



POLYPHOR

# POLYPHOR

## Annual General Meeting Information Call

May 18<sup>th</sup> 2020

# Forward-looking statement

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# Polyphor Management Team and the Board of Directors



## Management Team



**Gokhan Batur**  
CEO

- Former Global Head of Antibiotics Business at Merck Co Inc. leading a portfolio of 2B\$
- Leadership positions at regional and global level in hospital and oncology launches at Merck



**Frank Weber**  
Chief Medical & Development Officer

- CMO of Probiodrug and Head of market access of Santhera
- SVP Intermune; CMO Merck and Merck-Serono



**Daniel Obrecht**  
Chief Scientific Officer

- Co-founder of Polyphor
- Former Head of Combinatorial Chemistry Group at Roche



**Hernan Levett**  
CFO

- Former CFO at NASDAQ listed company Auris Medical
- VP of Finance at Intermune after 10 years at Novartis in various finance roles



**Franziska Muller**  
Head of HR

- Holds a master's degree from the University of Fribourg in organizational psychology
- She joined the company in 2008

## Board of Directors

### Kuno Sommer, Chairman

- Former Head of Contract Research at Harlan Laboratories
- Former CEO of Berna Biotech
- Former EC member at Roche Flavours and Fragrance Div. (Givaudan)



### Andreas Wallnöfer, Vice Chairman

- Various senior leadership positions
- Head of Clinical Research & Exploratory Dev., Head of pRED at Roche
- Partner in BioMedInvest III fund



### Jean-Pierre Obrecht\*

- Co-founder and former CEO of Polyphor
- Former Head of Logistics Chemicals at Roche Pharma



### Bernard Bollag

- Former Group Treasurer at Syngenta
- Founder and Managing Director at Beaufort Capital
- Former CFO of HomeSun, Aktiva Group



### Silvio Inderbitzin

- Previous CEO of Spirig Pharma until its trade sale in 2013
- Active investor in small to mid-sized Swiss life sciences companies



## Employees\*\* at a glance:

- 53 employees in total
- Research: 18, Development: 20, Staff Functions: 15

\* Jean-Pierre Obrecht will not step for reelection in 2020 due to personal reasons \* After restructuring fully effective

# 2019 Highlights and the Outlook

*After 2019 turnaround, 2020 is focused on Balixafortide execution and pipeline expansion*



## 2019 Highlights:

- Balixafortide – Start FORTRESS Phase III trial, followed by strong progress
- Decision to halt murepavadin I.V. clinical program
- Inhaled Murepavadin – Completion preclinical program
- POL7306 preclinical program complete - decision to not submit IND, but continue formulation / peptide design
- New leadership and board of directors changes
- CHF 77.4 million in cash and cash equivalents as of December 31, 2019

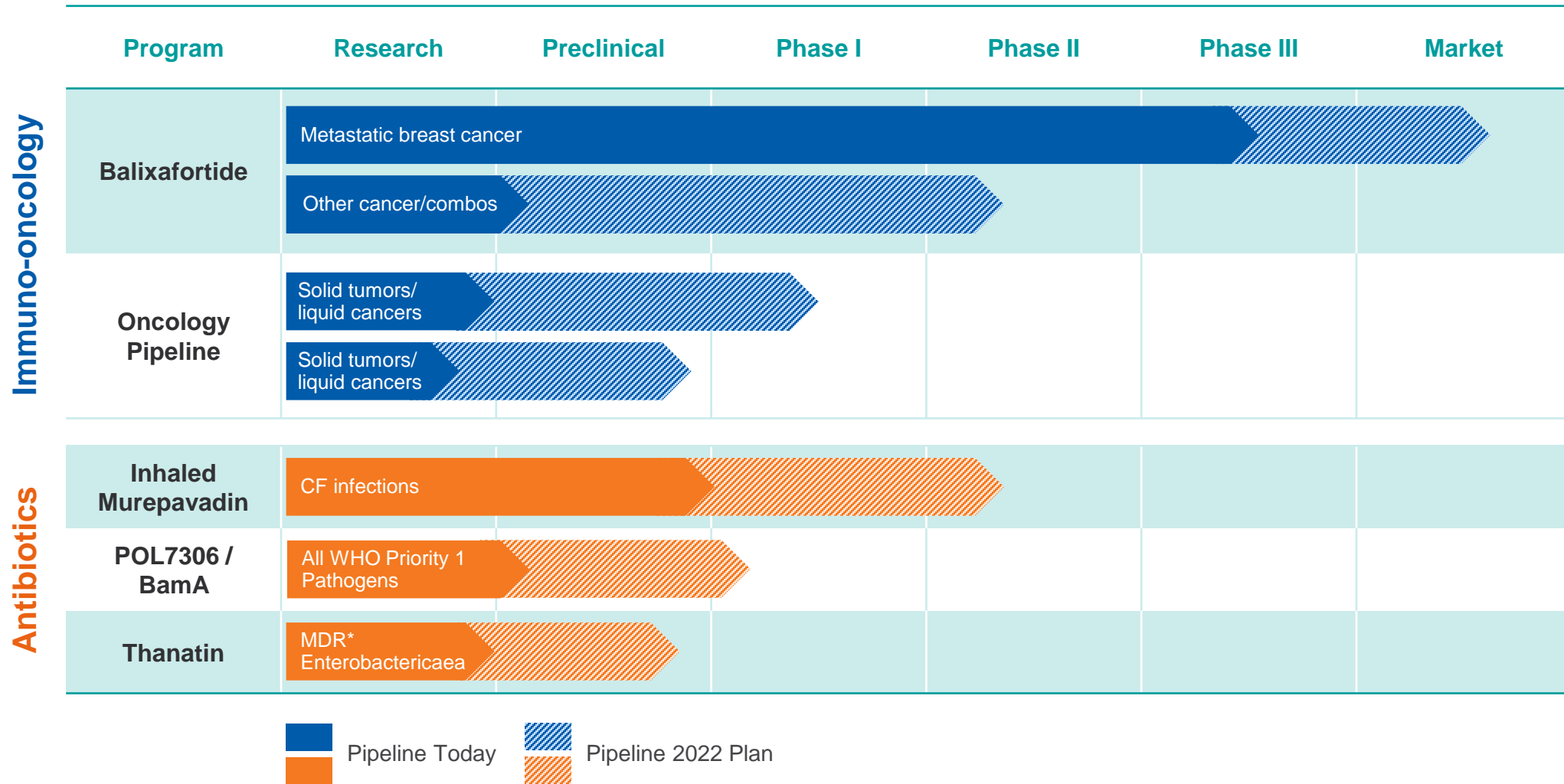
## Outlook:

- Balixafortide – Strong Phase III trial progress in metastatic breast cancer with enrollment ahead of plan and positive first DSMB. First co-primary endpoint (ORR\*) data-cut expected end Q1 2021
- Plans to expand balixafortide opportunity with new dosing schedule, non IV formulation, earlier lines of mBCa, other tumor types and combinations
- Explore new oncology candidates from our platform following ORR data in Q1 2021
- Inhaled Murepavadin – Plan to submit CTA in Q4 2020
- Renewed strategy for our research and preclinical antibiotic programs with strong focus on formulation and peptide design optimization

\*Objective Response Rate

# Polyphor Pipeline and Plan

Opportunity to provide multiple pipeline progress and key inflection points until 2022



\*Multidrug Resistant

# Polyphor Portfolio Plan and Value Creation Journey

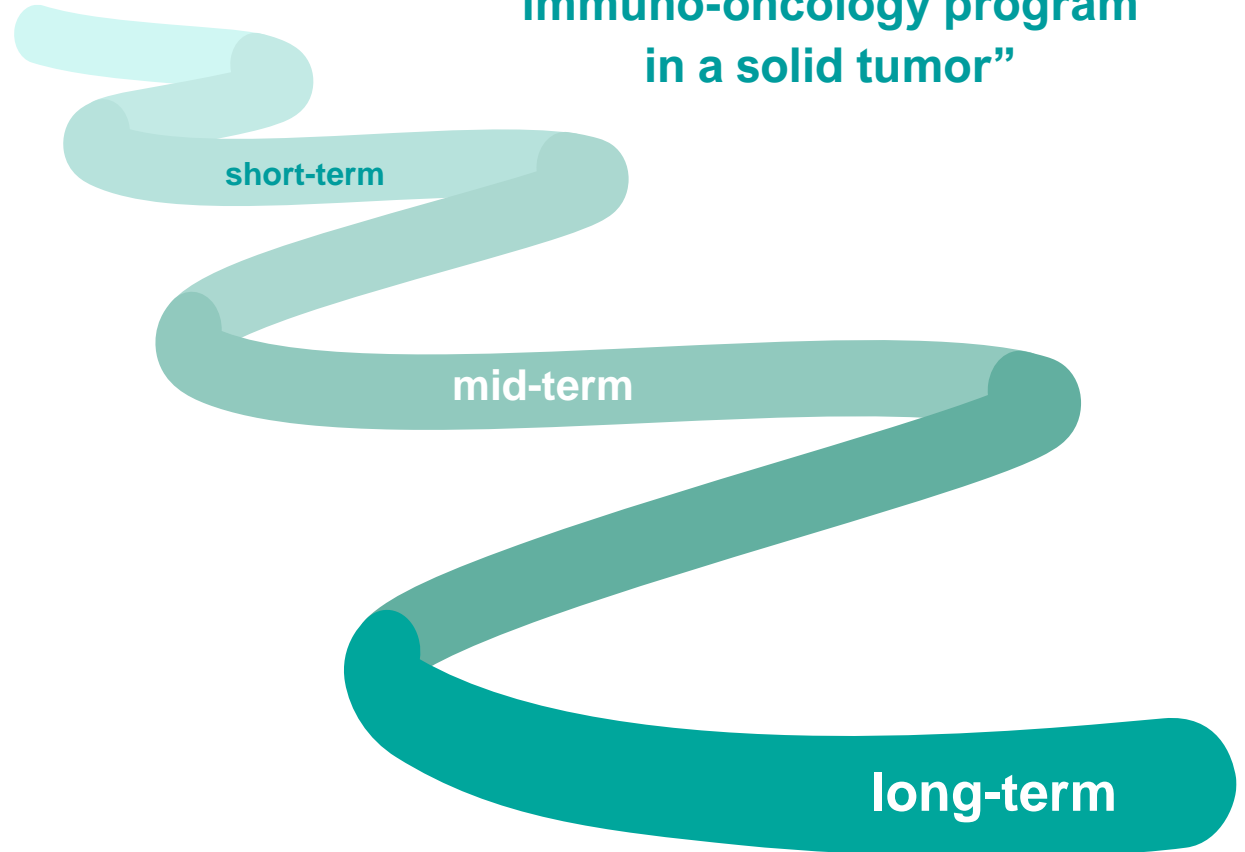
*Immuno-oncology*



**“Spearheading first-in-class immuno-oncology program in a solid tumor”**

## 1. Balixafortide Phase III program in HER2-metastatic breast cancer

- “A large and high unmet need” lead indication that can widen the opportunities in the field of immuno-oncology
- First co-primary endpoint ORR data cut in Q1 2021



## 2. Balixafortide expansion in other indications / combos

- The success in the initial indication can significantly widen the opportunities in the field of immuno-oncology in following:
  - Earlier lines in mBCa
  - Other tumors / combo indications
  - Combination with checkpoint inhibitors

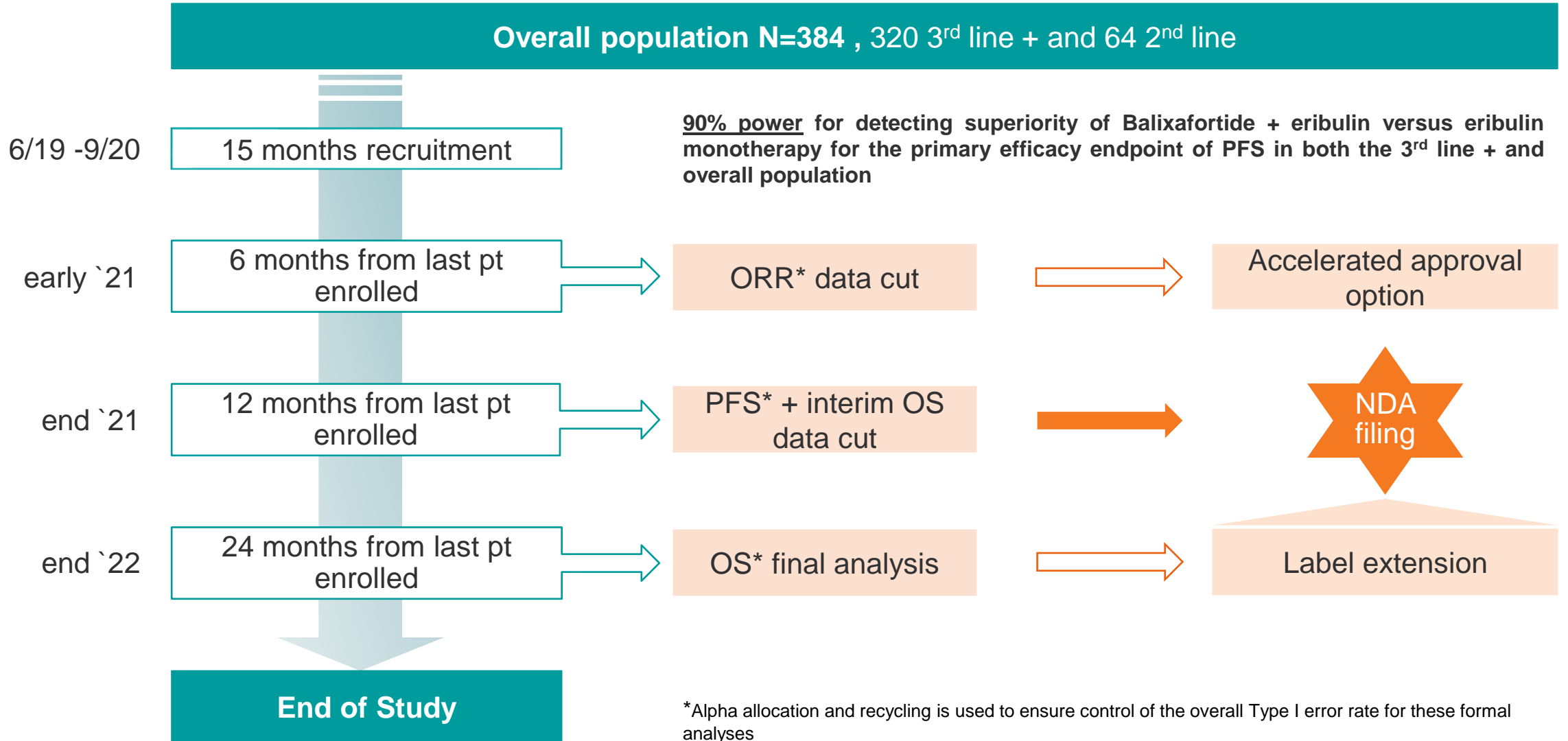


## 3. Oncology pipeline:

- Creating a pipeline of novel molecules based on our macrocycle platform in novel targets for solid/liquid tumors following potential positive ORR results in Q1 2021



# FORTRESS Study Timeline Flow Chart

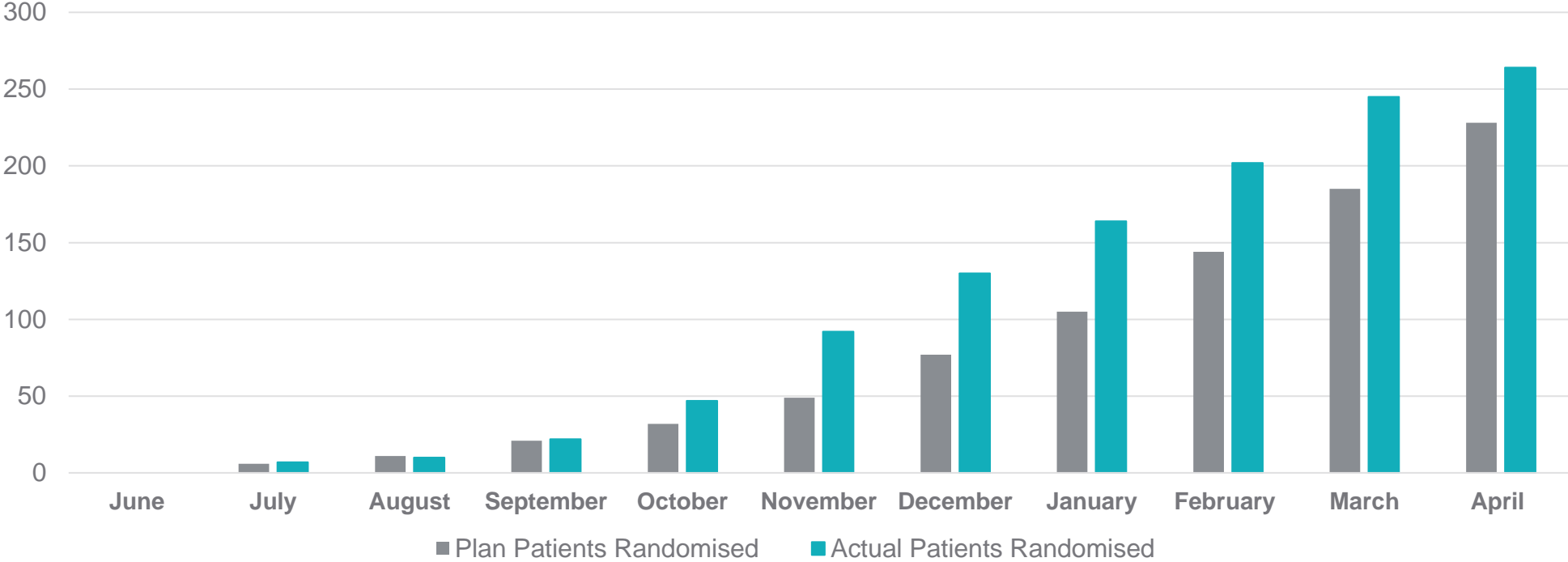


# FORTRESS Recruitment is Ahead of Plan



71% of patients randomized

### FORTRESS Randomization Curve



- Randomization status n= 273 (71% of 384) as of May 13th
- Sites in all continents open.
- In the current situation with Covid 19 we are taking all possible measures to safeguard patients, study conductors and investigators and the study conduct in general.
- As of today, we are on plan to complete the recruitment of 384 patients in the Fortress study by end of September 2020.

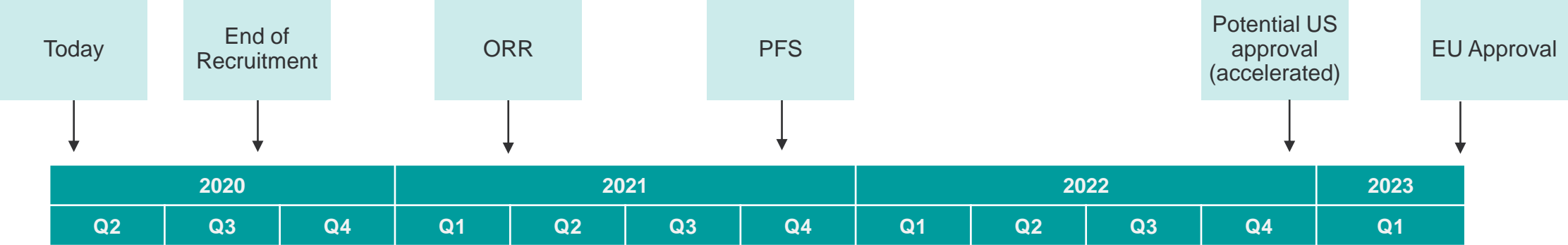


# Balixafortide Strategy – Initial Indication and Expansion Plan

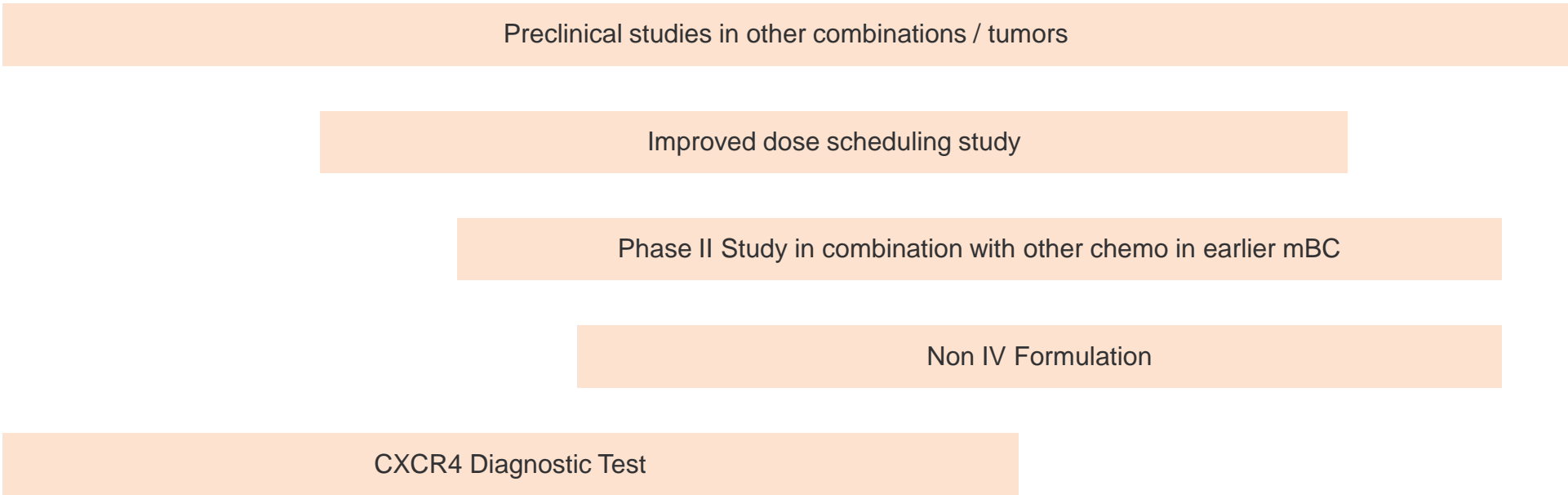
*Expanding Partnership Value Potential*



Initial Indication



Future Indication Expansion Plan



Key enablers for expanding beyond the initial indication to earlier lines / other tumors and combos and **building value for potential future partnerships.**

# Polyphor Portfolio Plan and Value Creation Journey

*Progress novel class antibiotics largely with external financing*



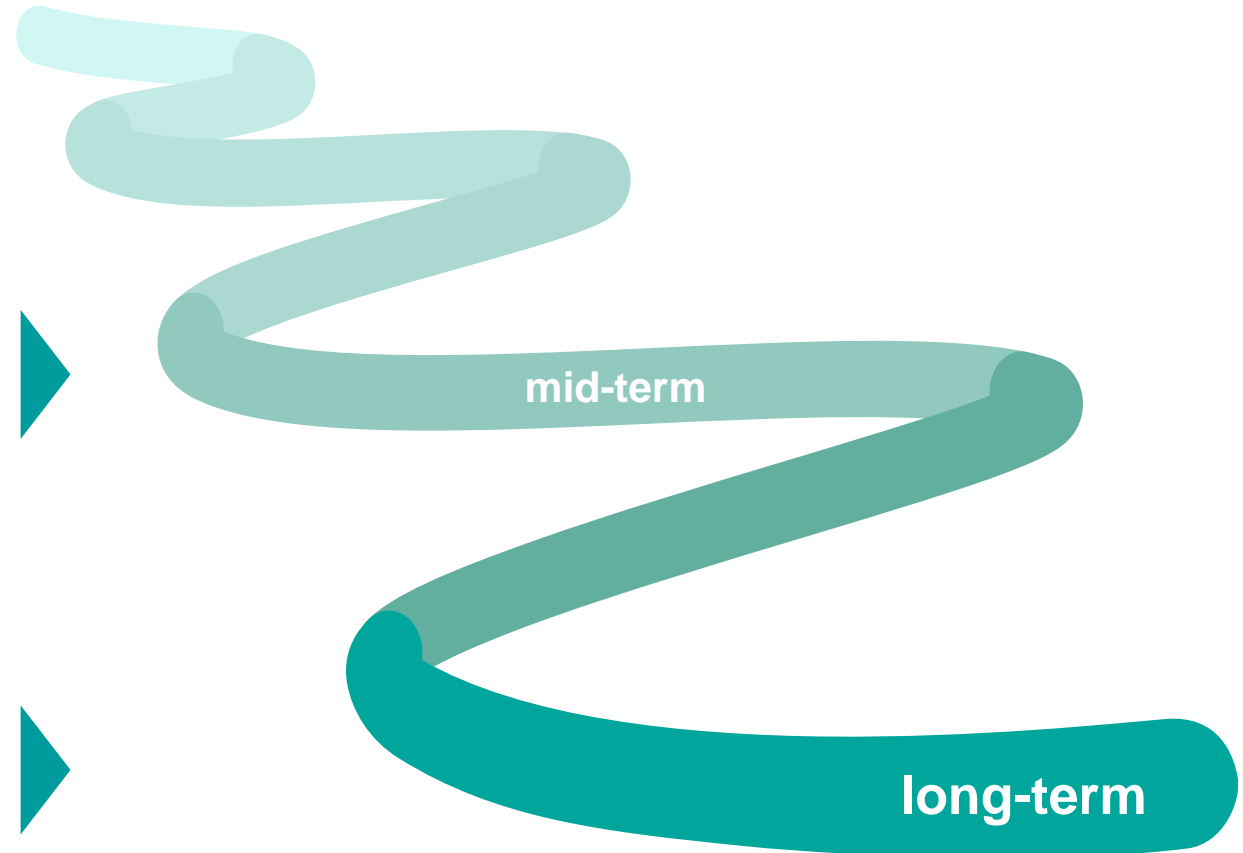
**“First new class of antibiotics in gram negative space in 50 years targeting cystic fibrosis and hospital acquired infections”**

## 1. Inhaled Murepavadin:

- Changing the treatment paradigm for people with cystic fibrosis (CF)
- Plan to move to Ph. I in Q4-20 to expand pipeline
- Orphan disease opportunity
- Program largely financed by IMI funding

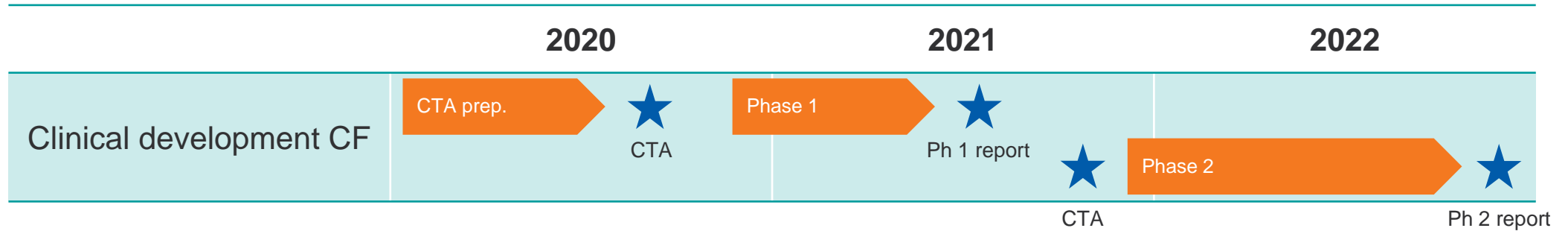
## 2. BamA / Thanatin Program:

- Bringing first new class of antibiotics targeting resistant WHO priority 1 gram(-) bacteria with low propensity for resistance
- Continue preclinical programs with external financing to ensure minimal cash burn impact until clinical stage
- Potential long term value driver following potential new AMR reward mechanisms which can be accelerated by COVID 19 crisis



# Inhaled Murepavadin for CF

Potential to expand shareholder value by rapidly moving to clinic



## Clinical Program Plan and Timelines:

- Preclinical program complete suggesting broad safety margin and efficacy, plans to submit CTA for inhaled murepavadin and start Phase I program in Q4 2020
- Following attributes measured in clinical trials to potentially make Inhaled Murepavadin change the treatment paradigm:
  - Efficacy including refractory patients to standard of care (SoC)
  - Reduction in pulmonary exacerbations
  - Improvement in microbiome due to selectivity and its effect on long term lung function
  - Dosing vs. SoC

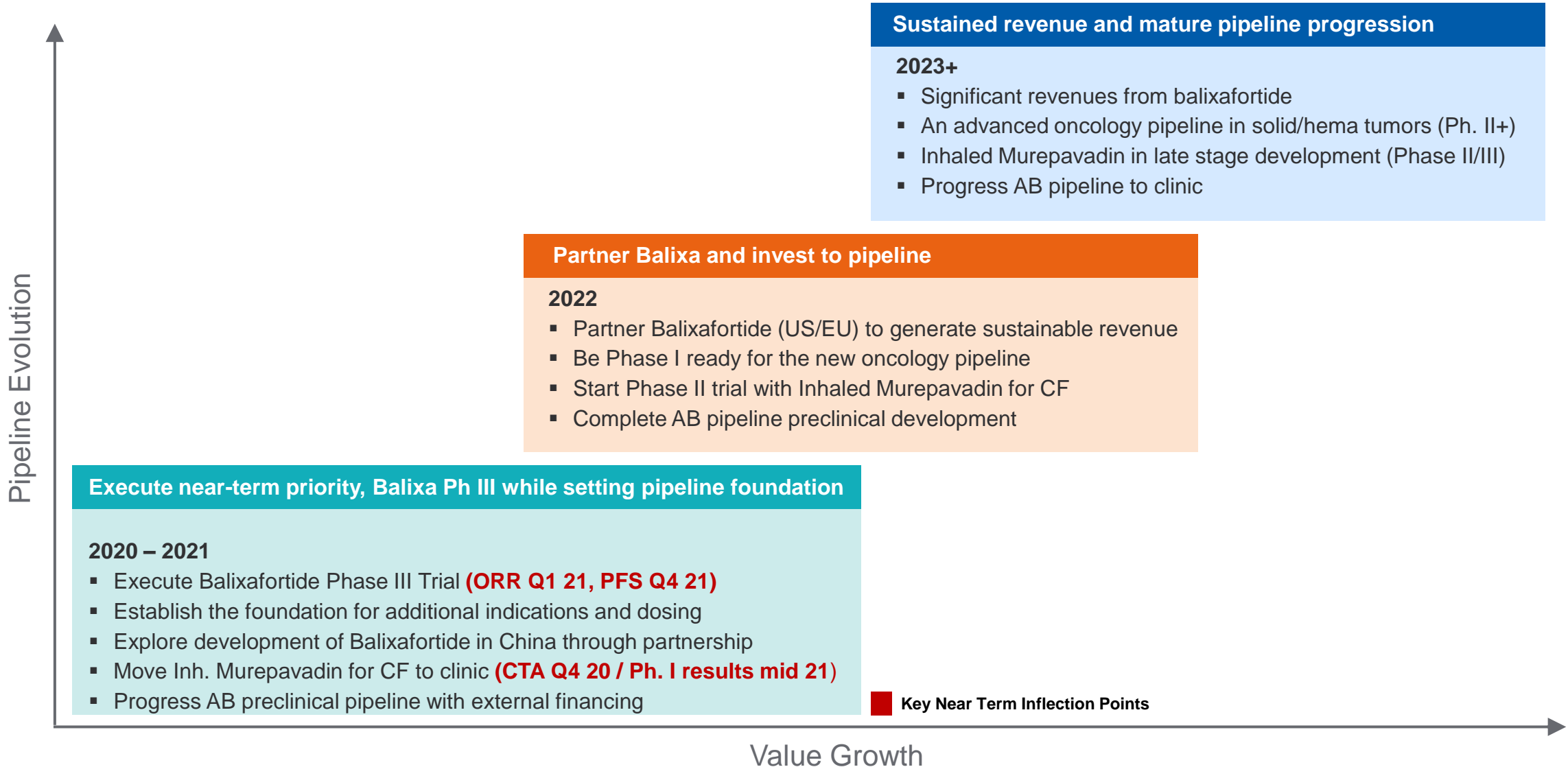
## Targeted and attractive rare disease opportunity:

- Attractive orphan market opportunity
- Comparators' \* peak sales (200-400m USD)
- Can be expanded from CF to Non Cystic Fibrosis Bronchiectasis and beyond
- Pursue additional external financing while the program already partly financed by IMI until 2021.

\* Tobi and Cayston

# Strategy to Expand Shareholder Value

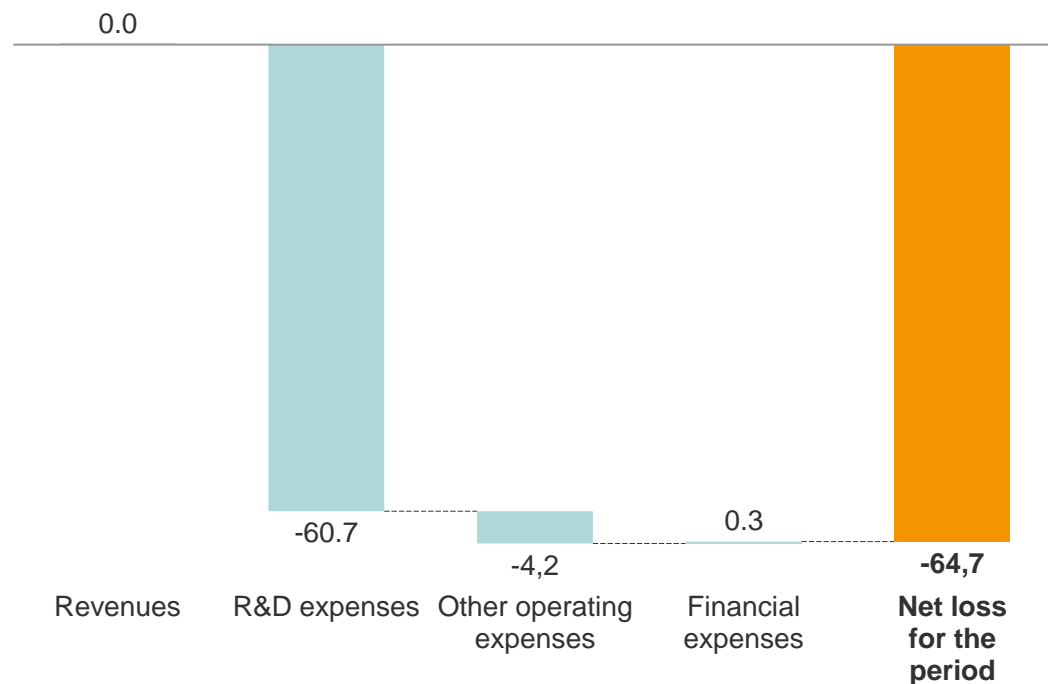
*Polyphor provides multiple key value inflection points*



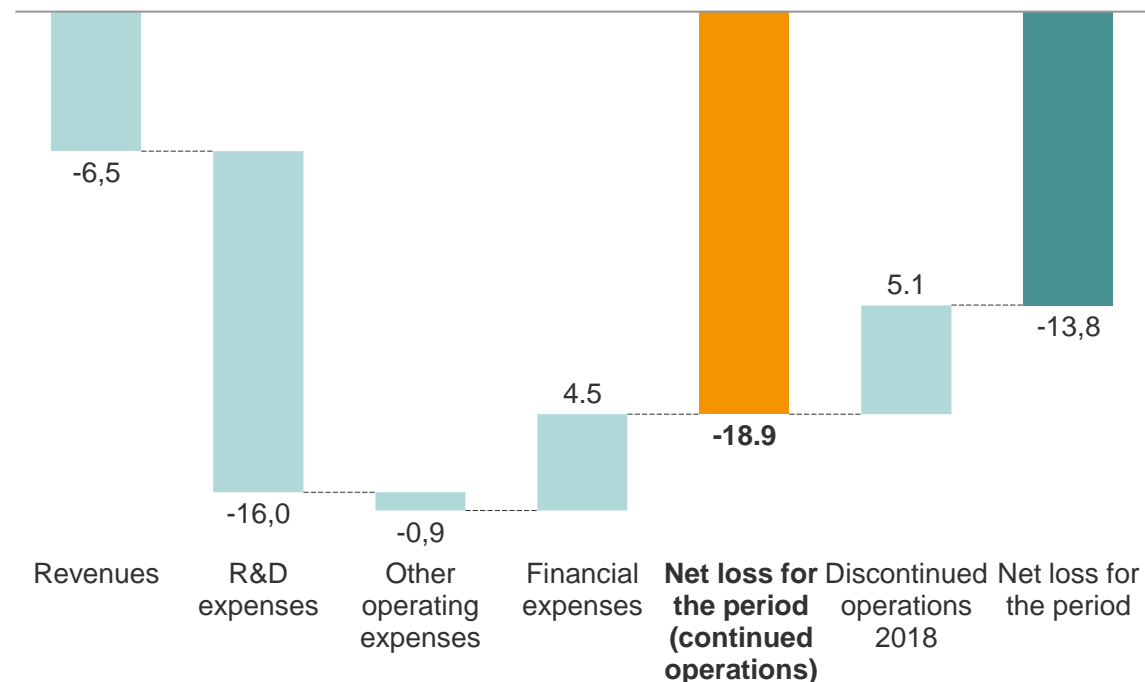
# Financial Highlights – Net loss

In CHF million (based on consolidated IFRS financial statements)

## Results 2019



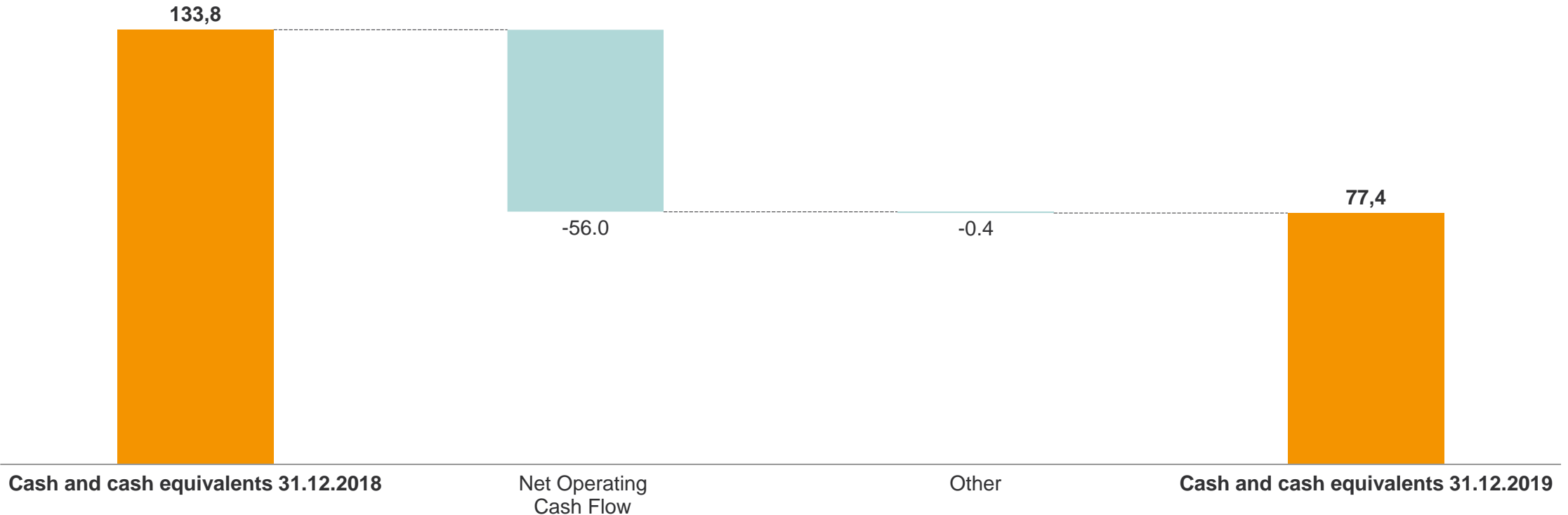
## Change vs 2018



- FY 2019 Net loss of CHF 64.7 million, within the range of guidance provided during our H1 2019 results conference call
- Overall expenses driven by R&D costs invested in our pipeline
- Increase in net loss driven versus 2018 driven by increase in R&D expenses, specifically wind-down of the Murepavadin pivotal trials, progress in Balixafortide Fortress Trial and further build-up of the pipeline
- Other operating expenses includes G&A (CHF -4.7m), M&S (CHF -1.4m) and other income for (CHF 1.9m)
- Revenues decreased by CHF 6.5 million from the last reporting period which included a licensing agreement with Santhera

# Financial highlights - Cash Flow and 2020 Guidance

In CHF million (based on consolidated IFRS financial statements)



- Cash and cash equivalents at the end of 2019 were CHF 77.4 million.
- Cash was deployed to our operating activities, mainly driven by the closure of the PRISM and UDR trials for murepavadin I.V. and the initiation and execution of the FORTRESS trial for balixafortide
- For 2020 we expect that operating expenses (excluding share-based payments and IAS 19 pension adjustments) to be in the range of CHF 61 - 64 million. Company's operations funded into Q1/2021
- Company's operations funded into Q1/2021

# Summary



**1** Despite a challenging 2019, Polyphor is committed in developing first-in-class molecules for oncology and antimicrobial resistance leveraging our innovative macrocyclic peptide platform.

**2** Strong progress in 2020 executing near term priority and pipeline expansion plan in oncology and ABs



## **Balixafortide**

Phase III trial in metastatic breast cancer ahead of plan (71% enrolled) with positive first DSMB decision  
First co-primary endpoint (ORR) data-cut expected in end Q1 2021  
US\$ 1.3B initial market potential with US\$ 6-7B expanded potential



## **Oncology pipeline expansion plan**

Planning to expand balixafortide into earlier mBCa indications, new tumors and combinations  
Identify novel oncology development candidates from our macrocyclic platform following ORR results



## **Antibiotics pipeline**

Inhaled Murepavadin in Cystic Fibrosis *P. aeruginosa* infections: Phase I start planned for Q4 2020  
Progress early AB programs, OMPTA BamA and Thanatin, largely with external financing given evolving landscape

**3** Polyphor provides multiple near-term pipeline progress and key value inflection points.



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# AGM Agenda and Rationale



1. **Approval of the Management Report and the Consolidated Accounts (IFRS) for the year 2019 and the Annual Accounts (statutory) of Polyphor Ltd for the year 2019**
2. **Allocation of the Balance Sheet Result**
3. **Discharge of the Board of Directors and Executive Management**
4. **Renewal of Authorized Share Capital**
5. **Creation of Conditional Share Capital**
6. **Increase of Conditional Share Capital for Employee Benefit Plans**
7. **Election to the Board of Directors**
8. **Election of the auditors**
9. **Election of the Independent Proxy**
10. **Election of the Members of the Compensation Committee**
11. **Compensation for the Members of the Board of Directors and the Executive Management**

## 4. Renewal of Authorized Share Capital

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### 4. Renewal of Authorized Share Capital

The Board of Directors proposes to renew the authorized share capital to comprise 5'531'603 registered shares with a nominal value of CHF 2 each and to amend article 3a paragraph 1 of the articles of association to read as follows:

Art. 3a Authorized Share Capital The Board of Directors is authorized to increase the share capital, at any time until May 27, 2022, by a maximum amount of CHF 11'063'206.00 by issuing a maximum of 5'531'603 registered shares with a par value of CHF 2.00 each, to be fully paid up. An increase of the share capital (i) by means of an underwriting (ii) by a subsidiary in view of and related to any of the below mentioned transactions allowing an exclusion of the preemptive rights and (iii) in partial amounts shall be permissible.

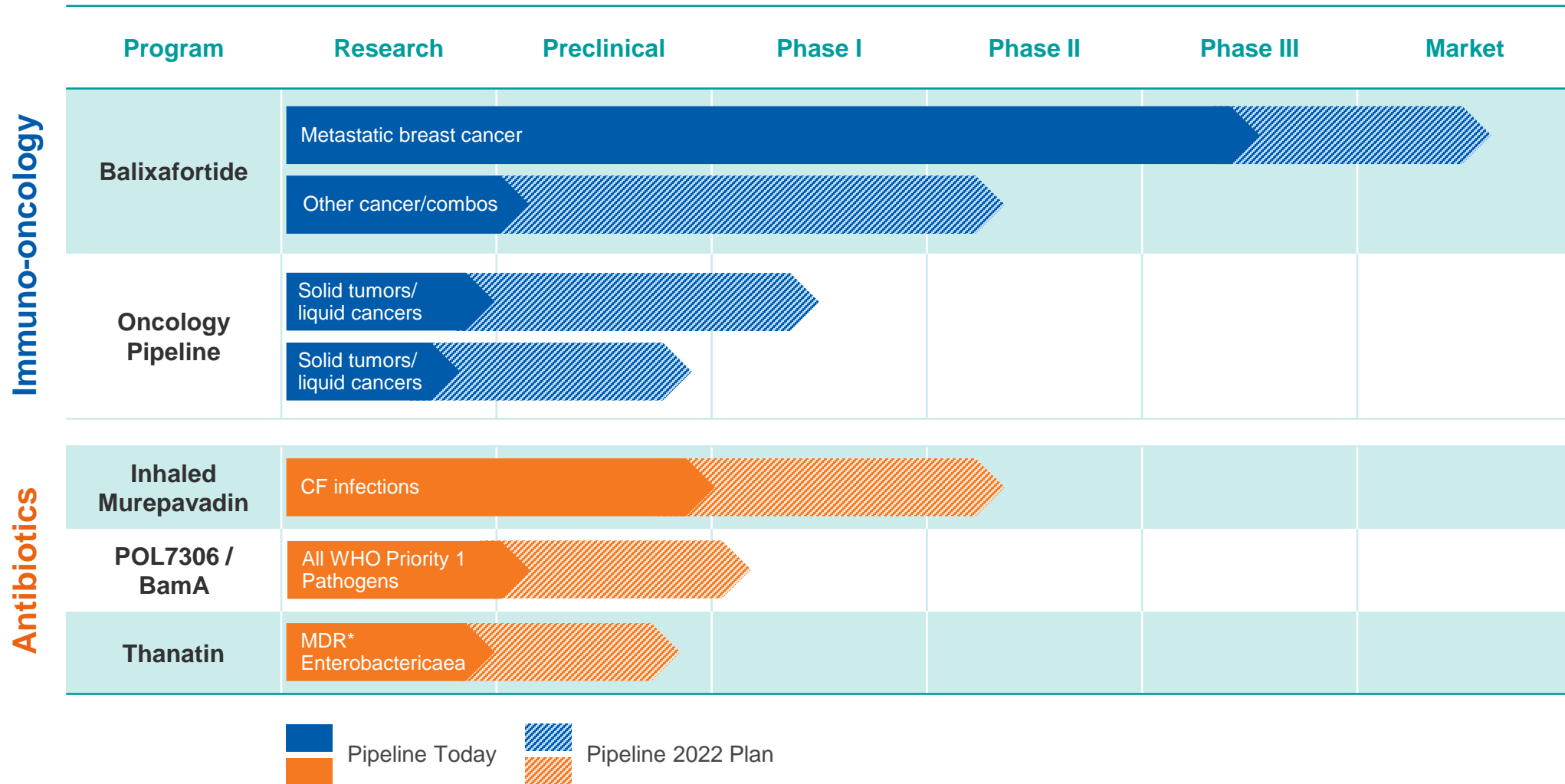
## 4. Renewal of Authorized Share Capital Rationale

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- The company sees potential in expanding shareholder value in the mid/long term. Authorized share capital is aimed to serve the capital structure of the Company for the following 2 years until May 27, 2022.
- Strong progress with Balixafortide (FORTRESS) and the strategy to expand its pipeline, mainly by expanding balixafortide into other indications and combinations, as well as moving Inhaled Murepavadin to Phase II will require additional funding during the next two years.
- With this request, the Company intends to gain strategic flexibility that aligns with the outlined strategy and should allow financing of the following phases of development, at the appropriate time as pipeline and company value develops.

# Polyphor Pipeline and Plan

Renewal of the authorized capital will provide opportunity to progress the pipeline until 2022

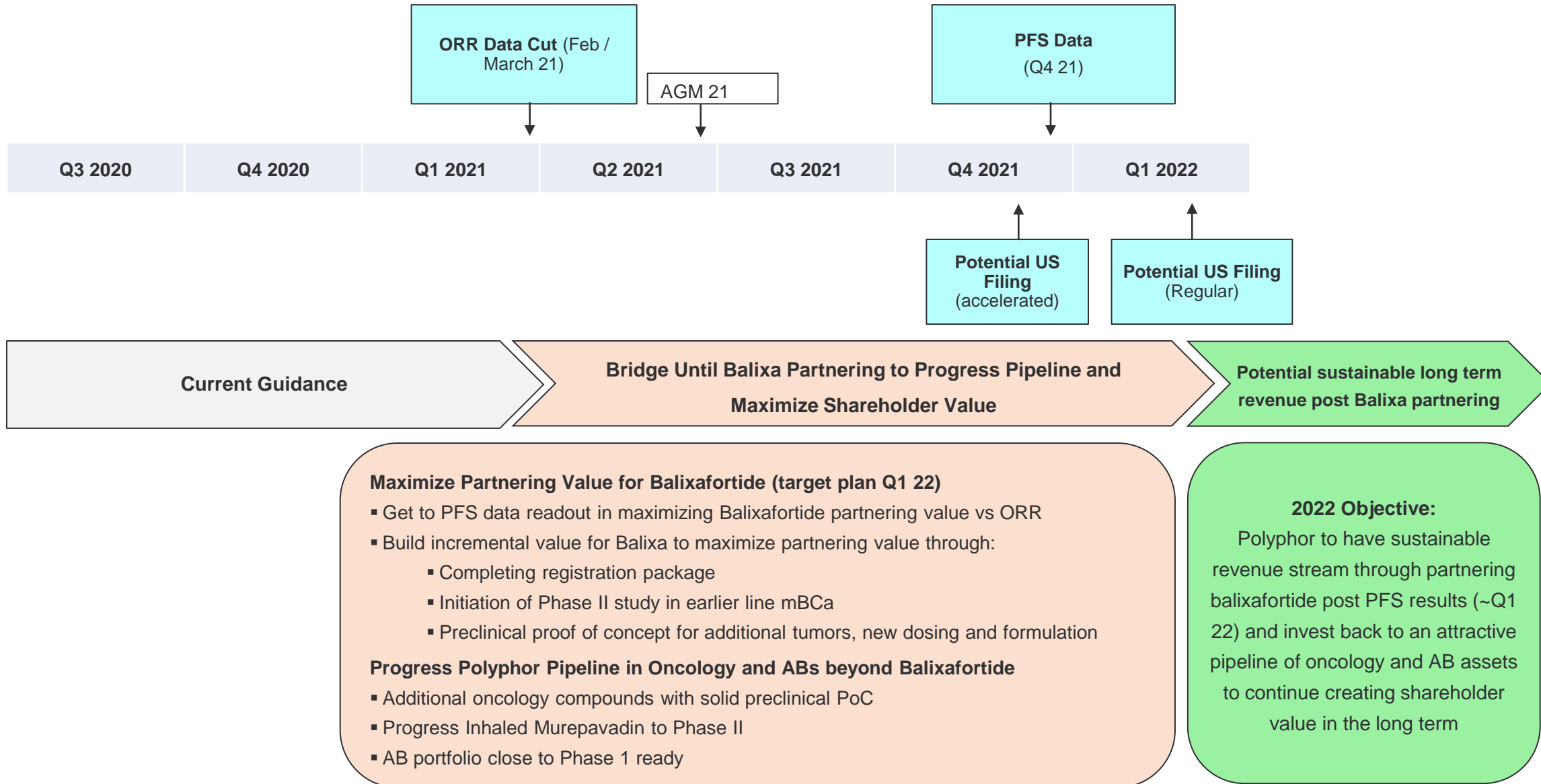


\*Multidrug Resistant

# Rationale for Renewal of Authorized Share Capital



Capital increase authorization increases strategic flexibility in the following 2 years to maximize value



## 5. Creation of Conditional Share Capital



### 5. Creation of Conditional Share Capital for Bonds and Similar Debt Instruments

The Board of Directors proposes to create a conditional share capital for bonds and similar debt instruments comprising 2'212'641 registered shares with a nominal value of CHF 2 each and to adopt a new article 3b to the articles of association to read as follows:

#### Art. 3b Conditional Capital for Bonds and Similar Debt Instruments

The share capital of the Company shall be increased by a maximum amount of CHF 4'425'282.00 through the issuance of a maximum of 2'212'641 registered shares, payable in full, each with a nominal value of CHF 2.00 through the exercise of conversion and/or option rights granted in connection with bonds or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments.

Shareholders' subscription rights are excluded. Shareholders' advance subscription rights with regard to the new bonds or similar instruments may be restricted or excluded by decision of the Board of Directors in order to finance or refinance the acquisition of companies, parts of companies or holdings, or new investments planned by the Company, or in order to issue convertible bonds or similar instruments on the international capital markets or through private placement. If advance subscription rights are excluded, then (1) the instruments are to be placed at market conditions, (2) the exercise period is not to exceed ten years from the date of issue of option rights and twenty years for conversion rights and (3) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued.

The purchase of registered shares through the exercise of conversion or option rights and any transfers of registered shares shall be subject to the restrictions specified in Article 4 of the Articles of Association.

## 5. Creation of Conditional Share Capital

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- Conditional capital has certain advantages over authorized capital and is aimed at ensuring flexibility in the capital structure of the Company for small and short-term financing.
- It allows effective and fast execution of “on-demand” capital solutions in the form of “equity lines”, “convertible debt” and similar equity instruments.
- The issuance of equity under these financing facilities have the advantage to be “**Used only if needed**”, typically smaller in size, throughout a pre-determined period of time (e.g. 24 months) and serve as a short-term bridge which minimizes unnecessary dilution to existing shareholders.
- It also allows the Company to enter into potential equity-based agreements in the future with leading healthcare funds that positively impact the validation of our science and shareholder value.
- Therefore it is important to have this option in hand to ensure flexibility for the company especially given the uncertainty of the capital markets in the future due to COVID-19 situation.

## 6. Increase of Conditional Share Capital for Employee Benefit Plans



### 6. Increase of Conditional Share Capital for Employee Benefit Plans

The Board of Directors proposes to increase the conditional share capital for employee benefit plans by 300'000 registered shares with a nominal value of CHF 2 each and to amend article 3c paragraph 1 of the articles of association to read as follows:

Art. 3c Conditional Share Capital for Employee Benefit Plans The share capital of the Company shall be increased by an amount not exceeding CHF 1'699'216 through the issue of a maximum of 849'608 registered shares, payable in full, each with a nominal value of CHF 2.00, in connection with the exercise of option rights granted to any employee of the Company or a subsidiary, and any consultant, members of the Board of Directors, or other person providing services to the Company or a subsidiary.



## 6. Increase of Conditional Share Capital for Employee Benefit Plans



- We've looked at current industry practice and we have aligned our Employee Benefit Plan towards biotech practice.
- Employee stock option plan (ESOP) is now aimed at performance and retention and the strike price of the stock options is set based on market conditions (average price of previous trading days before the options are granted and not an arbitrary price fixed by the company)
- This increase of conditional share capital allows the Company to offer options to its employees, based on performance and retention schemes. We believe that as a biotech we need to remain an attractive employer both to attract and retain talent.
- Because of the performance nature of the stock options that could be granted, the increase of the conditional share capital for employee benefit plans is up to a maximum of 849'608 shares. This request also covers for the stock options granted to date.

# 11. Compensation for the Members of the Board of Directors and the Executive Management



## 11. Compensation for the Members of the Board of Directors and the Executive Management

The Board of Directors proposes to hold the following separate votes on the non-performance related and the variable compensation of the Board of Directors and the Executive Management:

### 11.a Vote on Total Fixed (Non-Performance-Related) Compensation for Members of the Board of Directors until the next Annual Shareholders' Meeting

The Board of Directors proposes that shareholders approve the total maximum amount of fixed (non-performance-related) compensation for the members of the Board of Directors for the period until the next Annual Shareholders' Meeting of CHF 300'000 including a maximum of CHF 50'000 for additional consultancy services by Board members and including the related social security costs.

### 11.b Vote on Equity Based Compensation for Members of the Board of Directors until the next Annual Shareholders' Meeting

The Board of Directors proposes that shareholders approve the grant of a maximum of 18'750 options for the members of the Board of Directors for the period until the next Annual Shareholders' Meeting, with a current maximum value of all options of CHF 106'688, a quarterly vesting ending at the next shareholders' meeting and a lock-up of three years plus the related social security costs (estimate based on current value: CHF 7'468).

# 11. Compensation for the Members of the Board of Directors and the Executive Management



## 11. Compensation for the Members of the Board of Directors and the Executive Management

The Board of Directors proposes to hold the following separate votes on the non-performance related and the variable compensation of the Board of Directors and the Executive Management:

### 11.c Vote on Cash Compensation for Members of the Executive Management payable in 2021

The Board of Directors proposes that shareholders approve the total maximum amount of cash compensation for the five members of the Executive Management payable 2021 of CHF 2'500'000 (including the related social security costs) of which a maximum of CHF 1'750'000 is for fixed (non-performance-related) compensation and a maximum of CHF 750'000 is variable (performance-related) compensation.

### 11.d Vote on Equity Based Compensation for Members of the Executive Management for 2021

The Board of Directors proposes that shareholders approve the grant of a maximum of 130'000 options for the five members of the Executive Management for the year 2021, with a current maximum value of all options of CHF 790'000 with quarterly vesting over four years plus the related social security costs (estimate based on current value: CHF 31'437).

# 11. Compensation for the Members of the Board of Directors and the Executive Management



- Board of directors assumes compensation for 5 members (1 member less compared to 2019) and Executive Management assumes 5 members (1 member less compared to 2019).
- Compensation of the board of directors reduced to CHF 300'000, from CHF 364'175 requested in the 2019 AGM.
- The request for Executive Management in 2021 is also reduced from CHF 2.8m to CHF 2.5m and compensation entails:
  - Up to CHF 1.7m of salary, of which
    - *CHF 1.3m of base salary*
    - *CHF 0.4m of social contributions*
  - Up to CHF 0.8m of bonus, of which
    - *CHF 0.7m of bonus if 150% performance is achieved (CHF 0.4m if 100% performance is achieved)*
    - *CHF 0.1m of social contributions*



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## Annual General Meeting Information Call

Discussion