



INVESTOR NEWSLETTER – PIVOTAL PLANT DOUBLING CAPACITY

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Completion and commissioning of key innovative equipment plant in Slovenia

Graft Polymer (“Graft” or “the Company”), the specialty chemicals company offering modified polymer solutions for refiners, compounders and processors, has announced that the completion and commissioning of its bespoke production equipment site in Slovenia is due around the end of July 2023, doubling the company’s production capacity. The company listed on the London Stock Exchange in January 2022. As a commercial supplier of polymer modifiers, the Group sells products to refiners (large companies producing virgin polymers), compounders (direct customers producing composites), and processors (using composites for finished or intermediate products). It is well poised to benefit from dynamic growth in both the global polymer market, set to grow from US\$590 billion in 2021 to expand to US\$947 billion by 2030 with a CAGR of 5.4% over this period (*source: Prescient & Strategic Intelligence*); and the global drug delivery devices market, which is set to grow from US\$78.09 billion in 2021 to US\$124.83 billion by 2029, with a CAGR of 5.6% over the period (*source: DataM market research, November 2022*).

The Company has three product ranges – standard, for use in the most developed polymer sectors including polypropylene-based composites and polyamide-based composites; custom-made, to satisfy particular customer needs; and innovative products centred around research or particular customer requests.

This is a significant strategic step forward for the company on many fronts:

A springboard for strengthening competitive advantage

The commissioning of the site is an important step forward for Graft, as it leverages its IP for bio and pharma applications to expand the breadth of its product ranges and make the Company’s divisions quicker in responding to customer requirements. It is a key step towards the group realising its growth ambitions centred around the following goals:

- Expand global footprint
- Establish partnerships in new geographic markets
- Establish distribution channels in emerging markets
- Compete with well established, larger peers thanks to specialist approach and focus on R&D and cutting edge production methods
- Target larger industry customers with unique and proprietary offering
- Gradually replace current standard throughput with higher value-added and sticky product pipeline with higher barriers to entry in 2023 and 2024
- Further build operating cashflow generation, having turned cashflow positive in 2022

- Potential fundraising later in 2023 with proceeds to be used for marketing, profile raising and building longer-term contract pipeline

The new production line and innovative equipment will sustain the Company's market leading, pioneering edge in both research and technological commercialisation within the polymer modification, biological supplement and drug delivery industry.

Accelerating growth with doubling of production capacity in sustainable manner

Graft Polymer is nearing the point of being able to satisfy demand for modified polymers for use in creating cutting edge composite materials on an industrial scale. The Company is targeting accelerating growth using its extensive commercial pipeline with production output at the Slovenian plant set to rise to 6,000 tonnes / year. The production process is fully ESG oriented, utilising high levels of recycled material.

New R&D and Supply agreement with Gabriel Chemie drives innovation and competitive edge

Graft has also entered into an R&D and supply agreement with Austrian based company Gabriel Chemie. Gabriel Chemie has subsidiaries across Europe and is well established with over 600 employees and historical annual revenues above €100m. They are one of Europe's leading producers of masterbatch which is a solid or liquid additive used for colouring plastics or imparting other properties.

The two companies will cooperate in research, production and marketing of dispersants for coloured and black masterbatches. This will involve polymer powders, porous granules and liquids.

First mover advantage and benefits for broadened product lines encompassing bio / pharma and drug delivery systems

This development will boost prospects for the Company's high value GRAFTAPOR / GRAFTAKIT products, producing the following new equipment:

- Multi-functional vacuum infusion reactors for creating Polymef Nanon-Composite by Nano Infusion Technology and drying porous granules
- Custom-made equipment for manufacturing Nano-emulsions for drug delivery systems and bio supplements providing higher level bio / pharma manufacturing solutions for Graftbio division
- Ozone / Plasma polymer modification module offering scope for improved industrial scalability and production efficiency for fluoropolymer sector, particularly powder coatings for applications requiring high chemical resistance and alloys increasing abrasion and temperature resistance.

Further evidence of strong ESG focus and compliance

The board of Graft Polymer is committed to the highest environmental and performance standards. The granting of ISO 14001 accreditation to the new Slovenian plant is testament to this, recognising the benefits of the installation of a closed-loop processing technique for environmental management which will reduce waste to almost zero.

Another step forward for the Company's commercial momentum, positive outlook and cash generation for shareholders

The commissioning of this pivotal plant is a further step forward for the Company, following the winning of its first commercial order for 50,000 units of MGC Pharmaceuticals product, ArtemiC™ Rescue in August 2022, using the GraftBio® proprietary drug delivery system, its strongest month of sales to date in December 2022, and its expansion into the cosmetics sector with a small scale order secured through GraftBio®.

Graft Polymer remains confident in the outlook for 2023, based on a healthy pipeline and scope for harnessing enlarged operations to win larger customer mandates. The Company's enlarged scale following the completion of the Slovenian plant will drive greater cashflow generation to the benefit of shareholders.

For further information, visit <https://graftpolymer.com/>