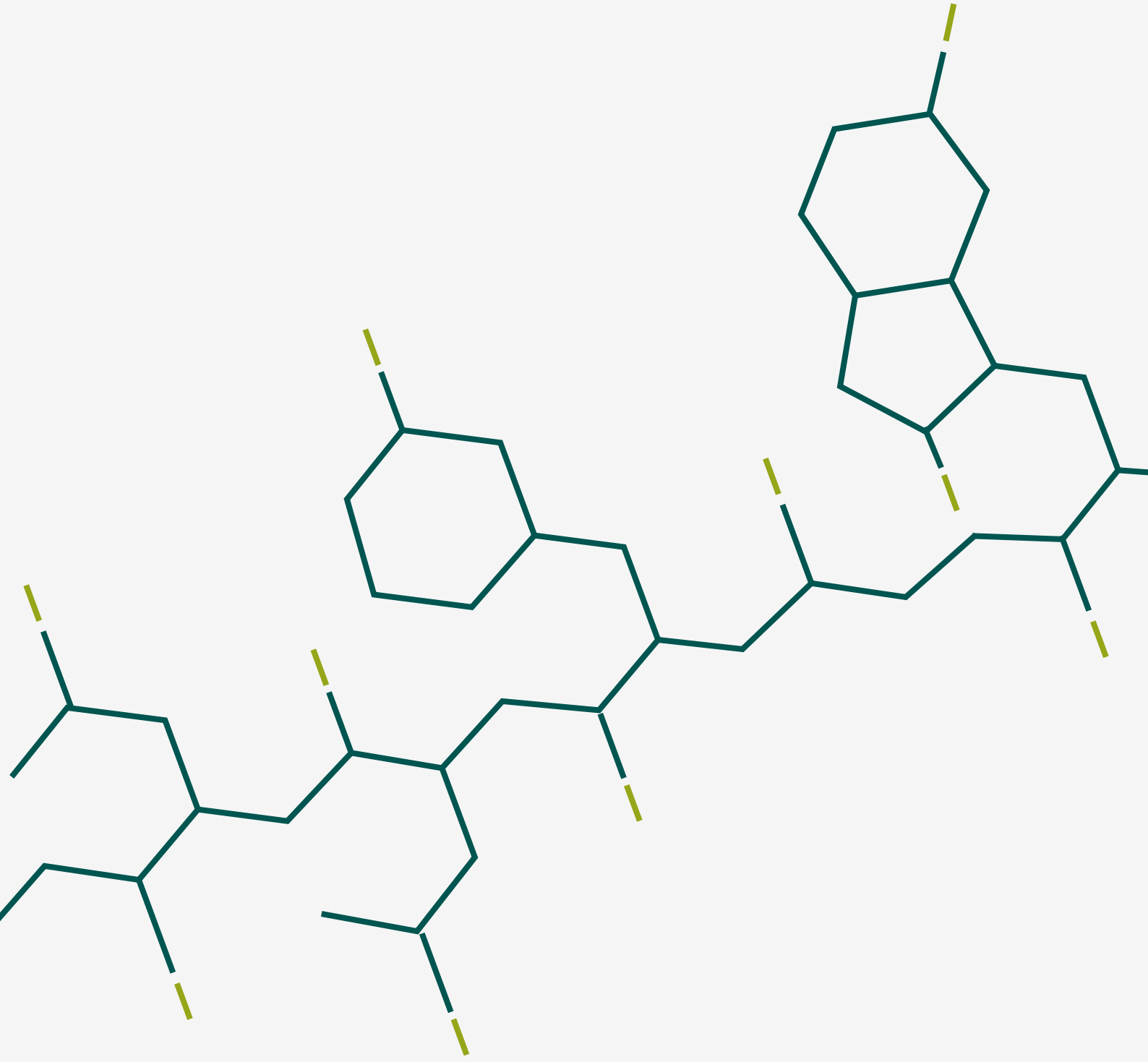
23 HALF-YEAR REPORT

A focused CDMO for peptides and oligonucleotides

INNOVATION | EXCELLENCE | TRUST



PolyPeptide

Content Overview

Overview

Editorial

Transformational progress taking shape

Peter Wilden, Executive Chairman, and Juan-José Gonzalez, Chief Executive Officer

Positioning for growth

The peptides market is accelerating, and we are focused on harnessing its potential. Our value proposition, based on our multi-site network, deep process development expertise and strong customer focus, positions us well to capture this growth. We are beginning to see concrete progress in the transformation of PolyPeptide into a large-scale global CDMO, as evidenced by a notable shift in the composition of our revenue by therapeutic area and customer type.

As at 30 June 2023, the metabolic therapeutic area accounted for 43% of revenue compared to 28% as at 30 June 2022. In parallel, large pharma customers represented 65% of our revenue, compared to 41% as at 30 June 2022. We expect these trends to continue as we advance our partnerships in the metabolic and rare disease markets with our large pharma customers. We view our active custom projects pipeline as industry-leading and are confident that it will allow us to drive further growth and long-term value creation.

Strong demand in peptides

During 2023, PolyPeptide will phase out the bulk of the revenue associated with the coronavirus pandemic, while continuing to invest in growth. In the first half of 2023, reported revenue decreased slightly by 1.4% (2.9% growth at constant currency rates).

However, excluding revenue associated with the coronavirus pandemic, growth was 29.3%. This strong peptide-driven momentum highlights the potential of our partnerships and the significant advancements made within our active custom projects pipeline.

Lower profitability

Our rapid capacity expansion has come with operational challenges and weakened profitability. For H1 2023 we reported a net loss of EUR 34.3 million compared to a profit of EUR 10.2 million in H1 2022, whereby changes in cost absorption and a one-off inventory write-down accounted for more than half of the decline.

We have implemented a robust plan to tackle operational issues and are confident to make progress towards enhancing our effectiveness and efficiency. We have also launched measures to start restoring profitability, which is a key objective for the Group in H2 2023.

Upgrading our infrastructure and capabilities

We have been making significant investments in upgrading our infrastructure and capabilities since 2021. We have grown peptide capacity across our key manufacturing sites and added new development and production suites for oligonucleotides in Torrance, California. In parallel, we kept driving our green chemistry and digitalization agendas and to enhance our analytical capabilities.

We started 2023 with Jens Fricke as our new Global Director of Operations and Juan-José Gonzalez joined PolyPeptide as the new CEO in April. We are now pleased to announce the appointment of Marc Augustin as new CFO. His background in a high-growth CDMO environment with deep finance and operational experience will be valuable as we continue to scale up PolyPeptide.

Guidance for 2023

We have updated our guidance for 2023. Our overarching priority is to fulfill our customers' demand and continue to grow, while implementing our operational and profitability improvement initiatives.

We now aim for mid to high single-digit percentage revenue growth versus 2022. At the lower end of that range, we expect EBITDA to be around break-even, excluding the EUR 9.5 million write-down of inventory in H1 2023. As previously announced, we will end 2023 with a net loss. Capital expenditures for 2023 are expected in the range of EUR 55 to EUR 65 million, subject to ongoing partnership discussions with customers.

At the beginning of July 2023, we secured a short-term credit facility from our main shareholder, Draupnir Holding B.V., in the amount of EUR 40 million, which together with our existing credit facilities will continue to support our growth ambitions. In the meantime, we continue our negotiations to implement a new long-term financing plan.

Thanks

We would like to express our gratitude to all employees of PolyPeptide for their passion and dedication in servicing our customers. We believe that our culture of customer proximity and collaboration sets us apart in the industry. We remain committed to enabling new healthcare treatments for the benefit of patients all around the world, while creating sustainable long-term value for all our stakeholders.

Sincerely,

Peter Wilden
Executive Chairman

Juan-José Gonzalez
Chief Executive Officer

Key Figures[1]

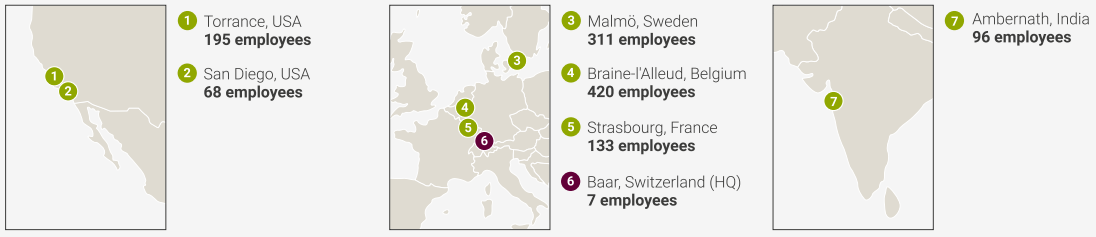
kEUR	H1 2023	H1 2022	Change
Revenue	131,834	133,656	-1.4%
Custom Projects	59,537	72,613	-18.0%
Contract Manufacturing	56,693	48,398	17.1%
Generics & Cosmetics	15,604	12,645	23.4%
EBITDA	-19,387	26,706	-172.6%
EBITDA in % of revenue	-14.7%	20.0%	-34.7 ppts
Operating result (EBIT)	-34,464	15,482	-322.6%
Operating result (EBIT) in % of revenue	-26.1%	11.6%	-37.7 ppts
Result for the period	-34,266	10,247	-434.4%
Result for the period in % of revenue	-26.0%	7.7%	-33.7 ppts
Earnings per share (EUR), basic	-1.04	0.31	-435.7%
Return on net operating assets (RONOA)	-8.8%	14.3%	-23.0 ppts
Cash and cash equivalents (end of period)	8,985	66,436	-86.5%
Net cash flow from operating activities	-48,322	-7,659	530.9%
Capital expenditures	19,346	37,926	-49.0%
Capital expenditures in % of revenue	14.7%	28.4%	-13.7 ppts
Total assets (end of period)	589,123	579,253	1.7%
Equity ratio (end of period)	65.2%	73.8%	-8.5 ppts
Employees (# of FTEs, average)	1,181	1,156	2.1%

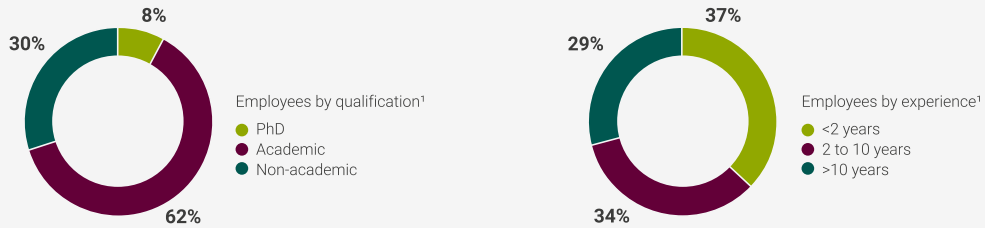
[1] This table and report include references to operational indicators and alternative financial performance measures (APM) that are not defined or specified by IFRS. These APM should be regarded as complementary information to and not as substitutes of the Group's consolidated financial results based 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]

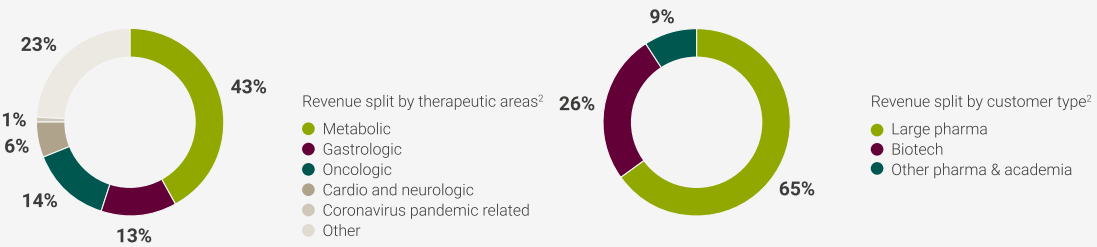




[1] Data based on headcount as at 30 June 2023.

Helping patients across multiple health indications

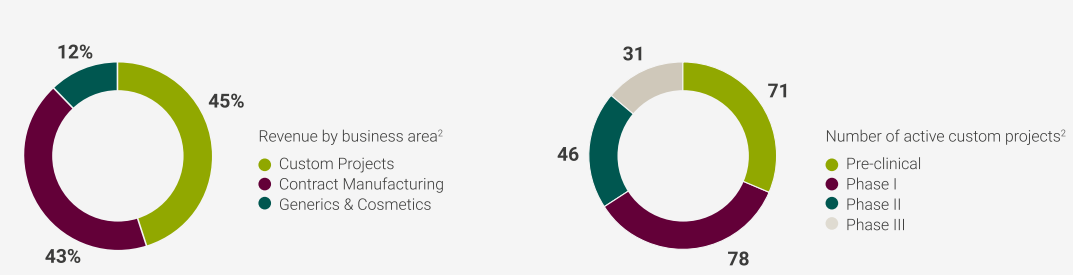
Revenue from across therapeutic areas with pharma and biotech customers



[2] Approximate splits as at 30 June 2023.

Solutions for development and commercial products

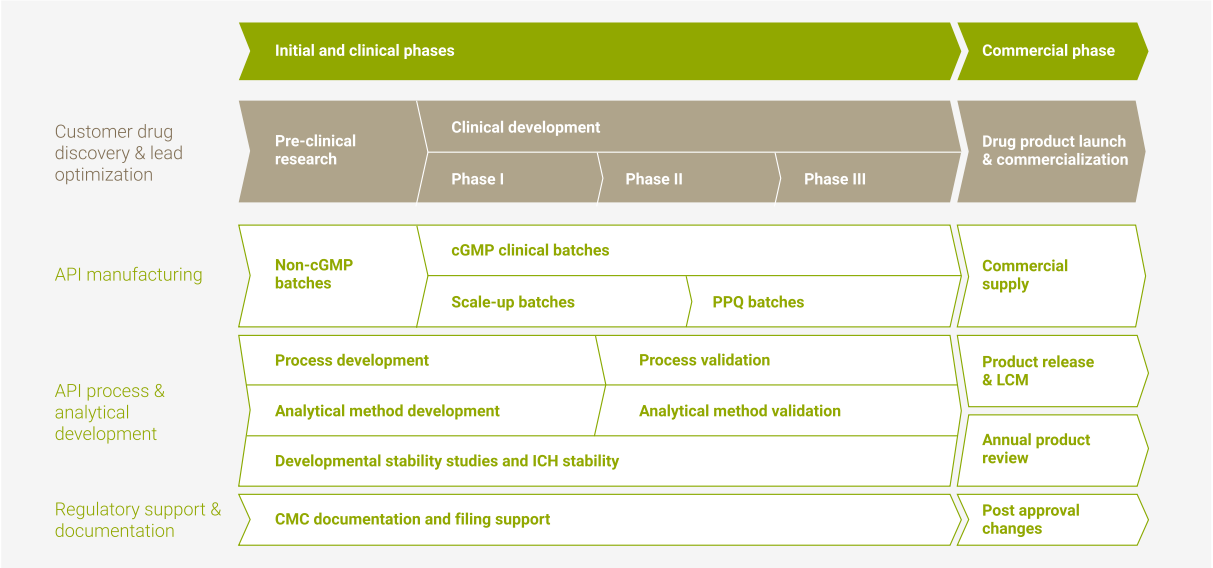
"Start here – stay here"



[2] Approximate splits as at 30 June 2023.

Business model

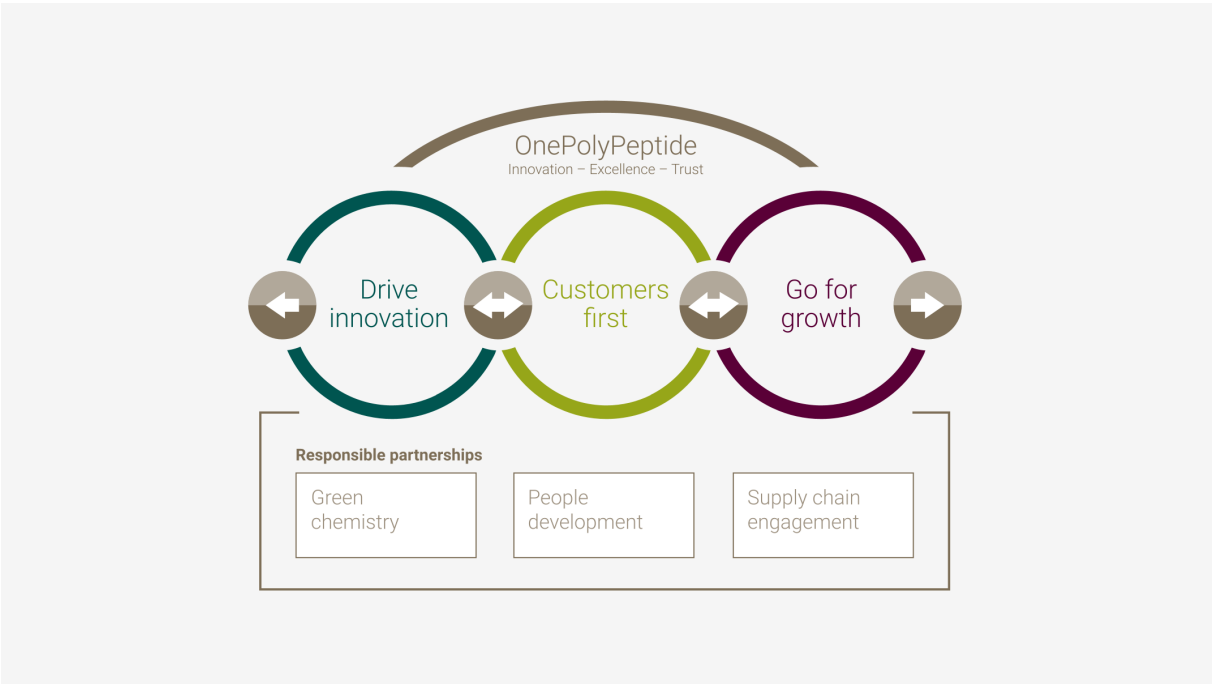
Providing expert knowledge for peptide- and oligonucleotide-based APIs along the entire life cycle



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



Business Review

Transformation driving rapid expansion and profitability decline

Revenue and custom projects

In H1 2023, PolyPeptide generated EUR 131.8 million in revenue, representing a 1.4% decline versus H1 2022 and 2.9% growth at constant currency rates. Excluding the contribution of revenue associated with the coronavirus pandemic, amounting to EUR 1.5 million in H1 2023 versus EUR 32.8 million in H1 2022, revenue grew by 29.3%, exhibiting strong peptide-driven momentum on the back of robust market trends.

Revenue in Custom Projects declined by 18.0% and increased by 17.1% in Contract Manufacturing. Excluding revenue associated with the coronavirus pandemic, revenue increased by 23.9% and by 37.1%, respectively. Revenue in Generics & Cosmetics, where no impact from the coronavirus pandemic was recorded, increased by 23.4%, reflecting the Group's sustained efforts to grow the generics portfolio.

kEUR	H1 2023	H1 2022	Change
Revenue reported	131,834	133,656	-1.4%
Custom Projects	59,537	72,613	-18.0%
Contract Manufacturing	56,693	48,398	17.1%
Generics & Cosmetics	15,604	12,645	23.4%
Revenue not associated with the coronavirus pandemic	130,327	100,833	29.3%
Custom Projects	58,037	46,839	23.9%
Contract Manufacturing	56,686	41,349	37.1%
Generics & Cosmetics	15,604	12,645	23.4%

The custom projects pipeline of the Group comprised 226 active projects as at 30 June 2023 (versus 220 projects at the end of 2022), of which around half relate to the fast-growing therapeutic areas of metabolic disorders and oncology. During the reporting period, the Group secured a total of 17 new peptide and oligonucleotide projects, of which 6 are with new customers. The number of projects in phase III of clinical development increased from 30 to 31.

Profitability

The gross profit for H1 2023 amounted to EUR -10.6 million (versus EUR 37.8 million in H1 2022) and EBITDA was EUR -19.4 million (EUR 26.7 million), with more than half of the decline related to changes in cost absorption and a one-off inventory write-down. The result for the period was EUR -34.3 million (EUR 10.2 million).

At the level of EBITDA, the decrease in profitability was driven by the cumulative effect of several factors. The adverse impact from the change in cost absorption between H1 2023 and H1 2022 was EUR -15.2 million, and the one-off write-down of inventory after a technical and commercial reassessment amounted to EUR -9.5 million. Higher operational and maintenance costs reached EUR -9.6 million, driven by lower manufacturing yields and costs ahead of growth planned for H2 2023. Changes in product mix, mostly related to the phase out of the business associated with the coronavirus pandemic, amounted to EUR -7.8 million and higher personnel expenses to EUR -4.0 million.

During the reporting period, the Group also incurred impairment losses of tangible assets of EUR 2.0 million, reflected in the operating result (EBIT). The financial result of EUR -4.8 million was offset by an income tax benefit of EUR 5.0 million.

Cash flow and cash position

Capital expenditures for H1 2023 reached EUR 19.3 million or 14.7% of revenue, versus EUR 37.9 million or 28.4% in H1 2022, driven by the efforts to further grow capacity at the main manufacturing sites. In addition, the Group continued its initiatives in digitalization, green chemistry and enhanced analytical capabilities.

Net cash flows from operating activities during H1 2023 reached EUR -48.3 million. Within that, the net cash flow from changes in net working capital was EUR -23.4 million, including a EUR -22.1 million contribution from the increase of trade receivables, reflecting that more than half of revenue in H1 2023 was recognized toward the end of the reporting period. Changes in inventories had an effect of EUR -6.7 million, where the reduction in work in progress and finished

goods was more than offset by an increase in raw materials ahead of growth expected for H2 2023. With cash flows from acquisitions of property, plant and equipment as well as intangible assets of EUR -31.4 million, the free cash flow added up to EUR -79.7 million.

Cash and cash equivalents reached EUR 9.0 million at the end of H1 2023 (versus EUR 37.5 million at the end of 2022), with proceeds from short-term borrowings from banks of EUR 55.2 million. Including a total financial debt of EUR 88.8 million, the net cash position was EUR -79.8 million, with an equity ratio of 65.2%.

Strategic and operational progress

PolyPeptide views its pipeline of active custom projects to be industry-leading and sees itself well positioned for growth. During the course of H1 2023, the Group continued to upgrade its infrastructure and capabilities to meet the increasing volume requirements of its customers. As such, between January 2021 and the middle of 2023, PolyPeptide cumulatively deployed EUR 179.0 million of capital expenditures and increased its work force by 28.7% (based on average FTEs).

The Group's capacity expansion was instrumental in fostering the strong peptide-driven momentum experienced in H1 2023, yielding a notable shift in the revenue mix. Driven by progress in late-stage phase III clinical development projects, the revenue share related to metabolic diseases increased to 43% as at 30 June 2023 from 28% as at 30 June 2022, and the revenue share of large pharma customers surged to 65% as at 30 June 2023 from 41% as at 30 June 2022.

PolyPeptide progressed its operational improvement initiatives in H1 2023 to offset the adverse profitability impacts from its challenges experienced during the Group's expansion. These included measures to instill technical proficiency and best practice, process improvements to optimize production scheduling and execution as well as efforts to tighten cost management and working capital discipline.

As part of its ongoing transformation, the Group maintained its innovation efforts, continuously working toward higher standardization of processes to increase operational flexibility and resilience within its multi-site manufacturing network. Moreover, PolyPeptide advanced its partnerships in the metabolic and rare disease markets and continued to review its pricing methodology.

Leadership changes

Following the appointment of Jens Fricke as the new Global Director Operations and member of the Executive Committee in December 2022, PolyPeptide started in H1 2023 the implementation of several organizational changes relating to Global Operations.

In January 2023, the Group had announced the decision of Raymond De Vré to step down as CEO and of Peter Wilden, Chairman of the Board of Directors, to assume the role of Executive Chairman for an interim period until a new CEO was in place. On 3 April, the Group announced the appointment of Juan-José Gonzalez as its new CEO, effective 12 April 2023. With the completion of his introduction, Peter Wilden will step down from his executive duties and continue 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 joins PolyPeptide during the course of Q1 2024 from Lonza AG, Basel, Switzerland, where he has served since 2016 with growing responsibilities in the CDMO business, including as Vice President Finance and most recently as Global Head Sales Excellence for the Lonza Biologic Division. He will take over from Lalit Ahluwalia who, after an adequate introduction period, will retire from his interim CFO role.

Guidance for 2023

The Group has updated its guidance for 2023. PolyPeptide's overarching priority is to fulfill customers' demand and continue to grow, while implementing the operational and profitability improvement initiatives.

The Group now aims for mid to high single-digit percentage revenue growth versus 2022. At the lower end of that range, the Group expects EBITDA to be around break-even, excluding the EUR 9.5 million write-down of inventory in H1 2023. As previously announced, the Group will end 2023 with a net loss. Capital expenditures are expected in the range of EUR 55 to EUR 65 million, subject to ongoing partnership discussions with customers.

This updates the Group's previous guidance of high single-digit revenue growth, adjusted EBITDA margin in the mid-teens and capital expenditures of around 10% of revenue for 2023.

At the beginning of July 2023, the Group secured a short-term credit-facility from its main shareholder, Draupnir Holding B.V., in the amount of EUR 40 million, which together with its existing credit facilities will continue to support the Group's growth ambitions. In the meantime, the Group continues its negotiations to implement a new long-term financing plan.

Financial Report

Interim consolidated financial statements

Interim consolidated income statement

1 January - 30 June (unaudited)

kEUR	Note	H1 2023	H1 2022
Revenue	4	131,834	133,656
Other operating income		1,544	954
Total income		**133,378**	**134,610**
Cost of sales	5	-144,006	-96,776
Gross profit / (loss)		**-10,628**	**37,834**
Marketing and sales expenses		-1,993	-2,589
Research expenses		-746	-656
General and administrative expenses	5	-21,097	-19,107
Total operating expenses		**-23,836**	**-22,352**
Operating result (EBIT)		**-34,464**	**15,482**
Financial income		21	4
Financial expenses		-4,784	-2,645
Total financial result		**-4,763**	**-2,641**
Result before income taxes		**-39,227**	**12,841**
Income tax		4,961	-2,594
Result for the period		**-34,266**	**10,247**
Attributable to shareholders of PolyPeptide Group AG		-34,266	10,247
Earnings per share in EUR, basic		-1.04	0.31
Earnings per share in EUR, diluted		-1.04	0.31

Interim consolidated statement of comprehensive income

1 January - 30 June (unaudited)

kEUR	Note	H1 2023	H1 2022
Result for the period		-34,266	10,247
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations, net of tax		-5,720	8,840
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-5,720**	**8,840**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain / (loss) on defined benefit plans		2,892	10,028
Income tax effect		-661	-2,338
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**2,231**	**7,690**
Other comprehensive result for the period, net of taxes		**-3,489**	**16,530**
Total comprehensive result for the period, net of taxes		**-37,755**	**26,777**
Attributable to shareholders of PolyPeptide Group AG		-37,755	26,777

Interim consolidated statement of financial position

(Unaudited)

Assets, kEUR	Note	As at 30 June 2023	As at 31 December 2022
Non-current assets			
Intangible assets		16,442	15,865
Property, plant, and equipment	5	276,246	275,878
Right-of-use assets		23,188	21,416
Deferred income tax assets		10,537	8,286
Other financial assets		2,211	2,767
Total non-current assets		**328,624**	**324,212**
Current assets			
Inventories	5	149,662	145,073
Trade receivables		67,100	46,486
Contract assets		7,414	2,660
Corporate income tax receivables		13,573	7,373
Other current assets		13,765	12,450
Cash and cash equivalents		8,985	37,528
Total current assets		**260,499**	**251,570**
Total assets		**589,123**	**575,782**

Interim consolidated statement of financial position (continued)

(Unaudited)

Equity and liabilities, kEUR	Note	As at 30 June 2023	As at 31 December 2022
Equity attributable to equity holders of the parent company			
Share capital	7	302	302
Share premium		203,129	203,129
Translation reserve		8,399	14,119
Treasury shares	7	-12,282	-13,609
Other capital reserves		2,656	3,590
Retained earnings		182,111	214,146
Total equity		**384,315**	**421,677**
Non-current liabilities			
Deferred income tax liabilities		1,714	1,878
Pensions		23,198	26,637
Provisions		1,974	2,476
Lease liabilities		19,505	17,652
Other financial liabilities		9,602	9,410
Total non-current liabilities		**55,993**	**58,053**
Current liabilities			
Interest-bearing loans and borrowings	10	55,172	–
Lease liabilities		3,326	3,566
Other financial liabilities		1,153	1,096
Corporate income tax payable		413	67
Trade payables		27,299	45,933
Contract liabilities		32,814	27,538
Other current liabilities		28,638	17,852
Total current liabilities		**148,815**	**96,052**
Total liabilities		**204,808**	**154,105**
Total equity and liabilities		**589,123**	**575,782**

Interim consolidated statement of changes in equity

1 January - 30 June (unaudited)
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 2023	**302**	**203,129**	**14,119**	**-13,609**	**3,590**	**214,146**	**421,677**
Result for the period						-34,266	-34,266
Remeasurement gain / (loss) on defined benefit plans, net of tax						2,231	2,231
Currency exchange differences			-5,720				-5,720
Total comprehensive income	**–**	**–**	**-5,720**	**–**	**–**	**-32,035**	**-37,755**
Purchase of own shares							–
Dividends paid							–
Share-based payment					393		393
Transfer of own shares				1,327	-1,327		–
Total transactions with owners	**–**	**–**	**–**	**1,327**	**-934**	**–**	**393**
Balance as at 30 June 2023	**302**	**203,129**	**8,399**	**-12,282**	**2,656**	**182,111**	**384,315**

Interim consolidated statement of changes in equity (continued)

1 January - 30 June (unaudited)
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**	**196,028**	**421,174**
Result for the period						10,247	10,247
Remeasurement gain / (loss) on defined benefit plans, net of tax						7,690	7,690
Currency exchange differences			8,840				8,840
Total comprehensive income	**–**	**–**	**8,840**	**–**	**–**	**17,937**	**26,777**
Purchase of own shares				-11,962			-11,962
Dividends paid		-9,671					-9,671
Share-based payment					991		991
Transfer of own shares				188	-188		–
Total transactions with owners	**–**	**-9,671**	**–**	**-11,774**	**803**	**–**	**-20,642**
Balance as at 30 June 2022	**302**	**203,129**	**18,125**	**-12,961**	**4,749**	**213,965**	**427,309**

Interim consolidated statement of cash flows

1 January - 30 June (unaudited)

kEUR	H1 2023	H1 2022
Cash flow from operating activities		
Result for the period	-34,266	10,247
Adjustments to reconcile cash generated by operating activities		
Depreciation, amortization and impairment	15,077	11,224
Movement in provisions	-427	-865
Movement in pensions	277	510
Share-based payment expense	393	991
Financial income	-21	-4
Financial expenses	4,784	2,645
Income tax charge	-4,961	2,594
Changes in net working capital		
(Increase) / decrease in inventories	-6,715	-27,246
(Increase) / decrease in trade receivables	-22,117	18,777
(Increase) / decrease in contract assets	-4,790	-3,989
(Increase) / decrease in other current assets	-1,120	-2,256
Increase / (decrease) in trade payables	-5,106	1,154
Increase / (decrease) in contract liabilities	5,676	-12,803
Increase / (decrease) in other current liabilities	10,786	1,674
Cash generated from operations	**-42,530**	**2,653**
Interest income received	20	4
Interest expenses paid	-1,671	-1,283
Income taxes paid	-4,141	-9,033
Net cash flows from operating activities	**-48,322**	**-7,659**
Cash flow from investing activities		
Acquisition of intangible assets	-2,277	-2,146
Acquisition of property, plant and equipment	-29,089	-39,080
Disposal of property, plant and equipment	0	2
Movement in other financial assets	270	22
Net cash flows from investing activities	**-31,096**	**-41,202**

Interim consolidated statement of cash flows (continued)

1 January - 30 June (unaudited)

kEUR	H1 2023	H1 2022
Cash flow from financing activities		
Purchase of own shares	0	-11,962
Dividends paid	0	-9,671
Proceeds from short-term borrowings from banks	55,172	–
Repayment of lease liabilities	-1,411	-1,538
Repayment of other financial liabilities	-276	-288
Net cash flow from financing activities	**53,485**	**-23,459**
Net movement in cash and cash equivalents	**-25,933**	**-72,320**
Cash and cash equivalents at the beginning of the period	37,528	136,303
Net foreign currency exchange differences	-2,610	2,453
Cash and cash equivalents at the end of the period	**8,985**	**66,436**

Notes to the interim 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 also markets a wide range of generic peptides.

The registered office of the Company is Neuhofstrasse 24, 6340 Baar, Switzerland. As at 30 June 2023, 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 Basis of preparation

These condensed consolidated financial statements are the unaudited, interim consolidated financial statements (hereafter "the Half-year Report") of PolyPeptide Group AG and its subsidiaries for the six-month period ended 30 June 2023 (hereafter "the interim period"). The Half-year Report is prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* and thus does not include all of the information required for a complete set of IFRS financial statements. The Half-year Report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022 (hereafter "the Annual Report 2022") as it provides an update of the previously reported information. No new standards or amendments to existing standards with a material effect on the Group's Half-year Report have become mandatorily effective for reporting periods beginning 1 January 2023 and the accounting policies adopted in the Half-year Report are thus consistent with those of the previous financial year.

The preparation of the Half-year Report requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the Half-year Report, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

There are a number of standards and interpretations that have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2023 (the date of the Group's next annual consolidated financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the consolidated financial statements once adopted.

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

2 Segment information

PolyPeptide generates revenue that can be divided into the three business areas described in Note 4. 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. As a result, 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. Accordingly, there is only one operating segment according to IFRS 8 – *Operating segments*.

No segment information is thus required to be disclosed in the notes to the interim consolidated financial statements according to IAS 34 – *Interim Financial Reporting*.

3 Seasonality

The activities of PolyPeptide are not subject to seasonal or cyclical variations in the underlying business. However, PolyPeptide may experience variability in its revenue across periods as a result of, among other things, the timing of customer purchase orders and payments, investments made during the period, increased competition, the number of selling days in a period and fluctuation of foreign currency exchange rates.

4 Revenue

PolyPeptide generates revenue from the following three business areas:

Revenue by business area

kEUR	H1 2023	H1 2022
Custom Projects	59,537	72,613
Contract Manufacturing	56,693	48,398
Generics and Cosmetics	15,604	12,645
Total revenue	**131,834**	**133,656**

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 from contracts with customers

H1 2023

kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	116,540		116,540
Over time		15,294	15,294
Total revenue	**116,540**	**15,294**	**131,834**

H1 2022

kEUR	API	Related services	Total
Timing of transfer of goods and services			
Point in time	121,724		121,724
Over time		11,932	11,932
Total revenue	**121,724**	**11,932**	**133,656**

Revenue from Active Pharmaceutical Ingredients (API) fully relate to the sale of goods, and revenue from related services relate to the rendering of services. All revenues from contracts with customers classify as business-to-business.

Revenue by geographical area

kEUR	H1 2023	H1 2022
Americas	50,877	60,399
Europe	71,841	65,326
Asia Pacific	8,890	7,800
Others	226	131
Total revenue	**131,834**	**133,656**

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

5 Significant events and transactions

The Group assesses the value of its inventory on a regular basis which may lead to inventory write-downs. In H1 2023, the Group recognized a material write-down of inventory at one of its operating sites. The write-down is included within “Cost of sales” in the income statement and amounts to EUR 9.5 million, reflecting a net realizable value of nil.

In H1 2023, the Group furthermore recognized an impairment loss of Property, plant and equipment. The impairment loss is included within “General and administrative expenses” in the income statement and amounts to EUR 2.0 million, reflecting a recoverable amount of nil.

6 Share-based payment

The following equity-settled share-based payment arrangements are recognized in the interim 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.

In H1 2023, the fair value at grant date amounted to kEUR 886 (H1 2022: kEUR 799), reflecting a measurement based on a total number of shares of 43,690 (H1 2022: 9,835) and a price of EUR 20 (CHF 20) per share as at 12 April 2023 (H1 2022: a price of EUR 81 (CHF 83) per share as at 26 April 2022).

All shares will be fully vested at the annual general meeting in April 2024. In H1 2023, a total amount of kEUR 541 (H1 2022: kEUR 570) was recognized as “General and administrative expenses” in the income statement according to the principles of graded vesting in IFRS 2.

Chief Executive Officer

In January 2023, Raymond De Vré resigned as the CEO of the Group. He was subsequently succeeded by the current CEO of the Group, Juan-José Gonzalez, who joined the Group in April 2023. The resignation of Raymond De Vré has impacted the share-based payment related expenses as follows:

- When Raymond De Vré joined the Group in 2021, he received 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 included a service condition of three years, one-third vesting each year as of 1 June (starting from 2022). The expenses have been recognized in the income statement as “General and administrative expenses” according to the principles of graded vesting in IFRS 2, resulting in an accumulated expense of kEUR 730 as at 31 December 2022.
  Due to the resignation of Raymond De Vré, the last tranche previously expected to vest in June 2024 will not vest. As a result, an adjustment has been recognized in H1 2023, resulting in an accumulated expense of kEUR 569 as at 30 June 2023. No further expenses relating to this grant will thus be recognized in future periods.
- 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.

  As at 30 June 2023, the only eligible participant in the LTIP has been the former CEO of the Group, Raymond De Vré. The PSUs were granted to Raymond De Vré on 29 November 2021, and the vesting period would end 10 trading days after the shareholders approve the 2023 audited consolidated financial statements.

  The resignation of Raymond De Vré has changed the vesting terms. However, due to the expected RONOA and EPS performance of the Group over the three-year performance period, no shares from the 2021 grant are expected to vest (similar to the expectation as at 31 December 2022). As a result, no expenses have been recognized in the income statement in H1 2023 (H1 2022: kEUR 173) and the change in the terms due to the resignation has thus not resulted in a financial impact.

No grants have been made to the new CEO, Juan-José Gonzalez, or other eligible members of the LTIP in H1 2023.

The comparative figures for H1 2022 include an expense of kEUR 46 recognized as “General and administrative expenses” in the income statement, reflecting a grant to Raymond De Vré for his loss of variable payments from his previous employer. The shares vested in 2022 and have thus no impact on H1 2023.

7 Shareholders' equity

Share capital

There have been no changes to the share capital of the parent company of the Group, PolyPeptide Group AG, during H1 2023. As a result, the share capital of PolyPeptide Group AG comprised 33,125,001 shares of CHF 0.01 each as at 30 June 2023.

All shares are fully paid.

Treasury shares

	Number of shares	Average purchase/ transfer price (EUR)	% of number of shares in share capital
Own shares as at 1 January 2023	199,196		0.6%
Purchase	–	–	–
Transfer	-18,020	74	-0.1%
Own shares as at 30 June 2023	**181,176**		**0.5%**
Own shares as at 1 January 2022	20,371		0.1%
Purchase	169,656	71	0.5%
Transfer	-2,657	69	-0.0%
Own shares as at 30 June 2022	**187,370**		**0.6%**

Cash distribution

No cash distribution was made in H1 2023.

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 was recognized against share premium in H1 2022.

8 Investment in subsidiaries

The interim consolidated financial statements include the financial statements of the Company and the subsidiaries listed below. Percentage of voting shares is equal to percentage of ownership.

Name	Location	Percentage of ownership	
		As at 30 June 2023	As at 31 December 2022
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%

[1] PolyPeptide Laboratories San Diego, LLC is a wholly owned subsidiary of PolyPeptide Laboratories Inc.

[2] PolyPeptide Laboratories A/S is a dormant company.

9 Related parties

The following transactions have been entered into with related parties:

H1 2023 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Thalamus AB	–	-84	–	-199
Ferring Group	12,210	-13	3,307	–
Monedula AB	–	-635	–	-11,008
Amzell B.V.	6	–	–	–
Amring Pharmaceuticals Inc	4	–	–	–
SVAR Life Science AB	71	–	–	–
Nordic Pharma Ltd.	–	-3	–	–

H1 2022 kEUR	Income from related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Thalamus AB	–	-85	–	-386
Ferring Group	19,863	-8	5,572	–
Monedula AB	164	-618	199	-11,594
Amzell B.V.	28	–	37	–
Amring Pharmaceuticals Inc	–	–	–	–
SVAR Life Science AB	–	–	–	–
Nordic Pharma Ltd.	–	–	–	–

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 the Company's majority shareholder Draupnir Holding B.V.

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 recognized for the lease of premises.

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 H1 2023, no provisions for doubtful debt and no write-offs on receivables from related parties were recognized (H1 2022: nil). No guarantees were given or received for any outstanding related party balances (H1 2022: nil).

10 Short-term borrowings from banks

As at 30 June 2023, the Group had been granted multiple overdraft facilities for a total amount of kEUR 76,200 (31 December 2022: kEUR 26,200).

An amount of kEUR 75,000 was granted by Danske Bank (31 December 2022: kEUR 25,000), of which kEUR 55,172 was drawn as at 30 June 2023 (31 December 2022: nil). The interest rate on the DANSKE Bank facility amounts to DANSKE BOR plus a margin of 0.80% to 1.00% (31 December 2022: 0.80%) on the amounts drawn.

The remaining kEUR 1,200 was granted by ING Bank (31 December 2022: kEUR 1,200), of which nil was drawn as at 30 June 2023 (31 December 2022: nil). The interest rate on the ING Bank credit facility amounts to EURIBOR plus a margin of 1.5% (31 December 2022: 1.5%) on the amounts drawn.

11 Subsequent events

Subsequent to the end of the reporting period, the Company signed a EUR 40 million unsecured short-term credit facility with the Company's majority shareholder, Draupnir Holding B.V. The agreement is a bridge loan facility to provide the Company with short-term financing while a new long-term financing plan is finalized.

Except from the credit facility agreement, there have been no significant events subsequent to the end of the reporting period that would require additional disclosure in the interim consolidated financial statements.

The interim consolidated financial statements were approved for issue by the Board of Directors on 11 August 2023.

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 items.

Abbreviations

API – Active Pharmaceutical Ingredient

APM – Alternative Financial Performance Measure

CDMO – Contract Development and Manufacturing Organization

cGMP – current Good Manufacturing Practice

CMC – Chemistry, Manufacturing & Controls

FTE – Full-time equivalent

ICH – International Council for Harmonization

LCM – Life Cycle Management

NDA – New Drug Application

PPQ – Process Performance Qualification

SIX – SIX Swiss Exchange

Operational indicators

As part of our financial disclosure, we report revenue from our custom projects 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-cGMP manufacturing for the lead candidate selection, and subsequent non-cGMP manufacture of the selected API for pre-clinical and toxicological studies;
- **phase I and phase II** projects includes cGMP 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 cGMP 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.).

Alternative financial performance measures (APM)

Revenue at constant currency rates: 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.

Revenue not associated with the coronavirus pandemic: This measure provides additional transparency on revenue trends by excluding revenue associated with the coronavirus pandemic.

Gross margin: Gross profit as a percentage of revenue.

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

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

EBITDA Margin: EBITDA as a percentage of revenue.

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 percent 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 interest-bearing loans and borrowings less lease liabilities less other financial liabilities.

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

Reconciliations

Operating result to EBITDA

kEUR	H1 2023	H1 2022
Operating result (EBIT)	-34,464	15,482
Depreciation, amortization and impairment charges (if any)	15,077	11,224
EBITDA	**-19,387**	**26,706**

Return on net operating assets (RONOA)[1]

kEUR	H1 2023	H1 2022
Last twelve months Operating result (EBIT)	-37,340	48,844
Average[1] Net operating assets:		
Total non-current assets (average)	311,538	254,607
Total current assets (average)	272,649	320,994
Cash and cash equivalents (average)	-37,711	-126,899
Total current liabilities (average)	-119,822	-106,084
Average[1] Net operating assets	426,654	342,618
Return on net operating assets (RONOA)	**-8.8%**	**14.3%**

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

Free Cash Flow

kEUR	H1 2023	H1 2022
Net cash flows from operating activities	-48,322	-7,659
Acquisition of intangible assets	-2,277	-2,146
Acquisition of property, plant and equipment	-29,089	-39,080
Free Cash Flow	**-79,688**	**-48,885**

Net Cash

kEUR	As at 30 June 2023	As at 31 December 2022
Cash and cash equivalents	8,985	37,528
Interest-bearing liabilities (Total financial debt):		
Lease liabilities (Non-current)	-19,505	-17,652
Other financial liabilities (Non-current)	-9,602	-9,410
Interest-bearing loans and borrowings (Current)	-55,172	0
Lease liabilities (Current)	-3,326	-3,566
Other financial liabilities (Current)	-1,153	-1,096
Interest-bearing liabilities (Total financial debt)	-88,758	-31,724
Net Cash / (debt)	**-79,773**	**5,804**

Revenue at constant currencies[1]

kEUR	H1 2023	H1 2022
Revenue at constant currencies[1]	134,430	130,683
Impact from changes in exchange rates compared to prior period	-2,596	2,973
Revenue reported (IFRS)	**131,834**	**133,656**

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

Change in revenue

	H1 2023 vs H1 2022	H1 2022 vs H1 2021
Change in revenue reported (IFRS) (%)	-1.4%	-1.1%
Change in revenue at constant currencies (%)	2.9%	-3.3%

Coronavirus pandemic

kEUR	H1 2023	H1 2022
Revenue associated with the coronavirus pandemic	1,507	32,823
Revenue not associated with the coronavirus pandemic	130,327	100,833
Revenue reported (IFRS)	**131,834**	**133,656**

kEUR	H1 2023	H1 2022
Revenue not associated with the coronavirus pandemic	130,327	100,833
Custom Projects	58,037	46,839
Contract Manufacturing	56,686	41,349
Generics & Cosmetics	15,604	12,645

Capital expenditures (Capex)

kEUR	H1 2023	H1 2022
Property, plant and equipment assets capitalized	17,690	36,432
Intangible assets capitalized	1,656	1,494
Capital expenditures (Capex)	**19,346**	**37,926**

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 Half-year 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, revenue not associated with the coronavirus pandemic, gross margin, EBITDA, EBITDA margin, capital expenditures (Capex), net operating assets, return on net operating assets (RONOA), equity ratio, net working capital, free cash flow, total financial debt, net cash and headcount. These APM should be regarded as complementary information to and not as substitutes of the Group’s consolidated financial results based on IFRS. These APM may not be comparable to similarly titled measures disclosed by other companies. For the definitions of the main operational indicators and APM used, including related abbreviations, as well as for selected reconciliations to IFRS, refer to the section “Definitions and reconciliations” in this report.

For the purposes of this report, unless the context otherwise requires, the term “the Company” means PolyPeptide Group AG, and the terms “PolyPeptide”, “the Group”, “we”, “us” and “our” mean PolyPeptide Group AG and its consolidated subsidiaries. In various tables, the use of “-” indicates not meaningful or not applicable.

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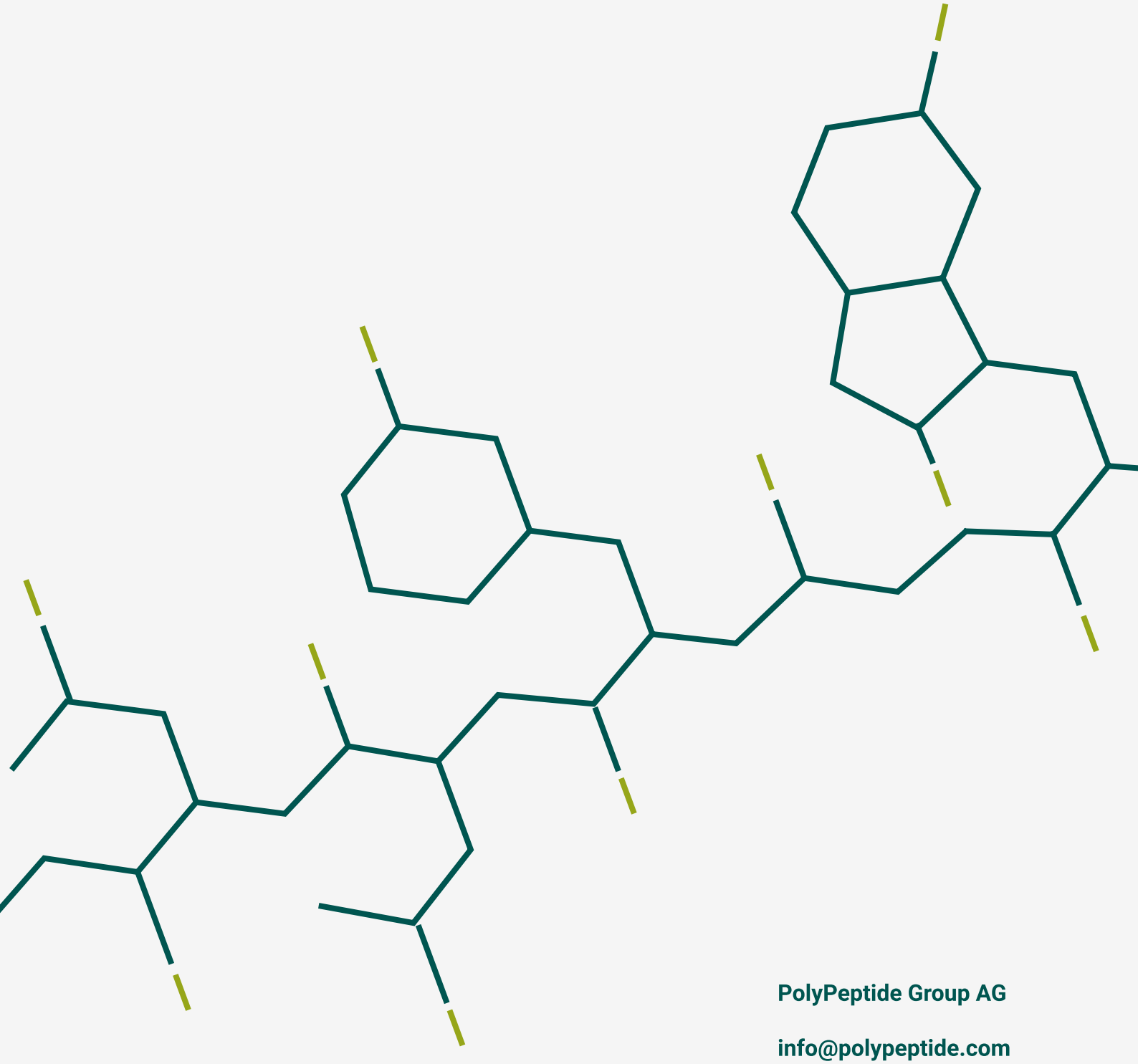

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