taxable profits, which are expected to be realized within the foreseeable future.

The valuation of deferred tax assets for losses carried forward is based on management-approved medium-term budgets. Tax losses are expected to be utilized within five years.

The deferred tax asset for temporary differences mainly relates to a deferred tax asset for unutilized R&D tax credit in PolyPeptide Laboratories Inc. (USA), including provision for uncertainty about whether this can be sustained by the US tax authorities.

The Group has unrecognized tax loss carry-forwards available for losses incurred in various countries approximating kEUR 1,194,138 (2021: kEUR 10,842), of which kEUR 2,730 has no expiration date, kEUR 9,753 will expire by the end of 2028, and kEUR 1,181,655 will expire by the end of 2029. 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 by tax legislation in order to utilize the tax losses.

The significant increase in unrecognized deferred tax losses is because of a tax deduction of equity in Polypeptide Group AG, which is permissible under Swiss Tax regulations. The tax deduction is calculated on the basis of the development of the share price of the Group. The effect of this tax deduction and corresponding valuation allowance on the deferred tax asset has been reported through equity. As no net deferred tax asset is recognized for the tax loss generated by this tax deduction, there is no net tax effect reported in equity.

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

| kEUR | 2022 | 2021 |
|---|---|---|
| Differences in carrying amount and fiscal valuation of assets and liabilities | 1,878 | 1,106 |
| **Total deferred income tax liabilities** | **1,878** | **1,106** |

Differences in the carrying amount and tax values of assets and liabilities mainly relate to differences in valuation of Land & Buildings and Machinery & Equipment.

The deferred income tax charge relates to the following:

| kEUR | 2022 | 2021 |
|---|---|---|
| Movement in deferred tax assets | 616 | -3,293 |
| Movement in deferred tax liability | -772 | -243 |
| Translation differences | -113 | -191 |
| **Total deferred income tax charge** | **-269** | **-3,727** |

| kEUR | 2022 | 2021 |
|---|---|---|
| Deferred tax charge in income statement | 2,905 | -3,373 |
| Deferred tax (credit) / charge in statement of comprehensive income | -3,174 | -354 |
| **Total deferred income tax charge** | **-269** | **-3,727** |

Translation differences mainly relate to the Swedish Krona, Indian Rupee and US 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.

There have been no changes to the share capital since the IPO. As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 shares of CHF 0.01 each as at 31 December 2022. All shares are fully paid in.

### Treasury shares

| | Number of shares | Average purchase/ transfer price (EUR) | % of number of shares in share capital |
|---|---|---|---|
| Own shares as at 1 January 2022 | 20,371 | | 0.1% |
| Purchase | 200,000 | 70 | 0.6% |
| Transfer | -21,175 | 71 | -0.1% |
| **Own shares as at 31 December 2022** | **199,196** | | **0.6%** |
| 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%** |

From March to July 2022, PolyPeptide Group AG purchased 200,000 own shares at the average price of EUR 70 to be held as treasury shares. 21,175 number of shares have been transferred to employees and Board members as part of their share-based remuneration during 2022 (2021: 73,379 number of shares were transferred to employees and Board members as part of their share-based remuneration, including as part of the IPO recognition bonus reimbursed by Draupnir Holding B.V.).

### Cash distribution

On 26 April 2022, the shareholders of PolyPeptide Group AG approved at the Annual General Meeting to pay a cash distribution of CHF 0.3 per entitled share out of the foreign capital contribution reserves. Treasury shares held by the Company at the time of the cash distribution were not entitled to the cash distribution.

The distribution to shareholders of entitled shares totaled kEUR 9,671 (kCHF 9,916), which has been recognized against share premium in the consolidated financial statements.

No cash distribution was made in 2021.

## 7 Earnings per share

| kEUR | 2022 | 2021 |
|---|---|---|
| Result for the year attributable to shareholders of PolyPeptide Group AG | 7,767 | 47,258 |
| Weighted average number of shares ('000) | 33,125 | 32,123 |
| Weighted average number of own shares ('000) | 139 | 26 |
| Weighted average number of outstanding shares ('000) | 32,986 | 32,097 |
| Dilution effect of share-based payment ('000) | 18 | 27 |
| Weighted average number of diluted shares ('000) | 33,004 | 32,124 |
| **Earnings per share (EPS), basic** | **0.24** | **1.47** |
| **Earnings per share (EPS), diluted** | **0.24** | **1.47** |

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.

Diluted earnings per share is calculated by dividing the result for the year attributable to the owners of 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.

# 8 Intangible assets

| kEUR | Software | Other | Total |
|---|---|---|---|
| **Acquisition value** | | | |
| Balance as at 1 January 2022 | 23,089 | 3,391 | 26,480 |
| Additions | 3,635 | – | 3,635 |
| Disposals | – | -1,949 | -1,949 |
| Transfers | 1,442 | -1,442 | – |
| Currency exchange differences | -75 | – | -75 |
| **Balance as at 31 December 2022** | **28,091** | **–** | **28,091** |
| **Accumulated amortization and impairment losses** | | | |
| Balance as at 1 January 2022 | -8,821 | -3,391 | -12,212 |
| Amortization | -2,037 | – | -2,037 |
| Disposals | – | 1,949 | 1,949 |
| Transfers | -1,442 | 1,442 | – |
| Currency exchange differences | 74 | – | 74 |
| **Balance as at 31 December 2022** | **-12,226** | **–** | **-12,226** |
| **Carrying value as at 31 December 2022** | **15,865** | **–** | **15,865** |

| 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 at 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 at 31 December 2021** | **-8,821** | **-3,391** | **-12,212** |
| **Carrying value as at 31 December 2021** | **14,268** | **–** | **14,268** |

As at 31 December 2022, the carrying amount of software includes an amount of EUR 7.1 million (2021: EUR 4.3 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.

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 2022 | 87,666 | 170,545 | 87,397 | 434 | 346,042 |
| Additions | 659 | 253 | 78,324 | 114 | 79,350 |
| Disposals | -3 | -704 | -3 | – | -710 |
| Transfers | 34,878 | 33,085 | -67,963 | – | – |
| Currency exchange differences | 816 | -2,022 | 889 | – | -317 |
| **Balance as at 31 December 2022** | **124,016** | **201,157** | **98,644** | **548** | **424,365** |
| **Accumulated depreciation and impairment losses** | | | | | |
| Balance as at 1 January 2022 | -38,627 | -90,584 | – | -345 | -129,556 |
| Depreciation | -6,393 | -14,088 | – | -45 | -20,526 |
| Disposals | 2 | 696 | – | – | 698 |
| Currency exchange differences | -315 | 1,212 | – | – | 897 |
| **Balance as at 31 December 2022** | **-45,333** | **-102,764** | **–** | **-390** | **-148,487** |
| **Carrying value as at 31 December 2022** | **78,683** | **98,393** | **98,644** | **158** | **275,878** |

| 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 at 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 at 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** |

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 (2021: nil). Other operating assets comprise office equipment.

As at 31 December 2022, the carrying amount of Land & Buildings includes an amount of approximately EUR 7.6 million (2021: EUR 8.9 million) for which the legal ownership is no longer with the Group due to the transaction with Monedula AB, as further disclosed in Note 18.

## 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 2022 | 17,999 | 2,272 | 3,863 | 24,134 |
| Additions | 1,054 | 730 | 1,434 | 3,218 |
| Remeasurements | 1,903 | -11 | – | 1,892 |
| Disposals | – | -215 | -209 | -424 |
| Currency exchange differences | 954 | -29 | -6 | 919 |
| **Balance as at 31 December 2022** | **21,910** | **2,747** | **5,082** | **29,739** |
| **Accumulated depreciation** | | | | |
| Balance as at 1 January 2022 | -3,056 | -1,019 | -1,103 | -5,178 |
| Depreciation | -1,783 | -654 | -1,063 | -3,500 |
| Disposals | – | 215 | 210 | 425 |
| Currency exchange differences | -96 | 21 | 5 | -70 |
| **Balance as at 31 December 2022** | **-4,935** | **-1,437** | **-1,951** | **-8,323** |
| **Carrying value as at 31 December 2022** | **16,975** | **1,310** | **3,131** | **21,416** |

| 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 at 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 at 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** |

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 2022 | 14,232 | 1,270 | 2,503 | 18,005 |
| Additions | 1,054 | 730 | 1,419 | 3,203 |
| Interest expenses | 440 | 36 | 83 | 559 |
| Remeasurements | 1,918 | -11 | – | 1,907 |
| Lease payments | -1,293 | -696 | -1,265 | -3,254 |
| Currency exchange differences | 821 | -15 | -8 | 798 |
| **Balance as at 31 December 2022** | **17,172** | **1,314** | **2,732** | **21,218** |
| **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 at 31 December 2021** | **14,232** | **1,270** | **2,503** | **18,005** |

The maturity of the total undiscounted lease liability as at 31 December is disclosed in Note 23.

The following amounts are recognized in the income statement:

| kEUR | 2022 | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets | 3,500 | 2,658 |
| Interest expense on lease liabilities | 559 | 403 |
| Variable lease payments not included in the lease liabilities | 244 | 21 |
| Short-term leases (included in G&A expenses) | 508 | 433 |
| Leases of low-value assets (included in G&A expenses) | 671 | 624 |
| **Total amount recognized in the income statement** | **5,482** | **4,139** |

The Group had total cash outflows for leases of kEUR 4,677 in 2022 (2021: kEUR 4,117).
The total lease liability of the Group mainly relates to leases of buildings in Torrance, USA. 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 2022 | 2021 |
|---|---|---|---|
| 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[1] | San Diego, CA, USA | 100% | 100% |
| PolyPeptide Laboratories Pvt. Ltd. | Ambernath (East), India | 100% | 100% |
| PolyPeptide Laboratories A/S[2] | Hillerød, Denmark | 100% | 100% |
| PolyPeptide Laboratories GmbH[3] | Hamburg, Germany | 0% | 100% |

1 PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.
2 PolyPeptide Laboratories A/S is a dormant company.
3 During 2022, PolyPeptide Laboratories GmbH was merged into Polypeptide Laboratories Holding (PPL) AB.

Percentage of voting shares is equal to percentage of ownership.

## 12 Inventories

| kEUR | 2022 | 2021 |
|---|---|---|
| Raw materials and supplies | 61,435 | 38,757 |
| Work in progress | 51,417 | 51,211 |
| Finished goods | 32,221 | 23,033 |
| **Balance as at 31 December** | **145,073** | **113,001** |

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 the 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 amounted to kEUR  85,952 (2021: kEUR 65,998).

Provisions for obsolete stock amounted to EUR 39,916 as at 31 December 2022 (2021: kEUR 27,206). Inventory write-offs recognized in cost of sales in the income statement during the financial year 2022 amounted to kEUR 7,154, mainly due to inventory write-offs in France and Sweden (2021: kEUR 5,439, mainly due to inventory write-offs in Belgium and Sweden).

## 13 Trade receivables

| kEUR | 2022 | 2021 |
|---|---|---|
| Trade receivables | 46,486 | 65,233 |
| **Balance as at 31 December** | **46,486** | **65,233** |

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

The aging analysis of trade receivables is as follows:

| kEUR | Total | < 30 days | 30-60 days | 60-90 days | 90-120 days | > 120 days |
|---|---|---|---|---|---|---|
| 31 December 2022 | 46,486 | 42,069 | 1,349 | 1,667 | 832 | 569 |
| 31 December 2021 | 65,233 | 60,948 | 3,132 | 120 | 207 | 826 |

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 | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | -131 | -141 |
| Increase in bad debt allowance | -55 | 0 |
| Receivable written-off during the year as uncollectible | 8 | 0 |
| Unused amounts reversed | 0 | 22 |
| Currency exchange difference | -9 | -12 |
| **Balance as at 31 December** | **-187** | **-131** |

## 14 Other current assets

| kEUR | 2022 | 2021 |
|---|---|---|
| Prepaid expenses | 5,003 | 4,749 |
| VAT receivable | 5,892 | 4,436 |
| Other | 1,555 | 1,629 |
| **Balance as at 31 December** | **12,450** | **10,814** |

Other current assets are non-interest-bearing and are normally settled on 60-day 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 | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 37,528 | 136,303 |
| **Balance as at 31 December** | **37,528** | **136,303** |

The balance as at 31 December 2021 includes a term deposit of kCHF 92,500 (kEUR 89,540), which was 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 2022 | – | 10,302 | 18,005 | 1,145 |
| Cash flows | | – | -3,254 | -1,145 |
| **Non-cash flows** | | | | |
| New lease liabilities | – | – | 3,203 | – |
| Remeasurements | – | 523 | 1,907 | – |
| Accrued interest | – | 611 | 559 | – |
| Fair value loss/(gain) | – | – | – | – |
| Government loans waived | – | – | – | – |
| Transfer from non-current to current | – | -1,096 | – | 1,096 |
| Currency exchange differences | – | -929 | 798 | – |
| **Balance as 31 December 2022** | **–** | **9,410** | **21,218** | **1,096** |

| 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** |

# 16 Pensions

## 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 | 2022 | 2021 |
|---|---|---|
| Defined benefit obligation as at 1 January | 38,981 | 39,128 |
| Interest costs | 547 | 342 |
| Current service costs | 3,279 | 3,094 |
| Net actuarial (gain)/losses through other comprehensive income | -12,287 | -1,330 |
| Benefits paid | -2,281 | -1,828 |
| Currency exchange difference | -1,602 | -425 |
| **Balance as at 31 December** | **26,637** | **38,981** |

Pension expenses reflected in the income statement:

| kEUR | 2022 | 2021 |
|---|---|---|
| Current service costs | -3,279 | -3,094 |
| Interest costs | -547 | -342 |
| **Net benefit expenses** | **-3,826** | **-3,436** |
| Defined contribution pension expenses | -3,539 | -3,646 |
| **Total pension expenses** | **-7,365** | **-7,082** |

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

| kEUR | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Belgium** | **Sweden** | **Belgium** | **Sweden** |
| Discount rate | 3.80% | 3.70% | 0.90% | 1.90% |
| Future salary increases | 3.87% | 2.70% | 3.45% | 2.90% |
| Future pension increases | 2.20% | 2.70% | 1.80% | 2.20% |
| Long-term assumptions inflation | 2.20% | 2.00% | 1.80% | 2.20% |

The forecasted defined benefit obligation for the year 2023 is assessed at kEUR 27,423 (2022: kEUR 40,529).

### Sensitivity to changes in assumptions

Changes in the assumptions will impact the defined benefit pension obligation as at 31 December 2022 as follows:

| kEUR | 0.5% | (0.5%) |
|---|---|---|
| Discount rate (increase 0.5% / decrease 0.5%) | -2,230 | 2,473 |
| Future salary increases (increase 0.5% / decrease 0.5%) | 1,625 | -1,478 |
| Long-term assumption inflation (increase 0.5% / decrease 0.5%) | 1,433 | -1,341 |

## 17 Provisions

| kEUR | 2022 | 2021 |
|---|---|---|
| Provision for pension taxes | 739 | 2,618 |
| Provision for product warranty | 0 | 293 |
| Provision for restoration costs | 1,600 | 1,507 |
| Provision for litigation | 75 | 94 |
| Other provisions | 62 | 56 |
| **Balance as at 31 December** | **2,476** | **4,568** |

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

The provision for product warranty in 2021 related to a rare undetected equipment issue, which impacted multiple batches produced for one customer in 2020. It was reversed during 2022 since it was no longer more likely than not that a present obligation existed at the end of the year.

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 labor law claims from former employees.

Movement of the provision for the years was as follows:

| kEUR | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 4,568 | 4,312 |
| Utilization | -46 | 0 |
| Additions through profit or loss | 36 | 281 |
| Reversals through profit or loss | -704 | -486 |
| (Release)/additions through other comprehensive income | -1,239 | 0 |
| Other movements | 0 | 443 |
| Currency exchange differences | -139 | 18 |
| **Balance as at 31 December** | **2,476** | **4,568** |

## 18 Other financial liabilities

| kEUR | 2022 | 2021 |
|---|---|---|
| Financial liability to Monedula AB | 10,506 | 11,447 |
| **Total other financial liabilities as at 31 December** | **10,506** | **11,447** |
| | | |
| Non-current other financial liabilities | 9,410 | 10,302 |
| Current other financial liabilities | 1,096 | 1,145 |
| **Total other financial liabilities as at 31 December** | **10,506** | **11,447** |

**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 the 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 the 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 (kEUR 11,947) 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% (2021: 5.57%). The financial liability matures on 31 December 2035 and will be settled with future lease terms payable to Monedula AB. The total carrying value of the liability as at 31 December 2022 amounts to SEK 116.8 million (kEUR 10,506), of which SEK 12.2 million (kEUR 1,096) is presented as current financial liability. The total carrying value of the liability as at 31 December 2021 amounted to SEK 117.3 million (kEUR 11,447), of which SEK 11.7 million (kEUR 1,145) was presented as current financial liability.

**Contingent consideration due to acquisition of a subsidiary**
The contingent consideration related 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 | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 0 | 12,497 |
| Payment of contingent liability | 0 | -12,548 |
| Fair value adjustment of contingent consideration (see Note 3) | 0 | -645 |
| Accrued interest on contingent consideration (see Note 3) | 0 | 696 |
| **Total contingent consideration as at 31 December** | **0** | **0** |
| Non-current contingent consideration | 0 | 0 |
| Current contingent consideration | 0 | 0 |
| **Total contingent consideration as at 31 December** | **0** | **0** |

The contingent consideration was fully paid as at the end of 2021.

## 19 Short-term borrowings from banks

As at 31 December 2022, the Group had been granted multiple overdraft facilities for a total amount of kEUR 26,200 (2021: kEUR 26,200).

An amount of kEUR 25,000 was granted by Danske Bank (2021: kEUR 25,000), of which nil was drawn as at 31 December 2022 (2021: nil). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 0.80% (2021: 0.80%) on the amounts drawn.

The remaining kEUR 1,200 was granted by ING Bank (2021: kEUR 1,200), of which nil was drawn as at 31 December 2022 (2021: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (2021: 1.5%) on the amounts drawn.

## 20 Trade payables and other current liabilities

| kEUR | 2022 | 2021 |
|---|---|---|
| Trade payables | 45,933 | 28,481 |
| **Total trade payables** | **45,933** | **28,481** |
| Taxes and social securities | 4,786 | 3,575 |
| Government grants | 0 | 54 |
| Accrued expenses | 12,407 | 16,901 |
| Other | 659 | 674 |
| **Total other current liabilities** | **17,852** | **21,204** |

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

## 21 Contingent liabilities and guarantees

**Limited Partnership Investment**
In 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 at 31 December 2022 and recognized in the balance sheet as “Other financial assets”. As a result, the Group has a contingent liability of kUSD 27,000 (kEUR 25,315). 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 its assets. The mutual liability of the Group is limited to a maximum of 2% of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of kEUR 225 as at 31 December 2022 (2021: kEUR 182), for which it has issued a guarantee to PRI Pensionsgaranti.

## 22 Related parties

The following transactions have been entered into with related parties:

| 2022<br>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.[1] | – | – | – | – |
| **Other related entities** | | | | |
| Thalamus | – | -167 | – | -304 |
| Ferring Group | 41,300 | -38 | 5,918 | -4 |
| Monedula AB | 191 | -1,556 | – | -10,506 |
| Amzell B.V. | 172 | – | – | – |
| Amring Pharmaceuticals Inc | – | – | – | – |
| Bazell Pharma AG | – | – | – | – |
| SVAR Life Science AB | 166 | – | – | – |
| Nordic Pharma Ltd. | – | -7 | – | – |

[1] A cash distribution of CHF 0.3 per entitled share was approved by the General Meeting in April 2022. This resulted in a cash distribution of kEUR 5,363 to Draupnir Holding B.V. in May 2022.

| 2021<br>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 | – | – | – |
| Bazell Pharma AG | 1 | – | – | – |
| SVAR Life Science AB | 79 | – | – | – |
| Nordic Pharma Ltd. | – | -9 | – | – |

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 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 relate to the lease of premises. Income and amounts due from Monedula relate to property management fees and recharged improvements to the premises. Amounts due to Monedula AB relate to the financial liability as disclosed in Note 18.

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

Income from SVAR Life Science AB relates to sale of goods.

During the year, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (2021: nil). No guarantees were given or received for any outstanding related party balances (2021: nil).

### Transactions with key management personnel

Compensation of key management personnel of the Group:

| kEUR | 2022 | 2021 |
|---|---|---|
| Salaries and short-term benefits | 3,112 | 3,454 |
| Post-employment benefits | 292 | 279 |
| Share-based payment expense | 1,155 | 4,206 |
| **Total transactions with key management** | **4,559** | **7,939** |

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.

# 23 Financial risk management objectives and policies

The Group's principal financial instruments comprise 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 that 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 2022 and 2021. 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 the 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 favorable conditions at the time of entering into 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 | 2022 | 2021 |
|---|---|---|
| **Change in interest rates** | | |
| Increase in basis points: | | |
| 15 | 56 | -134 |
| 20 | 75 | -179 |
| Decrease in basis points: | | |
| (10) | -38 | 90 |
| (15) | -56 | 134 |

In 2021, the Group had bank deposits with a negative interest rate. For 2021, an increase in the table above thus reflects the impact on the Group's profit before tax if the negative interest rate increased to an even more negative level, whereas a decrease reflects the impact on the Group's profit before tax if the negative interest rate decreased to a less negative level.
In 2022, the interest rates on the Group's bank deposits were positive. As a result, the amounts in the table for 2022 are shown with an opposite sign compared to 2021.

### 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 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Change in currency percentage** | | | | |
| 5% | -70 | -2,243 | -16,672 | -13,904 |
| (5%) | 77 | 2,479 | 18,427 | 15,368 |

### Credit risk

Credit risk is the risk that a 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 that have already been allowed for, nor any concentrations of credit with a single customer or in an industry or geographical region that 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 facilities available.

The table below 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 2022** | | | | |
| Other financial liabilities | -1,096 | -4,385 | -5,025 | -10,506 |
| Lease liabilities | -3,588 | -9,522 | -10,825 | -23,935 |
| Trade payables | -45,933 | – | – | -45,933 |
| Other current liabilities | -2,522 | – | – | -2,522 |
| **Balance as at 31 December 2022** | **-53,139** | **-13,907** | **-15,850** | **-82,896** |

| kEUR | Less than 1 year | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| **Year ended 2021** | | | | |
| 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 | -6,197 | – | – | -6,197 |
| **Balance as at 31 December 2021** | **-38,935** | **-12,793** | **-19,832** | **-71,560** |

## 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 to the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital using shareholder equity ratio, which is the 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 below shows the shareholder equity ratio for the years 2022 and 2021.

| kEUR | 2022 | 2021 |
|---|---|---|
| Total shareholder equity | 421,677 | 421,173 |
| Total equity and liabilities | 575,782 | 595,038 |
| **Equity ratio as at 31 December** | **73.2%** | **70.8%** |

# 24 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 investment in a limited partnership (see Note 21), which is measured at fair value through profit or loss.

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 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Financial assets** | | | | |
| Other financial assets | 2,767 | 3,467 | 2,575 | 4,148 |
| **Financial liabilities** | | | | |
| Other financial liabilities | -10,506 | -11,447 | -10,506 | -11,447 |

## 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 2022** | | | |
| Other financial assets | 126 | – | 2,449 |
| Other financial liabilities | – | -10,506 | – |
| **As at 31 December 2021** | | | |
| Other financial assets | 1,295 | 204 | 2,649 |
| Other financial liabilities | – | -11,447 | – |

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 unobservable inputs that reflect the assumptions that market participants would use when pricing the asset, including assumptions about risk (applicable for 2022), as well as the price paid by the Group for the financial asset just before the balance sheet date (applicable for 2021).

The own non-performance risk as at 31 December 2022 was assessed and considered to be insignificant.

## 25 Subsequent events

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

The consolidated financial statements for 2022 were approved for issue by the Board of Directors on 9 March 2023 and are subject to approval by the Annual General meeting on 12 April 2023.

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STATUTORY AUDITOR'S REPORT

To the general meeting of PolyPeptide Group AG, Baar

**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 2022, 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 122 to 171) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 Standards on Auditing (SA-CH). Our responsibilities under those 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, 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.

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| Key Audit Matter | How the Key Audit Matter was addressed in the audit |
|---|---|
| **Revenue recognition**<br>The Group has recognised revenue of kEUR 280,978 (2021: kEUR 282,126). 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.<br><br>Due to the significant expected 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.<br><br>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.<br><br>We performed tests of transactions for revenues, specific procedures on sales orders opened during the financial year 2022 but not closed as of 31 December 2022, credit memo testing, cut-off procedures by reviewing the shipping logs shortly before and after year-end and testing samples before and after the year-end.<br><br>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.<br><br>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.<br><br>Furthermore, we have assessed the adequacy of the disclosures relating to revenue recognition in the notes. |

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the compensation report and our auditor’s reports thereon.

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

Responsibilities 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 Standards on Auditing 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 the auditor's responsibilities for the audit of the consolidated financial statements is located at EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits. 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 PS-CH 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, 9 March 2023

BDO Ltd

René Füglister
Licensed Audit Expert
Auditor in Charge

ppa. Jan Trautwein
Licensed Audit Expert

# Financial Report

Financial statements of PolyPeptide Group AG

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# Income statement of PolyPeptide Group AG

1 January - 31 December 2022 (2021: 7 April - 31 December)

| kCHF | Note | 2022 | 2021 |
|---|---|---|---|
| Financial income | 7 | 2,212 | 499 |
| Service income | | 7,748 | 4,181 |
| **Total income** | | **9,960** | **4,680** |
| Personnel expenses | | -4,512 | -3,675 |
| Other operating expenses | | -2,372 | -7,821 |
| Interest expenses third parties | | -162 | -441 |
| Other financial expenses | 8 | -6,074 | -2,225 |
| Depreciation on tangible assets | | -71 | – |
| Impairment losses on investments | 9 | -1,160,400 | – |
| **Operating result before taxes (EBT)** | | **-1,163,631** | **-9,482** |
| **Loss before taxes** | | **-1,163,631** | **-9,482** |
| Taxes | | 0 | -122 |
| **Net loss for the year/period** | | **-1,163,631** | **-9,604** |

# Statement of financial position of PolyPeptide Group AG

As at 31 December

| Assets, kCHF | Note | 2022 | 2021 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 1 | 10,061 | 117,468 |
| Other receivables from related parties | | 313 | 430 |
| Other receivables from group companies | | 14,359 | 3,770 |
| Accrued income and prepaid expenses | | 799 | 949 |
| **Total current assets** | | **25,532** | **122,617** |
| **Non-current assets** | | | |
| Receivables from related parties | | – | 625 |
| Receivables from group companies | | 137,744 | 66,027 |
| Financial assets | 3 | 2,463 | 2,736 |
| Investments | 2 | 759,300 | 1,919,700 |
| Tangible assets | | 779 | 89 |
| **Total non-current assets** | | **900,286** | **1,989,177** |
| **Total assets** | | **925,818** | **2,111,794** |

# Statement of financial position of PolyPeptide Group AG (continued)

As at 31 December

| Liabilities, kCHF | Note | 2022 | 2021 |
|---|---|---|---|
| **Current liabilities** | | | |
| Other liabilities due to third parties | | 644 | 580 |
| Other liabilities due to related parties | | 14 | 8 |
| Accrued expenses and deferred income | | 80 | 205 |
| **Total short-term liabilities** | | **738** | **793** |
| **Non-current liabilities** | | | |
| Liabilities due to group companies | | 2,284 | 1,910 |
| **Total long-term liabilities** | | **2,284** | **1,910** |
| **Shareholders' equity** | | | |
| Share capital | 4 | 331 | 331 |
| Statutory capital reserves | | | |
| Reserves from capital contribution | 5 | 2,104,803 | 2,114,719 |
| Other capital reserves | | 4,949 | 4,949 |
| Accumulated losses | | | |
| Net loss brought forward | | -9,604 | – |
| Net loss for the year/period | | -1,163,631 | -9,604 |
| Treasury shares | 6 | -14,052 | -1,304 |
| **Total shareholders' equity** | | **922,796** | **2,109,091** |
| **Total liabilities and shareholders' equity** | | **925,818** | **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 that 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 (the "Company") 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.

**Financial year 2021 and 2022**
The first financial year ran from 7 April 2021 to 31 December 2021.
In 2022, the financial year ran from 1 January 2022 to 31 December 2022.

**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 a 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 | 2022 | 2021 |
|---|---|---|
| Cash | 10,061 | 24,968 |
| Fixed-term deposit | – | 92,500 |
| **Balance as at 31 December** | **10,061** | **117,468** |

## 2 Investments

As at 31 December 2022, the Company 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% |

As at 31 December 2021, the Company 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[1] | Hamburg, Germany | | 100% |

[1] During 2022, PolyPeptide Laboratories GmbH was merged into Polypeptide Laboratories Holding (PPL) AB.

Percentage of voting shares is equal to percentage of ownership.

## 3 Contingent liabilites and guarantees

**Limited Partnership Investments**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **kUSD** | **kCHF** | **kUSD** | **kCHF** |
| Uncalled capital commitment as at 31 December | 27,000 | 24,932 | 27,000 | 24,709 |

**Limited Partnership Investments**
In November 2021, the Company entered into a limited partnership agreement. The Company committed to invest a maximum amount of kUSD 30,000. As at 31 December 2021 and 31 December 2022, kUSD 3,000 has already been invested and thus kUSD 27,000 is 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 2% of the Group's individual pension liability with PRI Pensionsgaranti. As such, the Group has a contingent liability of kEUR 225 as at 31 December 2022 (2021: kEUR 182), for which it has issued a guarantee to PRI Pensionsgaranti.

## 4 Share capital

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 2022, 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.

## 5 Reserves from capital contributions

| CHF | 2022 | 2021 |
|---|---|---|
| Reserves from capital contributions (foreign) | 1,909,783,753 | 1,919,700,000 |
| Reserves from capital contributions (domestic) | 195,019,440 | 195,019,440 |
| **Total reserves from capital contribution as at 31 December** | **2,104,803,193** | **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”) have been confirmed by the Swiss Federal Tax Administration as at 1 June, 2022.

# 6 Treasury shares

| 2022 | No of Shares | Average prices in CHF |
|---|---|---|
| Own shares as at 1 January 2022 | 20,371 | 64.00 |
| Purchase | 200,000 | 71.86 |
| Allocations to Board members/executive management (incl. group companies) | 21,175 | 70.68 |
| **Own shares as at 31 December 2022** | **199,196** | **70.54** |

| 2021 | No of Shares | Average prices in CHF |
|---|---|---|
| Own shares as at 1 January 2021 | 0 | |
| Purchase | 93,750 | 64.00 |
| Allocations to Board members/executive management (incl. group companies) | 73,379 | 64.00 |
| **Own shares as at 31 December 2021** | **20,371** | **64.00** |

From March to July 2022, the Company purchased 200,000 own shares at the average price of CHF 71.86 to be held as treasury shares. 21,175 number of shares have been transferred to employees and Board members as part of their share-based remuneration during 2022 (2021: 73,379 number of shares were transferred to employees and Board members as part of their share-based remuneration, including as part of the IPO recognition bonus reimbursed by Draupnir Holding B.V.).

# 7 Financial income

| kCHF | 2022 | 2021 |
|---|---|---|
| Interest income from Group companies | 2,212 | 248 |
| Realized capital gain treasury shares | – | 251 |
| **Total financial income** | **2,212** | **499** |

# 8 Other financial expenses

| kCHF | 2022 | 2021 |
|---|---|---|
| Foreign exchange result | -4,716 | 2,225 |
| Other financial expenses | -742 | – |
| Realized capital loss treasury shares | -616 | – |
| **Total other financial expenses** | **-6,074** | **2,225** |

## 9 Impairment loss on investments

Due to the large weight of the main asset (i.e., the investment in Polypeptide Laboratories Holding (PPL) AB, Sweden) in the overall assets of PolyPeptide Group AG, the decreased share price of the PolyPeptide Group AG represents an impairment indicator for the underlying investment.

For reasons of valuation consistency, the impairment test was carried out using the same method as the original pricing of the shares at the IPO:
30,000,000 (number of shares) x CHF 25.32 (share price on 31 Dec 2022) - CHF 300,000 = Net market value of PolyPeptide Laboratories Holding (PPL) AB, Sweden.

The impairment test resulted in an impairment loss of CHF 1,160,400 in 2022, which has been recognized in the income statement.

## 10 Share ownership of the Board of Directors and the Executive Committee

**As at 31 December 2022:**

| | Function | Number of shares | which are blocked | allocated in the reporting period |
|---|---|---|---|---|
| Klaus Peter Wilden | Chairman | 8,402 | 8,402 | 6,744 |
| Patrick Aebischer | Vice-Chairman | 5,318 | 5,318 | 4,213 |
| Beat In-Albon | Member | 4,787 | 4,787 | 3,792 |
| Jane Anne Salik | Member | 19,553 | 2,292 | 1,816 |
| Erik Schropp | Member | 3,193 | – | – |
| Philippe Weber | Member | 5,835 | 5,835 | 4,610 |
| **Total Board of Directors** | | **47,088** | **26,634** | **21,175** |

| | Function | Number of shares | which are blocked | allocated in the reporting period |
|---|---|---|---|---|
| Raymond De Vré | CEO | 16,486 | 9,766 | 6,720 |
| Jan Fuhr Miller | CFO | 7,767 | – | – |
| Daniel Lasanow[1)] | Director Global Operations | 7,767 | – | – |
| Christina Del Vecchio | General Counsel | – | – | – |
| Neil James Thompson | Director Global Sales and Marketing | 1,122 | – | – |
| Jens Fricke[2)] | Director Global Operations | 1,380 | – | – |
| **Total Executive Committee** | | **34,522** | **9,766** | **6,720** |
| | | | | |
| **Total** | | **81,610** | **36,400** | **27,895** |

1 Member of the Executive Committee until 30 November 2022.

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

**As at 31 December 2021:**

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

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

1 Member of the Executive Committee until 31 December 2021.

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

## 11 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).

**Major shareholders 2022:**

| Shareholder | Number of shares | Percentage of voting rights |
|---|---|---|
| Cryosphere Foundation (St. Peter Port, Guernsey) / Draupnir Holding B.V. (Hoofddorp, The Netherlands) [1)] | 18,582,406 | 56.10% |
| Capital Research and Management Company (Los Angeles, USA) | – | – |
| T. Rowe Price Associates, Inc. (Baltimore, USA) [2)] | 1,430,263 | 4.31% |
| Rudolf Maag (Binningen BL, Switzerland) [3)] | 1,100,000 | 3.32% |
| Premier Fund Managers Limited (Guildford, Surrey, UK) [4)] | 1,073,211 | 3.24% |
| Premier Portfolio Managers Limited (Guildford, Surrey, UK) / Premier Miton European Opportunities Fund [5)] | 1,002,111 | 3.03% |
| **Total important shareholders** | **23,187,991** | **70.00%** |

1 Disclosure notice of 9 December 2022. The disclosure notice included shares held by the Company (PolyPeptide Group AG, Baar, Zug, Switzerland) as well as sale positions by the Company pursuant to the long-term incentive plan representing 0.03% of voting rights corresponding to the maximum award of 9,909 performance share units. As at 31 December 2022, the Company was a 55.47% subsidiary of Draupnir Holding B.V., a company registered in The Netherlands. Draupnir Holding B.V.'s ultimate parent entity is Cryosphere Foundation (St. Peter Port, Guernsey; formerly known as 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 foundation governed by the laws of Guernsey.

2 Disclosure notice of 13 December 2022. The Company received an updated disclosure notice of 10 January 2023 indicating that the reported shareholding had fallen below 3%.

3 Disclosure notice of 4 May 2021.

4 Disclosure notice of 9 December 2022.

5 Disclosure notice of 9 December 2022.

**Major shareholders 2021:**

| 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. As at 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 charter of 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.

## 12 Residual amount of leasing obligations

The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follows:

| kCHF | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 0-1 years | 113 | – |
| 1-5 years | 452 | – |
| More than 5 years | 481 | – |
| **Total** | **1,046** | **–** |

## 13 Subsequent events

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

The financial statements for 2022 were approved for issue by the Board of Directors on 9 March 2023 and are subject to approval by the Annual General Meeting on 12 April 2023.

# Proposal for the appropriation of accumulated deficit

The Board of Directors proposes that the General Meeting approves that the accumulated deficit of CHF 1,173,234,646 be carried forward to the new account.

### Appropriation of accumulated deficit

| CHF | 2022 |
|---|---|
| Accumulated deficit brought forward | -9,603,831 |
| Net loss for the period | -1,163,630,815 |
| **Accumulated deficit to be carried forward** | **-1,173,234,646** |

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STATUTORY AUDITOR'S REPORT

To the general meeting of PolyPeptide Group AG, Baar

**Report on the Audit of the Financial Statements**

Opinion

We have audited the financial statements of PolyPeptide Group AG (the Company) – which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 176 to 187) comply with Swiss law and the articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those 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 Company in accordance with the provisions of Swiss law, 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.

Key Audit Matters

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key Audit Matter | How the Key Audit Matter was addressed in the audit |
| --- | --- |
| Impairment of Investments<br>As of 31 December 2022, the book value of investments amounted to kCHF 759,300 (31 December 2021: kCHF 1,919,700) in PolyPeptide Laboratories Holding (PPL) AB, Sweden. Investments are carried at historical acquisition costs less impairment charges.<br><br>We consider the valuation of investments in PolyPeptide Laboratories Holding (PPL) AB, Sweden to be a key audit matter owing to the magnitude of the balance in relation to the financial statements and the significant decrease in share price in the course of 2022.<br><br>There is a risk that carrying investments are not recoverable. We refer to Note General Information - Investments, Note 2 Investments and Note 9 Impairment loss on investments. | We performed the following audit procedures:<br><br>We obtained and reviewed management's memorandum addressing the impairment loss in PolyPeptide Laboratories Holding (PPL) AB, Sweden.<br><br>We reviewed presentation and disclosure of the impairment loss in PolyPeptide Laboratories Holding (PPL) AB, Sweden and recalculated the impairment loss charged.<br><br>We assessed whether the share price is an observable market price in an active market.<br><br>Moreover, we have assessed the adequacy of the disclosures relating to impairment loss in the notes. |

## Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

## Responsibilities 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company 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

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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 Standards on Auditing 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 the auditor's responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits. 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 PS-CH 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 accumulated deficit be carried forward to the new account complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 9 March 2023

BDO Ltd

| | |
|---|---|
| René Füglister | ppa. Jan Trautwein |
| Licensed Audit Expert<br>Auditor in Charge | Licensed Audit Expert |

# Three-year Financial History[1]

| kEUR | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Income and expenses** | | | |
| Revenue | 280,978 | 282,126 | 223,033 |
| Custom Projects | 140,044 | 167,006 | 101,872 |
| Contract Manufacturing | 110,753 | 89,600 | 100,108 |
| Generics & Cosmetics | 30,181 | 25,520 | 21,053 |
| Total income | 283,464 | 286,217 | 224,811 |
| Cost of sales | -228,987 | -182,426 | -151,108 |
| Total operating expenses | -41,870 | -39,626 | -29,325 |
| o/w Depreciation and amortization | -26,063 | -20,683 | -17,545 |
| Financial income | 9 | 653 | 106 |
| Financial expenses | -5,049 | -4,970 | -6,799 |
| Income tax charges | 200 | -12,590 | -6,350 |
| Result for the year | 7,767 | 47,258 | 31,335 |
| **Performance** | | | |
| Gross profit | 54,477 | 103,791 | 73,703 |
| Gross margin in % of revenue | 19.4% | 36.8% | 33.0% |
| EBITDA | 38,670 | 84,848 | 61,923 |
| Adjusted[2] EBITDA | 38,670 | 88,199 | 61,958 |
| Adjusted[2] EBITDA in % of revenue | 13.8% | 31.3% | 27.8% |
| Operating result (EBIT) | 12,607 | 64,165 | 44,378 |
| Operating result (EBIT) in % of revenue | 4.5% | 22.7% | 19.9% |
| Earnings per share (EUR), basic[3] | 0.24 | 1.47 | 1.04 |
| Proposed cash distribution per share (CHF) | 0.00 | 0.30 | 0.00 |
| Return on net operating assets (RONOA) | 3.2% | 21.0% | 18.2% |
| **Financial position** | | | |
| Total assets | 575,782 | 595,038 | 375,975 |
| Non-current assets | 324,212 | 263,432 | 196,113 |
| Current assets | 251,570 | 331,606 | 179,862 |
| Total equity and liabilities | 575,782 | 595,038 | 375,975 |
| Equity | 421,677 | 421,173 | 177,660 |
| Non-current liabilities | 58,053 | 69,904 | 96,467 |
| Curent liabiliities | 96,052 | 103,961 | 101,848 |
| **Cash flows[4]** | | | |
| Net cash flows from operating activities | 5,460 | 57,352 | 49,482 |
| Net cash flows from investing activities | -78,435 | -80,845 | -42,560 |
| Net cash flows from financing activities | -26,869 | 130,928 | -6,730 |
| Cash and cash equivalents at the end of the year | 37,528 | 136,303 | 17,208 |
| **Employees** | | | |
| Employees (# of FTEs, average) | 1,139 | 1,041 | 910 |

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 2022: No adjustments made.
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.

3 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.

4 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.

# 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 item.

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# Abbreviations

API – Active Pharmaceutical Ingredient

APM – Alternative Financial Performance Measure

CAGR – Compound Annual Growth Rate

CDMO – Contract Development and Manufacturing Organization

cGMP – current Good Manufacturing Practice

CMC – Chemistry, Manufacturing & Controls

EH&S – Employee Health & Safety

ESG – Environmental, Social and Governance

FTE – Full-time equivalent

ICH – International Council for Harmonization

IPO – Initial Public Offering

LCM – Life Cycle Management

LTI – Lost Time Injuries

NDA – New Drug Application

NPS – Net Promoter Score

OTIF – On-Time-In-Full

PPQ – Process Performance Qualification

SIX – SIX Swiss Exchange

# Operational indicators

As part of our financial disclosure, we report revenue from our custom projects business area, 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 or oligonucleotides are counted as one project. The synthesis or one-time manufacturing of small quantities of peptides or oligonucleotides, 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 method 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 on 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). This is considered to be a key metric that allows the tracking of promoters and detractors within the customer base and the measurement of the organization's performance through its customers' eyes.

# Alternative Financial Performance Measures (APM)

**Revenue at constant currency rate**: Revenue translated into the presentation currency, EUR, using the weighted average EUR currency exchange rate from the prior period. This measure provides additional transparency on revenue trends by excluding the impact of fluctuations in exchange rates.

**Gross Margin:** Gross profit as a percentage of revenue.

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

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

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

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

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

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

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

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

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

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

**Net Cash**: Cash and cash equivalents less lease liabilities less other financial liabilities.

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

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

# Reconciliations

### Operating result to EBITDA and Adjusted EBITDA

| kEUR | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating result (EBIT) | 12,607 | 64,165 | 44,378 |
| Depreciation, amortization and impairment charges (if any) | 26,063 | 20,683 | 17,545 |
| **EBITDA** | **38,670** | **84,848** | **61,923** |
| Government loans waived | 0 | -2,370 | 0 |
| IPO consultancy services | 0 | 1,381 | 0 |
| IPO cash bonus | 0 | 1,342 | 0 |
| IPO share bonus | 0 | 2,998 | 0 |
| Equipment damage provision | 0 | 0 | -489 |
| Costs related to the IPO | 0 | 0 | 524 |
| **Adjusted EBITDA** | **38,670** | **88,199** | **61,958** |

### Return on net operating assets (RONOA)[1]

| kEUR | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating result (EBIT) | 12,607 | 64,166 | 44,378 |
| Average[1] Net operating assets: | | | |
| Total non-current assets (average) | 293,822 | 229,773 | 179,293 |
| Total current assets (average) | 291,588 | 255,734 | 161,266 |
| Cash and cash equivalents (average) | -86,916 | -76,756 | -17,358 |
| Total current liabilities (average) | -100,007 | -102,905 | -79,893 |
| Average[1] Net operating assets | 398,487 | 305,846 | 243,308 |
| **Return on net operating assets (RONOA)** | **3.2%** | **21.0%** | **18.2%** |

[1] The average amounts are calculated as: (Current period's figures + prior period's figures) / 2.

### Proposed cash distribution per share

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Result for the year (kEUR) | 7,767 | 47,258 | 31,335 |
| Proposed pay-out ratio (%) | 0.0% | 20.3% | 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 | 2022 | 2021 |
|---|---|---|
| Net cash flows from operating activities | 5,460 | 57,352 |
| Acquisition of intangible assets | -3,665 | -3,747 |
| Acquisition of property, plant and equipment | -75,099 | -73,961 |
| **Free Cash Flow** | **-73,304** | **-20,356** |

### Net Cash

| kEUR | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 37,528 | 136,303 |
| Interest-bearing liabilities (Total financial debt): | | |
| Lease liabilities (Non-current) | -17,652 | -14,947 |
| Other financial liabilities (Non-current) | -9,410 | -10,302 |
| Lease liabilities (Current) | -3,566 | -3,058 |
| Other financial liabilities (Current) | -1,096 | -1,145 |
| Interest-bearing liabilities (Total financial debt) | -31,724 | -29,452 |
| **Net Cash** | **5,804** | **106,851** |

### Revenue at constant currencies[1]

| kEUR | 2022 | 2021 |
|---|---|---|
| Revenue at constant currencies[1] | 273,868 | 282,226 |
| Impact from changes in exchange rates compared to prior period | 7,110 | -100 |
| **Revenue reported (IFRS)** | **280,978** | **282,126** |

[1] Revenue translated into the presentation currency, EUR, using the weighted average EUR currency exchange rate from the prior period.

### Change in revenue

| | 2022 vs 2021 | 2021 vs 2020 |
|---|---|---|
| Change in revenue reported (IFRS) (%) | -0.4% | 53.9% |
| Change in revenue at constant currencies (%) | -3.0% | 55.5% |

### Coronavirus pandemic

| kEUR | 2022 | 2021 |
|---|---|---|
| Revenue associated with the coronavirus pandemic | 50,710 | 63,194 |
| Revenue not associated with the coronavirus pandemic | 230,268 | 218,932 |
| **Revenue reported (IFRS)** | **280,978** | **282,126** |

### Capital expenditures (Capex)

| kEUR | 2022 | 2021 |
|---|---|---|
| Property, plant and equipment assets capitalized | 79,350 | 72,542 |
| Intangible assets capitalized | 3,635 | 4,110 |
| **Capital expenditures (Capex)** | **82,985** | **76,652** |

# 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”, “projects”, “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 revenue at constant currency rates, 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, total financial debt and revenue associated with the coronavirus pandemic. These APM should be regarded as complementary information to and not as substitutes for 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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# Imprint


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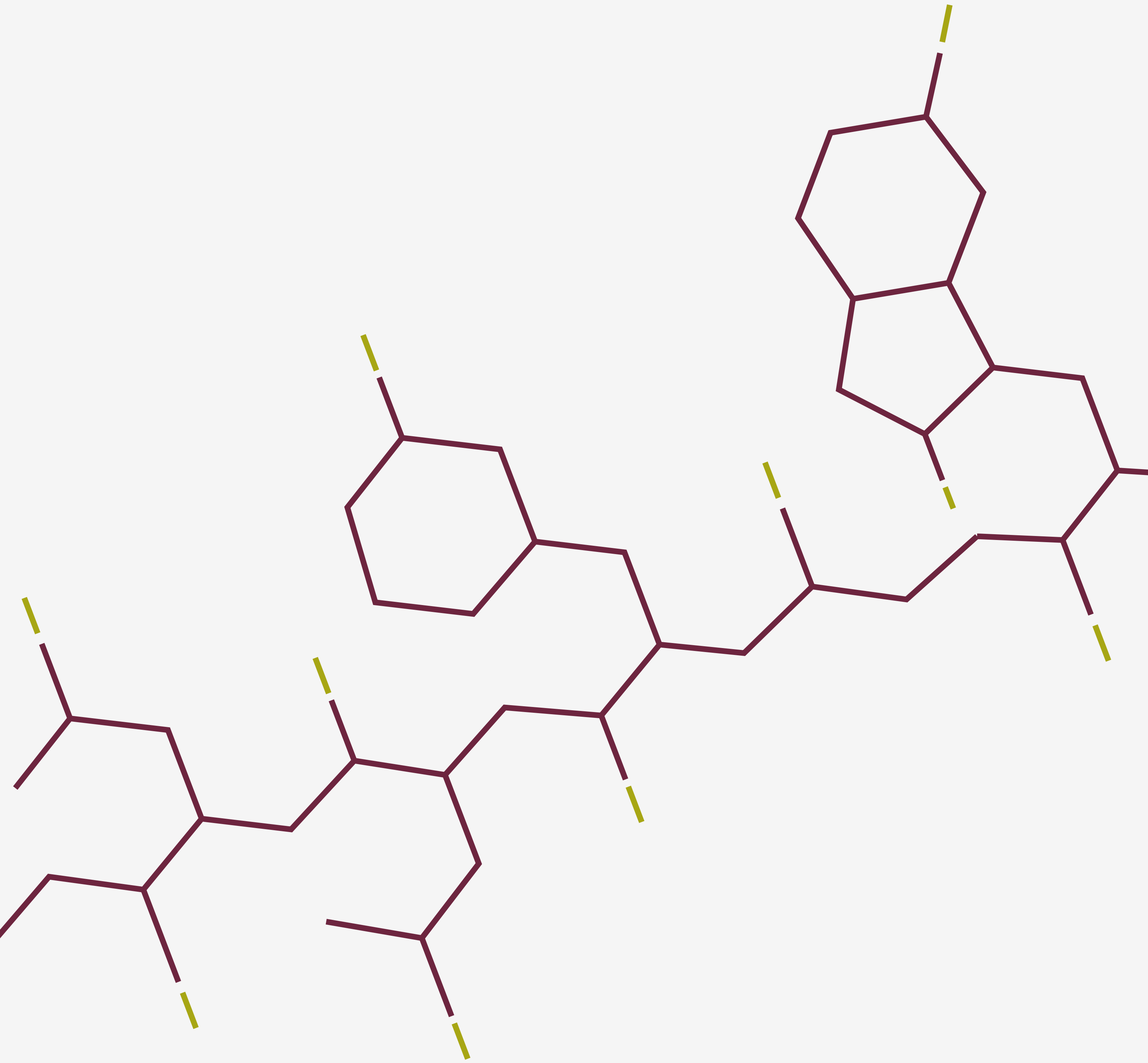

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