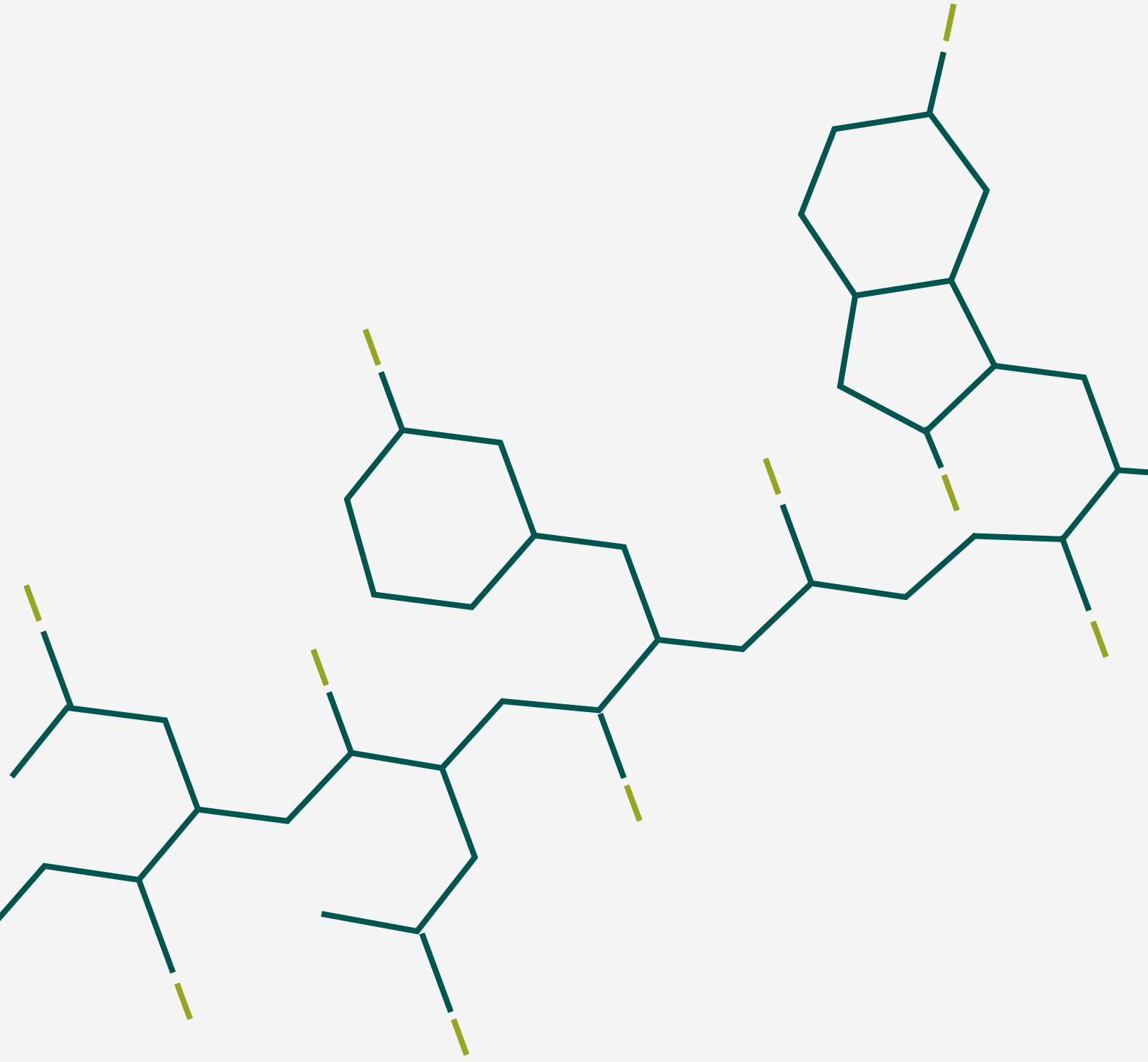
23 ANNUAL REPORT

A focused CDMO for peptides and oligonucleotides

INNOVATION | EXCELLENCE | TRUST



PolyPeptide

Management Report

Editorial

Peter Wilden, Chair of the Board of Directors, and Juan José González, Chief Executive Officer

2023 – Transformational progress continues

We started the year with a clear focus to address the operational challenges that had emerged in 2022. While these obstacles continued to impact our performance, PolyPeptide's agenda for operational improvements gained traction and delivered notable results in the second half of 2023:

- In H2 2023, we achieved revenue growth of over 40% compared to H1 2023, which we also see as supporting evidence of the market attractiveness and strong reputation of PolyPeptide among its customers. With this acceleration, revenue growth for the full year reached 14%.

- While continuously ramping up capacity for further growth, profitability improved in H2 2023, with EBITDA of EUR 13.4 million versus EUR -19.4 million in H1 2023.

- Cash flow from operating activities strengthened in H2 2023 to EUR 84.8 million versus EUR -48.3 million in H1 2023, also reflecting progress with our commercial model as evidenced by the increase of customer prepayments to secure capacity.

Though we are pleased with our progress, PolyPeptide finished the year with a negative EBITDA margin of -1.9% and a substantial net loss of EUR 51.4 million. There is still work in front of us to restore the profitability of the Company.

To ensure we have the financial flexibility to begin executing our agenda, we secured a revolving credit facility of EUR 111 million with the option to increase by EUR 40 million (uncommitted). In parallel, the Group's main shareholder agreed to extend its EUR 40 million credit facility.

On the customer front, we concluded three large mid-term commercial agreements, complementing the commercial agreement announced in December 2022, and positioning PolyPeptide for strong growth and value creation moving forward.

Throughout the reporting period, we also advanced our green chemistry program, which is vital for further improving our environmental footprint. In 2023, we were able to reduce solvent consumption relative to manufactured products by 24%, benefiting from the deployment of the Group's proprietary washing by percolation concept.

Attractive market

Based on third-party reports, we estimate the global peptide therapeutics market to be valued at around USD 40 billion. These reports forecast a robust high single-digit annual growth rate to the end of the decade. We believe these projections do not yet reflect the full potential from the emerging GLP-1 market, which in our view has significant momentum after recent drug approvals and the advancement of several drug candidates in clinical development.

Beyond GLP-1-related drugs, the market dynamics for peptide therapeutics is underpinned by the large number of ongoing development projects in areas including, but are not limited to, oncology, cardiology, neurology, and gastroenterology.

We anticipate an attractive growth trajectory for the CDMO market for peptides, given the strong pipeline of complex molecular entities under development and the rising demand for substantial volumes of manufactured peptides. We believe this marks a pivotal point for the industry, signaling a shift from laboratory-scale production to a robust industrial manufacturing model.

PolyPeptide well positioned

PolyPeptide is a leading peptide CDMO player, producing around one third of all commercial therapeutic peptides, with a rich and diversified development pipeline of new chemical entities. Our global GMP-certified production network, with facilities in Europe, the U.S. and India, ensures proximity where needed and provides the flexibility required by our customers for effective supply chain management.

Through this network, we serve our customers with innovative leading-edge process development and manufacturing capabilities. We are advancing over 250 pipeline peptides for therapeutics, vaccines, and diagnostic applications, of which 55 are for phase III of clinical development.

We are particularly active in GLP-1 therapies, where we are supporting customer efforts to develop treatments for type 2 diabetes, obesity, and related medical conditions.

2024 and beyond

As we enter 2024, our priority will be to meet increasing customer demand, continue to strengthen our operations and profitability, while further expanding capacity related to the GLP-1 opportunity.

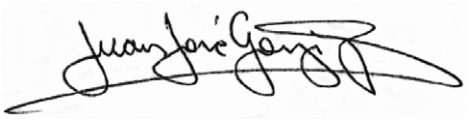
The financing arrangements put in place last year, coupled with the Group's ability to secure prepayments, have strengthened our position to partner with customers strategically and support our growth ambitions.

On behalf of the Board of Directors and Executive Management, we would like to thank our customers and shareholders for their continuous support, confidence, and trust. We would also like to take this opportunity to thank our staff for their dedication, professionalism, and contributions in advancing our agenda. At PolyPeptide, we are truly excited about the journey ahead.

Baar, 12 March 2024

Sincerely,

Peter Wilden
Chair of the Board of Directors



Juan José González
Chief Executive Officer

Key Figures[1]

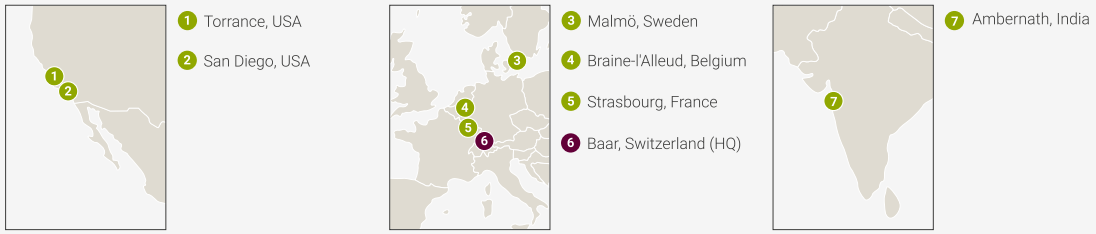
kEUR	2023	2022	Change
Revenue	320,372	280,978	14.0%
Custom Projects	154,453	140,044	10.3%
Contract Manufacturing	135,385	110,753	22.2%
Generics & Cosmetics	30,534	30,181	1.2%
EBITDA	-5,999	38,670	-115.5%
EBITDA in % of revenue	-1.9%	13.8%	-15.6 ppts
Operating result (EBIT)	-36,468	12,607	-389.3%
Operating result (EBIT) in % of revenue	-11.4%	4.5%	-15.9 ppts
Result for the year	-51,440	7,767	-762.4%
Result for the year in % of revenue	-16.1%	2.8%	-18.8 ppts
Earnings per share (EUR), basic	-1.56	0.24	-763.3%
Return on net operating assets (RONOA)	-8.5%	3.2%	-11.7 ppts
Cash and cash equivalents (end of year)	95,706	37,528	155.0%
Net cash flow from operating activities	36,485	5,460	568.4%
Capital expenditures	54,890	82,985	-33.9%
Capital expenditures in % of revenue	17.1%	29.5%	-12.4 ppts
Total assets (end of year)	689,088	575,782	19.7%
Equity ratio (end of year)	55.3%	73.2%	-17.9 ppts
Employees (# of FTEs, average)	1,202	1,139	5.5%

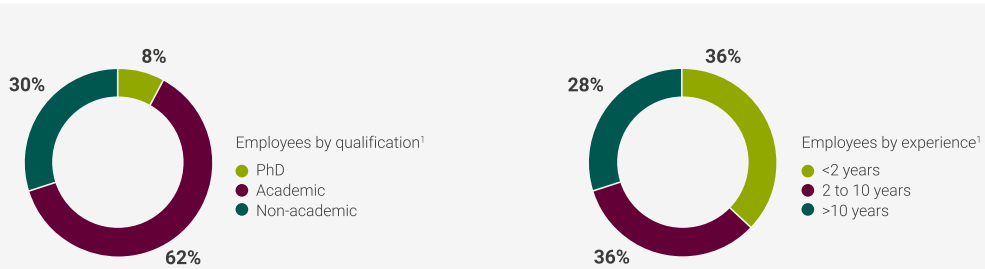
[1] This table and report include references to operational indicators and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based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

Profile

Footprint with customer proximity

Six cGMP-certified sites on three continents[1]

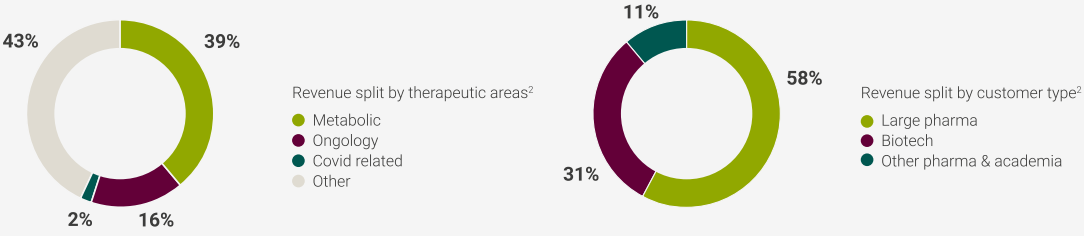




[1] Data based on headcount as at 31 December 2023. Number of employees in headcount (excl. apprentices, interns, students, trainees, contract workers and inactive workers).

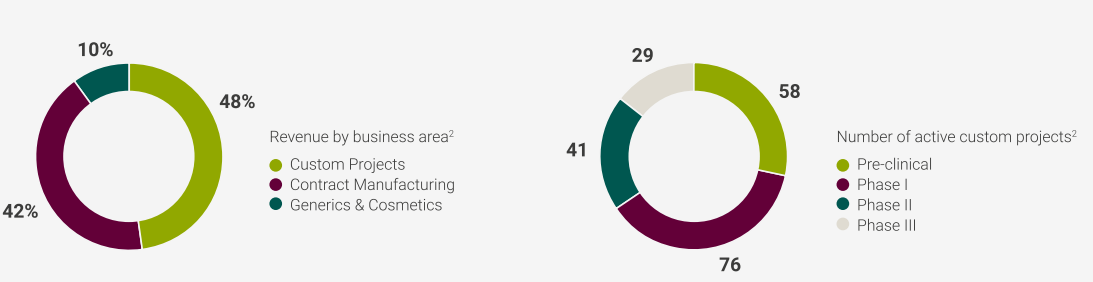
Helping patients across multiple health indications

Revenue from across therapeutic areas with pharma and biotech customers



Solutions for development and commercial products

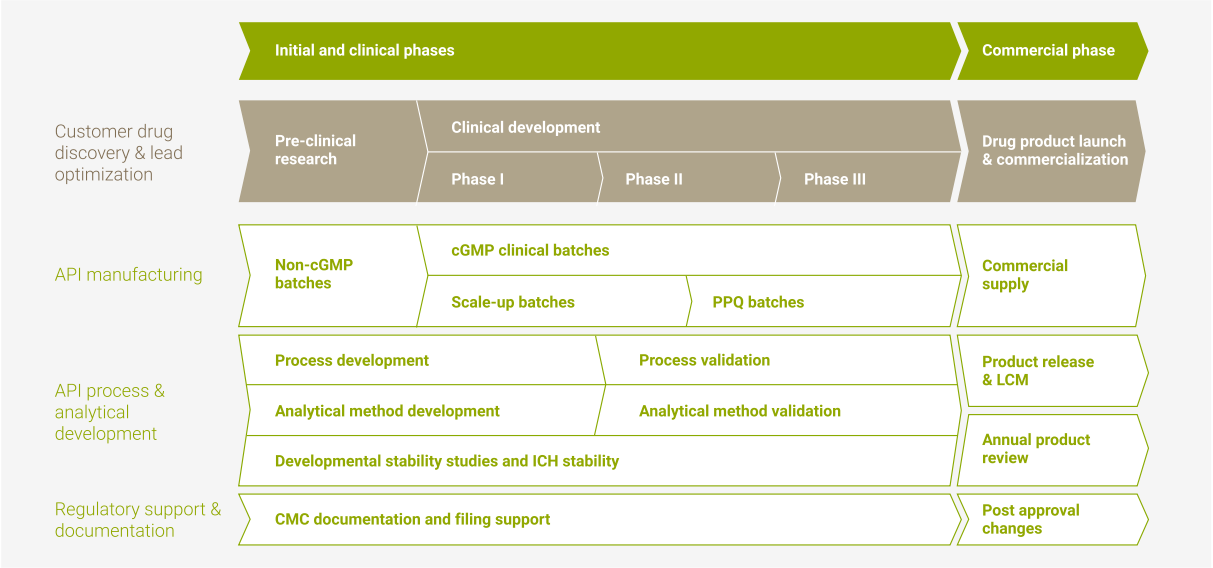
"Start here – stay here"



[2] Approximate splits as at 31 December 2023.

Business model

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



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

Integrated strategy

Striving to be the preferred long-term partner for customers

Strategy

Company profile

PolyPeptide is a focused contract development and manufacturing organization (CDMO) specializing in the development and manufacturing of synthetic peptides and oligonucleotides used as active pharmaceutical ingredients (API) or intermediates in therapeutic products. The Group mainly serves pharmaceutical and biotech companies. It also produces a range of generic peptides and peptides used in cosmetics.

With a history of over 70 years and a strong manufacturing track with over 1,000 distinct therapeutic peptides manufactured for customers, the Group has developed into a full-service drug substance provider with differentiated technologies and capabilities to support complex and innovative drug development projects. In 2021, the Group added oligonucleotides to its offering, given the increasing market relevance of this therapeutic modality and the synergistic business model.

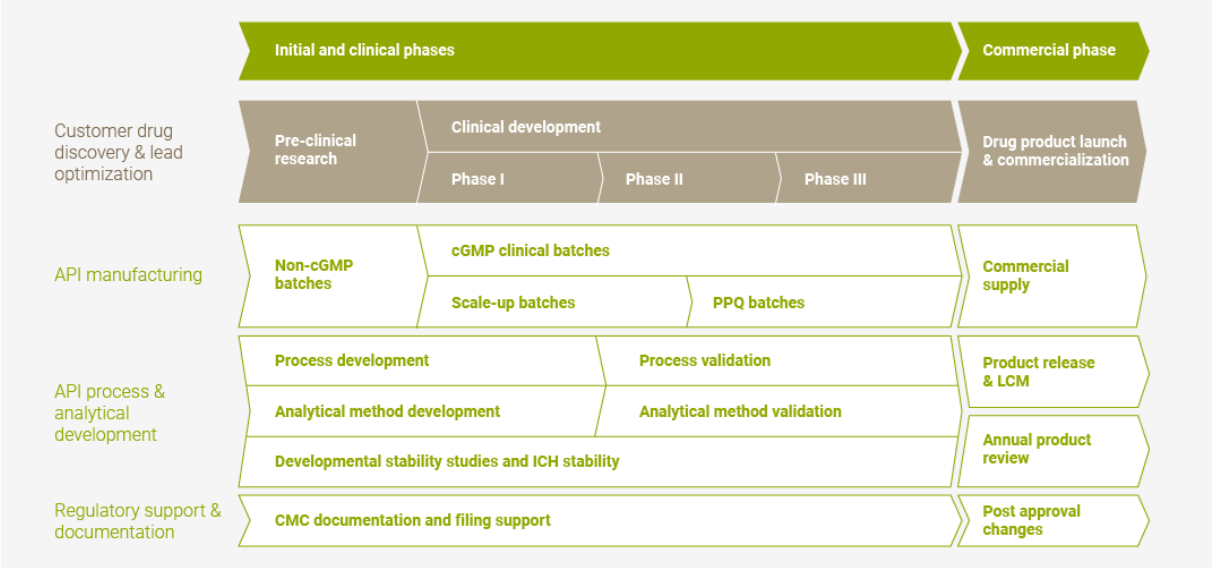
As a CDMO, PolyPeptide is subject to comprehensive regulations, including current Good Manufacturing Practices (cGMP), to assure quality and to ensure the safety of patients. The Group runs a network of six manufacturing sites, in Europe, the United States of America and India, with each of the sites subject to regular inspections by regulatory agencies and audits of its customers. All sites are GMP certified, demonstrating suitable processes, methods, facilities, and controls.

Business model

PolyPeptide provides its offering through its manufacturing sites and with a “start here – stay here” philosophy, covering the entire life cycle of a drug, starting with the customer’s pre-clinical drug development projects, followed by clinical phases through to commercialization. As a result, its customer relationships are often strategic and long-term by nature.

Business model

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



API – Active Pharmaceutical Ingredient; CMC – Chemistry, Manufacturing & Controls; cGMP – current Good Manufacturing Practice; ICH – International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use; LCM – Life Cycle Management; NDA – New Drug Application; PPQ – Process Performance Qualification.

Activities include process and analytical method development and stability studies, as well as the production of API and intermediates. In addition, the Group provides its customers with regulatory documentation and support.

Revenue related to drug development projects results from the Group’s active custom projects pipeline and includes the manufacturing of non-GMP material for pre-clinical studies and GMP material for clinical phases. Once a drug has received regulatory approval, PolyPeptide recognizes product revenue in relation to commercial manufacturing activities.

PolyPeptide maintains a holistic quality system to ensure compliance with GMP and adherence to applicable guidelines, including those from the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

Market

Based on third-party market reports, PolyPeptide estimated the peptide therapeutics market to range between USD 34 billion and USD 39 billion in 2022 with an expected compound annual growth rate of between 7% and 9% until 2030.

PolyPeptide believes that the main growth driver is the increasing number of approved peptide-based therapies for metabolic disorders, in particular GLP-1 receptor agonist drugs for the treatment of diabetes, obesity and other co-morbidities. In addition, therapeutic areas for peptide-based drugs are expected to develop further, including oncology, infectious diseases, orphan diseases, cardiovascular, neurology or gastro-enterology applications.

According to the GlobalData drug database, accessed in December 2023, approximately 1,000 peptide drug projects (synthetic and recombinant) were in development, of which approximately 340 in clinical development, with approximately 70 in phase III or pre-registration. Based on third-party market reports, PolyPeptide estimates that more than 100 peptide-based therapies were approved by the US Food and Drug Administration (FDA) as at the end of 2023.

The addressable market for PolyPeptide is the outsourced market for synthetically manufactured peptide-based APIs, which was estimated by PolyPeptide, based on public company reports from the financial year 2022, to be around USD 1.3 billion in 2022. According to GlobalData drug database, the number of synthetically manufactured peptide drugs in development was approximately 800 in late December 2023, of which approximately 275 projects were in clinical development.

Compared to the market for peptide-based therapeutics, the market for oligonucleotide-based therapeutics is more nascent. According to GlobalData drug database, accessed in December 2023, the estimated market size for marketed oligonucleotide-based therapeutics is USD 4.1 billion in 2022, with an expected compound annual growth rate in the high teens until 2029.

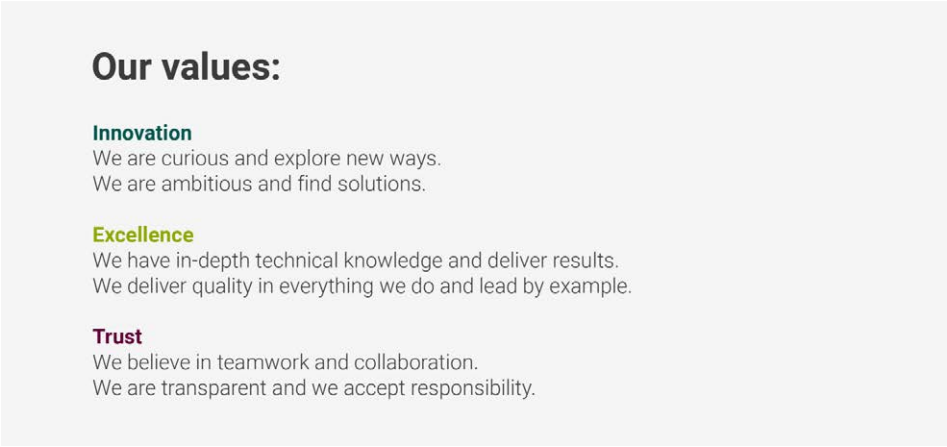
According to the GlobalData drug database, accessed in December 2023, approximately 950 oligonucleotide drugs were in development, of which approximately 190 in clinical development. Based on third-party market reports, PolyPeptide estimates that circa 20 oligonucleotide-based therapies were approved by the FDA as at the end of 2023.

Integrated strategy

The Group's mission is to help customers develop products, secure regulatory approvals and successfully launch and commercialize their products in the market.

Building on its values of "Innovation", "Excellence" and "Trust", PolyPeptide aims to be the preferred long-term partner for its customers, who typically expect their CDMO partners to have deep scientific knowledge, technical expertise and operational experience, demonstrating a relentless focus on quality and a high delivery performance.

PolyPeptide's values



The Group sees its regional presence in Europe, the United States of America and India, its process development and manufacturing capabilities, and its culture of flexibility and responsiveness as competitive advantages.

As a multinational company with 1,273 employees at the end of 2023, PolyPeptide fosters an agile, open and collaborative work environment. It continuously develops its organization and shares best practices across the Group. Attracting and retaining qualified and engaged talent is essential for PolyPeptide to implement its integrated strategy, which is articulated around three priorities:

- **Drive innovation:** PolyPeptide seeks to serve with leading-edge capabilities in process development and manufacturing to provide its services effectively, efficiently and responsibly. It implements green chemistry processes to optimize its environmental impact.

- **Go for growth:** PolyPeptide aims to maintain a strong and diversified API custom projects pipeline. It expands its capacity to meet growing volume requirements. Upcoming patent expiries provide opportunities to develop the peptide generics API business.

- **Customers first:** PolyPeptide aspires to stay close to its customers and to maintain their high satisfaction across all relevant dimensions. It continuously invests in its processes, systems and its workforce to meet expectations with a high delivery performance.

PolyPeptide follows an integrated approach towards the management of environmental, social and governance (ESG) topics. It follows fundamental principles of business ethics, corporate responsibility and compliance. The integration of relevant criteria into its strategy, operations and enterprise risk management framework is seen as the most effective way to meet business needs and stakeholder expectations.

PolyPeptide's integrated strategy

The Group maintains a Global Balanced Scorecard, which is annually approved by the Board of Directors, for supporting the implementation of its strategy and operational plans as well as for executive compensation purposes. In addition to the financial targets for a given period, the scorecard includes quantitative targets for non-financial criteria such as delivery performance, quality, employee turnover, EHS, green chemistry and other ESG projects.

For more details, refer to the Profile section, the Corporate Responsibility Report 2023 and the Remuneration Report 2023. For the review of the financial performance, including the guidance for 2024, refer to the Business Review.

Management Report

Business Review

Record revenue growth of 43% in H2 2023 versus H1 2023; operational improvements yielding increased profitability and cash flow

Revenue

In 2023, PolyPeptide generated EUR 320.4 million in revenue, representing a 14.0% increase versus 2022 and 18.2% growth at constant currency rates. Excluding the contribution of revenue associated with the coronavirus pandemic, which amounted to EUR 5.8 million in 2023 versus EUR 50.7 million in 2022, revenue grew by 36.6%.

In H2 2023, revenue growth accelerated versus H1 2023 on the back of strong customer demand and operational progress to EUR 188.5 million, representing a substantial increase of 43.0% versus H1 2023 and 28.0% versus H2 2022. Excluding revenue associated with the coronavirus pandemic, the increase was 41.4% and 42.3%, respectively (revenue associated with the coronavirus pandemic of EUR 4.3 million in H2 2023, EUR 1.5 million in H1 2023 and EUR 17.9 million in H2 2022).

Revenue in 2023 was underpinned by peptide-driven momentum emerging from PolyPeptide's active custom projects pipeline. Several of the phase II and phase III projects for drugs related to metabolic, rare diseases and oncology progressed in their clinical development, with some reaching commercial stage. The number of commercial projects supported during 2023, including those in Generics & Cosmetics, increased to 64, up from 60 in 2022.

Revenue in Custom Projects increased by 10.3% in 2023 versus 2022, and by 22.2% in Contract Manufacturing. Excluding revenue associated with the coronavirus pandemic, revenue showed significant increases of 33.6% and 53.1%, respectively. Revenue in Generics & Cosmetics, where no impact from the coronavirus pandemic was recorded, increased by 1.2% compared to the strong prior year.

kEUR	2023	2022	Change
Revenue reported	320'372	280'978	14.0%
Custom Projects	154'453	140'044	10.3%
Contract Manufacturing	135'385	110'753	22.2%
Generics & Cosmetics	30'534	30'181	1.2%
Revenue not associated with the coronavirus pandemic	314'548	230'268	36.6%
Custom Projects	152'786	114'387	33.6%
Contract Manufacturing	131'228	85'700	53.1%
Generics & Cosmetics	30'534	30'181	1.2%

Within the strong revenue growth in 2023, the revenue shares related to metabolic diseases and large pharma customers increased to 39% and 58% respectively (up from 27% and 42% respectively, in 2022). This evidences the ongoing transformation of the Group into a large-scale global CDMO, with an increasing revenue share from commercial, including phase III, revenue, which was around 70% in 2023.

Profitability

The gross profit in 2023 was EUR 9.1 million (versus EUR 54.5 million in 2022) and EBITDA was EUR -6.0 million (EUR 38.7 million).

The significant drop in profitability was mainly attributable to the phase-out of the high-margin coronavirus-related business, the ongoing ramp-up of additional capacity, as well as the operational challenges that had become apparent towards the end of 2022, and which continued into 2023. Throughout the year, the Group implemented targeted measures for operational improvement, achieving increased profitability and cash flows in H2 2023. These measures included process optimizations related to production planning and execution, efforts to instill technical proficiency and best practice, as well as organizational changes. The Group also tightened its cost management and working capital discipline.

During 2023, the adverse impact on EBITDA from changes in the product mix was EUR 5.0 million, with the phase-out of the coronavirus-related business largely offset by benefits from the peptide-driven momentum. Operational costs increased by EUR 18.3 million, mainly reflecting the ongoing ramp-up for future growth combined with a temporarily lower utilization of assets, including the increase of average FTEs by 5.5%. Inventory write-downs were EUR 19.3 million higher, including a significant EUR 12.5 million write-down of obsolete inventory.

With the Group's measures for operational improvement beginning to bear fruit, profitability in H2 2023 increased to a gross profit of EUR 19.8 million (versus EUR -10.6 million in H1 2023 and EUR 16.6 million in H2 2022) and EBITDA of EUR 13.4 million (EUR -19.4 million in H1 2023 and EUR 12.0 million in H2 2022).

During the reporting period, the Group also incurred impairment losses of tangible assets of EUR 2.7 million, reflected in the operating result (EBIT).The financial result for 2023 was EUR -21.8 million (versus EUR -5.0 million in 2022), driven by foreign currency exchange losses of EUR 14.5 million (EUR 1.6 million). The majority of these losses relate to the currency translation of an intra-Group receivable with an offsetting effect in other comprehensive income, resulting in a net impact on total equity of zero. Interest expenses amounted to EUR 5.6 million (EUR 2.1 million).

The 2023 result and deferred tax income resulted in an income tax benefit of EUR 6.8 million (EUR 0.2 million), bringing the result for the year to EUR -51.4 million (EUR 7.8 million).

Cash flow and cash position

During H2 2023, the Group significantly improved its cash position, benefiting from successful financing activities, working capital improvement initiatives and customer prepayments. The net cash flow from operating activities in H2 2023 totaled EUR 84.8 million versus EUR -48.3 million in H1 2023, with free cash flow in H2 2023 of EUR 59.4 million (H1 2023: EUR -79.7 million).

In 2023, net cash flows from operating activities reached EUR 36.5 million (2022: EUR 5.5 million). Within that amount, the net cash flow from changes in net working capital was EUR 46.2 million, including a EUR 38.8 million increase in contract liabilities and a EUR 15.5 million decrease in inventories.

This was partly offset by the EUR 29.9 million increase in trade receivables, reflecting the high share of revenue recognized towards the end of the reporting period, while trade payables increased by EUR 17.4 million.

With cash flows from acquisitions of property, plant and equipment as well as intangible assets of EUR -56.7 million (EUR -78.8 million), free cash flow totaled EUR -20.2 million (EUR -73.3 million).

Cash and cash equivalents reached EUR 95.7 million at the end of 2023 (versus EUR 37.5 million at the end of 2022 and EUR 9.0 million at the end of H1 2023). With total financial debt of EUR 124.8 million (H1 2023: 88.8 million), reflecting net proceeds of EUR 49.1 million from a three-year revolving credit facility (RCF) with a bank consortium and EUR 40.0 million from an unsecured short-term credit facility with the Group's main shareholder, the net cash position was EUR -29.1 million (EUR -79.8 million), with an equity ratio of 55.3% (73.2%).

Investments

Between January 2021 and December 2023, PolyPeptide cumulatively deployed EUR 214.5 million in capital expenditure to upgrade and enhance its capabilities, together with an increase of its work force of 32.1% (based on average FTEs). The Group's accelerated capital deployment strategy over recent years has been instrumental in meeting the increasing customer demand as well as enabling the peptide-driven momentum experienced in 2023.

Capital expenditure for 2023 reached EUR 54.9 million or 17.1% of revenue, versus EUR 83.0 million or 29.5% in 2022. The Group completed several investment projects at the manufacturing sites and brought additional capacity online. It largely completed the construction of its large-scale solid phase synthesis capacity in Braine-l'Alleud, with the commissioning ongoing and the revenue ramp-up expected to start during H2 2024. In addition, the Group continued its initiatives in digitalization, green chemistry and enhanced analytical capabilities.

Sustainability

PolyPeptide is dedicated to serving its customers with leading-edge capabilities in process development and manufacturing and to providing its services effectively, efficiently and responsibly. The Group's innovation efforts, for which it maintains an intellectual property portfolio to not only protect and enhance its competitive position, but also to

generate benefits for its customers and stakeholders, includes a green chemistry program, which it successfully advanced during 2023.

With the deployment of its proprietary washing by percolation concept, the Group's overall solvent consumption relative to manufactured products declined in 2023 by 23.5% to 2.6 mt/kg (2022: 3.4 mt/kg). The green chemistry program is an integral part of PolyPeptide's efforts to limit its climate impact, which also includes initiatives for increasing energy efficiency and the share of renewable, less greenhouse gas intensive energy in its energy mix.

As part of the Annual Report 2023, PolyPeptide published an enhanced Corporate Responsibility Report, with additional non-financial metrics. For more details, refer to the Corporate Responsibility Report.

Business trends

PolyPeptide views its active custom projects and commercial projects portfolio of peptide-based active pharmaceutical ingredients (API) and intermediates as industry leading. It produces about one third of all commercial therapeutic peptides, with a rich and diversified new chemical entity (NCE) development pipeline of over 250 peptides for therapeutics, vaccines or diagnostic applications, of which 55 for phase III of clinical development.

It sees itself as well positioned for growth with its portfolio of peptide-based therapies for metabolic disorders, including in particular the GLP-1 receptor agonist drugs for the treatment of type 2 diabetes, obesity and other co-morbidities.

Beyond metabolic disorders, PolyPeptide expects additional growth from its involvement in other therapeutic areas for peptide-based drugs, including oncology, hormonal disorders, neurology, ophthalmology as well as cardiovascular and gastrointestinal applications.

Through its multisite network in Europe, the U.S. and India, PolyPeptide advanced its partnerships in 2023 with large pharma customers for several of its phase II and phase III projects in the metabolic and rare disease markets.

Three large commercial agreements were concluded during the reporting period, complementing the commercial agreement announced in December 2022, providing PolyPeptide with the potential to double revenue.

The financing arrangements put in place in 2023, combined with the Group's ability to secure prepayments, supports PolyPeptide's growth ambitions.

Risk management

PolyPeptide is committed to continuously improving the management of risks and opportunities that might arise. Based on the annual risk assessment, the enterprise risk management (ERM) report provides a consistent, Group-wide perspective of key identified risks and was presented to and approved by the Board of Directors in September 2023. During the course of 2023, the Group performed several internal audits, partly with the support of external consultants. For more details on the Group's ERM framework and Internal Audit, refer to the Corporate Governance Report.

Leadership changes

On 3 April 2023, the Group announced the appointment of Juan José González as its new CEO, effective 12 April 2023. With the completion of his introduction, Peter Wilden ended his temporary executive duties and continued as of 1 October 2023 in his role as Chairman of the Board of Directors.

On 15 August, the Group announced the appointment of Marc Augustin as its new CFO and member of the Executive Committee. He joined PolyPeptide on 1 January 2024, taking over from Lalit Ahluwalia who served as CFO for an interim period.

Guidance, outlook and dividend

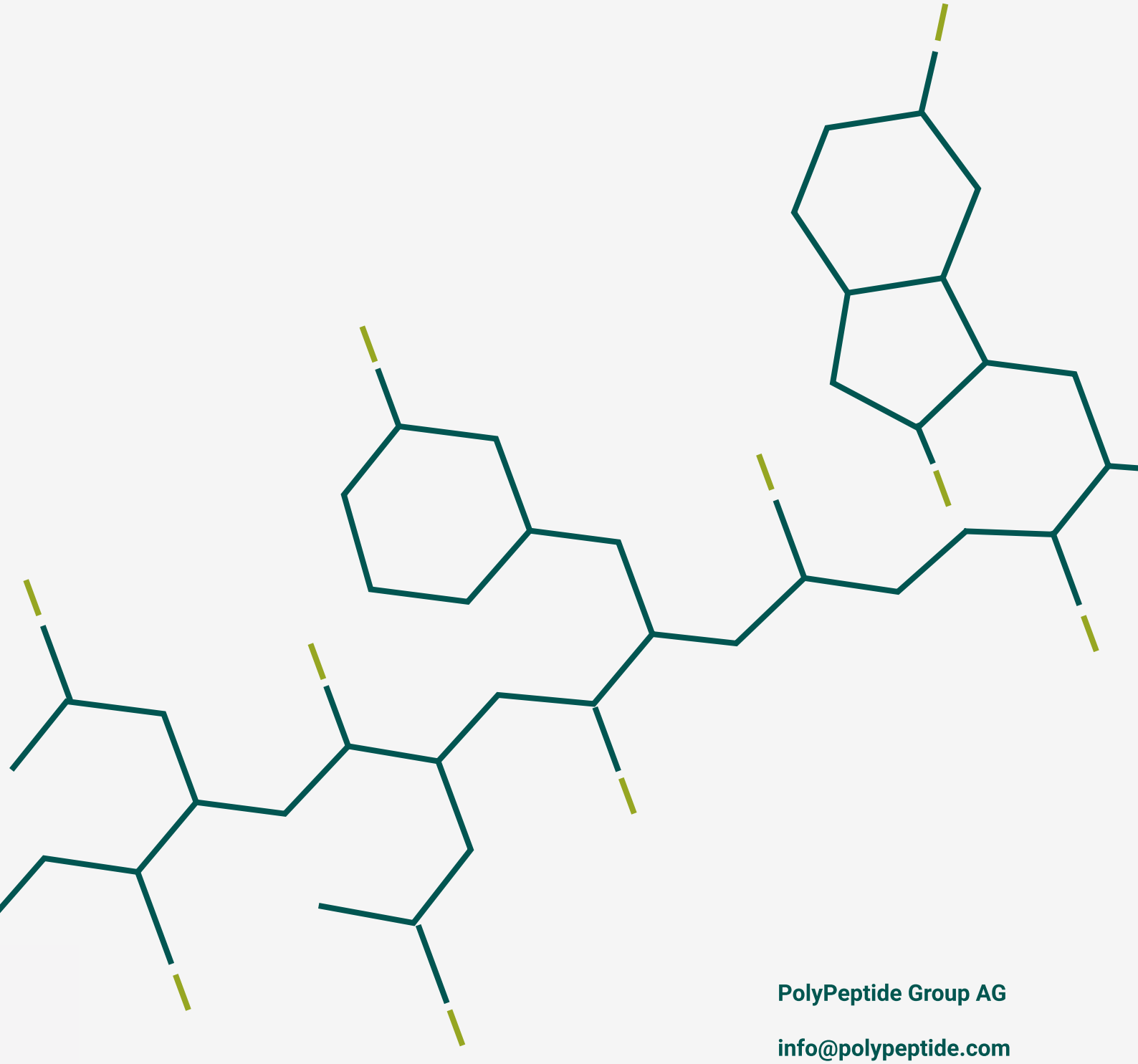
In 2024, PolyPeptide's priority will be to meet the increasing customer demand, continue to strengthen operations and profitability, while further expanding capacity related to the GLP-1 opportunity.

As it will take some time to increase capacity utilization, it expects revenue growth in 2024 mid to high single-digit at constant currency rates versus 2023 with a positive EBITDA, operating at a net loss. Capital expenditure is expected to be between EUR 60 million and EUR 70 million.

Driven by the increasing capacity utilization, the Group expects a significantly stronger H2 versus H1 2024. For H1 2024, it expects revenue comparable with H1 2023 with improved EBITDA and a reduced net loss.

PolyPeptide is currently preparing its mid-term outlook, which it plans to publish on 13 August 2024, together with results for H1 2024. Taking into consideration market practice and key performance drivers, it will also at that point revisit its approach to certain disclosures around the development of its business.

With the net loss reported for 2023, the Group will not be proposing the payment of a dividend to the upcoming Annual General Meeting on 10 April 2024.



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