

Media release – ad hoc announcement pursuant to Art. 53 LR

Transformational progress taking shape, profitability impacted by rapid expansion – appointment of Marc Augustin as new CFO

Baar, 15 August 2023 – PolyPeptide today announced its results for H1 2023, updated guidance for 2023 and the appointment of its new CFO:

- Reported results in line with market update provided on 13 July 2023, with revenue of EUR 131.8 million, representing a 1.4% decline versus H1 2022 and 2.9% growth at constant currency rates. EBITDA of EUR -19.4 million versus 26.7 million in H1 2022, with more than half of the decline related to changes in cost absorption and a one-off inventory write-down.
- Growth excluding revenue associated with the coronavirus pandemic was 29.3%, displaying strong peptide-driven momentum.
- As at 30 June 2023, therapeutic area of metabolic diseases accounted for 43% of revenue compared to 28% as at 30 June 2022; over the same period, the revenue share of large pharma customers increased to 65%, up from 41%; trends expected to continue as PolyPeptide advances partnerships in the metabolic and rare disease markets with large pharma customers underpinned by a strong active custom projects pipeline driving transformational progress.
- Pipeline of 226 active custom projects as at 30 June 2023 (220 end of 2022); secured 17 new peptide and oligonucleotide projects, of which 6 are with new customers; 31 (30 end of 2022) projects in phase III of clinical development.
- Updated guidance for 2023: priority is to fulfill customer demand and to continue to grow, while implementing 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, EBITDA is expected 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.
- Appointment of Marc Augustin as CFO and member of the Executive Committee; he joins PolyPeptide during the course of Q1 2024 with a strong background in a high-growth CDMO environment as well as with deep finance and operational experience.
- Audio webcast and conference call will take place today at 9:30 am CEST (details see page 5).

Juan-José Gonzalez, CEO of PolyPeptide: “Our market is accelerating, and we are focused on maximizing its potential. With the strong peptide-driven momentum in H1 2023 and the notable shift in the revenue mix toward metabolic and large pharma, PolyPeptide’s transformation into a global large-scale CDMO is underway. Our investments in capacity expansion are starting to pay off, though we still have work to improve our operational performance and profitability, which is a key objective for H2 2023.”

Key figures¹ (unaudited)

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 results (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%

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, with double-digit growth in all business areas (see table below).

kEUR (unaudited)	H1 2023	H1 2022	Change
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

Footnotes

¹ This media release and the key figures table 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 for 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 the Half-year Report 2023.

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.

Investments and cash flow

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.

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.

Changes in management

The Board of Directors of PolyPeptide appointed Marc Augustin (born 1972, German citizen) as its new CFO and member of the Executive Committee. His background in a high-growth CDMO environment with deep finance and operational experience will be valuable as PolyPeptide continues to scale up. He will take over from Lalit Ahluwalia who, after an adequate introduction period, will retire from his interim CFO role.

Mr. Augustin 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 Biologics Division. From 2009 to 2016, he was with Smith & Nephew Orthopaedics, Zug, Switzerland, where he served as Head of Finance Operations Orthopaedics EU and as Finance Director Switzerland & European Shared Services. Earlier positions include financial roles with Alcoa Extrusion in Hannover and with Thyssen Krupp in Dusseldorf, Germany. Mr. Augustin holds a degree in Master of Business Administration from the Heinrich Heine University in Dusseldorf.

On 3 April 2023, the Group announced the appointment of Juan-José Gonzalez as its new CEO, effective 12 April. With the completion of his introduction, Peter Wilden, Executive Chairman, will step down from his executive duties and continue as of 1 October 2023 in his role as Chairman of the Board of Directors.

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.

Results documentation, audio webcast and conference call

PolyPeptide Group will hold an audio webcast today at 9:30 am CEST, where CEO Juan-José Gonzalez and CFO ad interim Lalit Ahluwalia will discuss business trends and results in more detail. Please [click here](#) to join the audio webcast. To ask questions during the Q&A session, you must dial in to the moderated telephone conference. Participants may pre-register [here](#) and will receive dedicated dial-in details to easily access the call. Please dial in 5-10 minutes prior to the start.

A replay of the event will be available in the [Results Center](#) after the results presentation.

All results documents, including the media release, the results presentation, the [Half-year Report 2023](#) as well as the updated time series, will be available from around 7:00 am CEST in the PolyPeptide [Results Center](#).

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About PolyPeptide

PolyPeptide Group AG and its consolidated subsidiaries ("PolyPeptide") is a focused Contract Development & Manufacturing Organization (CDMO) for peptide- and oligonucleotide-based active pharmaceutical ingredients. By supporting its customers mainly in pharma and biotech, it contributes to the health of millions of patients across the world. PolyPeptide offers products and

services from pre-clinical through to commercial stages, including generics. Its active custom projects pipeline reflects the opportunities from novel drug therapies in development to fight both widespread and rare diseases. Dating back to 1952, PolyPeptide today runs a global network of six cGMP-certified facilities in Europe, the U.S. and India. PolyPeptide's shares (SIX: PPGN) are listed on SIX Swiss Exchange. For more information, please visit polypeptide.com.

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Alternative financial performance measures (APM)

This media release 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 PolyPeptide Group AG's [Half-year Report 2023](#).

For the purposes of this media release, 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 the key figures table, the use of '-' indicates not meaningful or not applicable.