

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission File Number 001-40488

MOLECULAR PARTNERS AG

(Exact name of registrant as specified in its charter and translation of registrant's name into English)

Switzerland

(Jurisdiction of incorporation or organization)

Wagistrasse 14  
8952 Zurich-Schlieren  
Switzerland

(Address of principal executive offices)

Patrick Amstutz  
Chief Executive Officer  
Molecular Partners AG  
Wagistrasse 14

8952 Zurich-Schlieren  
Switzerland

Tel: +41 44 755 77 00

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of each exchange on which registered
American depository shares (each representing one common share, CHF 0.10 nominal value per share)	MOLN	The Nasdaq Stock Market LLC
Common shares, CHF 0.10 nominal value per share	*	The Nasdaq Stock Market LLC

\* Not for trading, but only in connection with the listing on the Nasdaq Global Select Market of the American depository shares.

**Securities registered or to be registered pursuant to Section 12(g) of the Act. None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None**

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

**Ordinary shares, CHF 0.10 nominal value per share: 36,044,706 ordinary shares outstanding as of December 31, 2022**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
 Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If the securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant in the filing reflect the correction of an error to previously filed financial statements.

Indicate by checkmark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

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## INTRODUCTION

Unless the context requires otherwise, references in this Annual Report on Form 20-F to the “Company,” “Molecular Partners,” “we,” “us” and “our” refer to Molecular Partners AG and its wholly-owned subsidiary.

We own trademark registrations for “Molecular Partners<sup>®</sup>” and “DARPin<sup>®</sup>” in Switzerland, the European Union, the United States and Japan. All other trade names, trademarks and service marks of other companies appearing in this Annual Report on Form 20-F are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Annual Report on Form 20-F may be referred to without the <sup>®</sup> and <sup>™</sup> symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

We present our consolidated financial statements in CHF and in accordance with International Financial Reporting Standards, or IFRS. None of the financial statements were prepared in accordance with generally accepted accounting principles in the United States.

The terms “dollar,” “USD” or “\$” refer to U.S. dollars and the terms “Swiss Francs” or “CHF” refer to the legal currency of Switzerland. Unless otherwise indicated, all references to currency amounts in this Annual Report on Form 20-F are in U.S. dollars.

We have made rounding adjustments to some of the figures included in this Annual Report on Form 20-F. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management’s beliefs and assumptions and on information currently available to our management. All statements other than present and historical facts and conditions contained in this Annual Report on Form 20-F, including statements regarding our future results of operations and financial positions, business strategy, plans and our objectives for future operations, are forward-looking statements. When used in this Annual Report on Form 20-F, the words “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “intend,” “designed,” “may,” “might,” “plan,” “potential,” “predict,” “objective,” “should,” or the negative of these and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the initiation, timing, progress and results of our clinical trials and preclinical studies, and our research and development programs;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the timing of regulatory filings and the likelihood of favorable regulatory outcomes and approvals;
- the regulatory treatment of our product candidates;

- regulatory developments in the European Union, United States and other countries;
- the commercialization of our product candidates, if and once approved;
- the pricing and reimbursement of our product candidates, if and once approved;
- our ability to contract on commercially reasonable terms with third-party suppliers and manufacturers;
- the implementation of our business model and strategy and the development of our product candidates and technology platforms;
- the scope of protection we are able to establish, obtain and maintain for intellectual property rights covering our product candidates and technology and our ability to protect and enforce such rights;
- our ability to operate our business without infringing on, misappropriating or otherwise violating the intellectual property rights of others;
- the ability of third parties with whom we contract to successfully conduct, supervise and monitor clinical trials for our product candidates;
- estimates of our expenses, future revenues, earnings, capital requirements and our needs for additional financing;
- the timing and amount of milestone and royalty payments that we may receive under our strategic collaboration agreements;
- our ability to obtain additional funding for our operations;
- the potential benefits of our strategic collaboration agreements and our ability to enter into future strategic arrangements;
- our ability to maintain and establish collaborations or obtain additional funding;
- the rate and degree of market acceptance of, and pricing for, our product candidates;
- our financial performance;
- the impact of macro-economic factors, including the COVID-19 pandemic, rising inflation, the U.S Federal reserve raising interest rates and the Russia-Ukraine war, on our business, operations and prospects and on our clinical trials;
- our ability to attract and retain key scientific and management personnel;
- developments relating to our competitors and our industry, including competing therapies;
- the future trading price of the ADSs and impact of securities analysts reports on these prices; and
- other risks and uncertainties, including those listed under the caption “Risk Factors.”

You should refer to the section of this Annual Report on Form 20-F titled “Item 3.D-Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report on Form 20-F will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a

representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this Annual Report on Form 20-F and the documents that we reference in this Annual Report on Form 20-F and have filed as exhibits to this Annual Report on Form 20-F completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report on Form 20-F, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

This Annual Report on Form 20-F contains market data and industry forecasts that were obtained from industry publications. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this Annual Report on Form 20-F is generally reliable, such information is inherently imprecise.

### **SUMMARY OF RISK FACTORS**

Our business faces significant risks. If any of the following risks are realized, our business, financial condition and results of operations could be materially and adversely affected. You should carefully review and consider the full discussion of our risk factors set forth under the caption “Risk Factors” in Item 3.D. in Part I of this Annual Report on Form 20-F. An investment in our ADSs involves a high degree of risk. Any of the factors set forth under “Risk Factors” may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this Annual Report on Form 20-F and, in particular, should evaluate the specific factors set forth under “Risk Factors” in deciding whether to invest in our securities. Among these risks are the following:

- We have incurred significant losses since our inception, we expect to incur losses in future periods and may not maintain profitability in the upcoming years. We may need substantial additional funding in order to complete the development and commercialization of our product candidates. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate certain of our product development or research operations.
- We may need substantial additional funding in order to complete the development and commercialization of our product candidates. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate certain of our product development or research operations.
- The effects of health epidemics, including the ongoing COVID-19 coronavirus pandemic, in regions where we, or the third parties on which we rely, have business operations could adversely impact our business, including our preclinical studies and clinical trials, as well as the business or operations of third parties with whom we conduct business



- We are heavily dependent on the success of our DARPin platform to identify and develop product candidates. If we or our collaborators are unable to successfully develop and commercialize product candidates based on our platform or experience significant delays in doing so, our business may be harmed.
- All of our product candidates are in preclinical or various stages of clinical development. Clinical drug development is a lengthy and expensive process with uncertain timelines and uncertain outcomes. If clinical trials of our product candidates, particularly product candidates that we have licensed to our partners are prolonged or delayed, we or our collaborators may be unable to obtain required regulatory approvals, and therefore will be unable to commercialize our product candidates on a timely basis or at all, which will adversely affect our business.
- Preclinical drug development is uncertain. Some or all of our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or price reimbursement or commercialize these product candidates on a timely basis or at all, which would have an adverse effect on our business.
- Positive results from early preclinical studies of our product candidates would not necessarily be predictive of the results of later preclinical studies and any future clinical trials of our product candidates. If we were to achieve positive results from preclinical studies, but were unable to then replicate those positive results in our later preclinical studies and ongoing or future clinical trials, we might be unable to successfully develop, obtain regulatory or marketing approval or price reimbursement for, and commercialize our product candidates.
- If any of our product candidates has negative side effects, public perception of our DARPin platform and commercial opportunities for all of our current and future product candidates could be adversely affected.
- We face significant competition for our drug discovery and development efforts, and if we do not compete effectively, our commercial opportunities will be reduced or eliminated.
- Our financial prospects are dependent upon the research, manufacture, development and marketing efforts of our licensees. Our licensees may act in their best interest rather than in our best interest, which could materially adversely affect our business, financial condition and results of operations.
- We rely on patents and other intellectual property rights to protect our product candidates and the DARPin technology, the prosecution, grant, enforcement, defense and maintenance of which may be challenging and costly. Failure to obtain, maintain, enforce or protect these rights adequately could harm our ability to compete and impair our business.
- The base patents relating to the DARPin base technology we use to generate our DARPin product candidates, which we had exclusively licensed from the University of Zurich, have expired in September 2021 (except for one patent in the United States), and, therefore we have terminated the exclusive license agreement effective October 2021. After base patent expiry, our competitors may use the technology claimed in such patents, which may materially adversely affect our business and competitive position.
- Third parties may initiate legal proceedings alleging that we are infringing, misappropriating, or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business. Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities and negative outcomes could result in adverse effects on our business.

- We depend on our information technology systems, and any failure of these systems could harm our business. Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business, results of operations and financial condition.

## PART I

### **Item 1. Identity of Directors, Senior Management and Advisers.**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable.**

Not applicable.

### **Item 3. Key Information.**

#### **A. [Reserved]**

#### **B. Capitalization and Indebtedness**

Not applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Risk Factors**

*Investing in the ADSs involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 20-F before making an investment decision. Our business, financial condition or results of operations could be adversely affected if any of these risks occurs, and as a result, the market price of the ADSs could decline and you could lose all or part of your investment. This report also contains forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.*

#### **Risks Related to Our Financial Position and Need for Additional Capital**

*We have incurred significant losses since our inception, we expect to incur losses in future periods and may not maintain profitability in the upcoming years. We may need substantial additional funding in order to complete the development and commercialization of our product candidates. Failure to obtain*

***this necessary capital when needed may force us to delay, limit or terminate certain of our product development or research operations.***

Since our inception, we have incurred significant operating losses, including negative net results, attributable to shareholders. For the year ended December 31, 2022 we recorded a positive net result, attributable to shareholders of CHF 117.9 million and for the year ended December 31, 2021, we incurred a negative net result, attributable to shareholders of CHF 63.8 million. As of December 31, 2022, we had cumulative losses of CHF 127.8 million. The positive result in 2022 was largely driven by the January 2022 payment of CHF 150 million by Novartis following exercise of its option under a collaboration agreement with us.

Our historical losses resulted principally from costs incurred in research and development, preclinical testing, clinical development of our product candidates as well as costs incurred for research programs and from selling, general and administrative costs associated with our operations. In the future, we intend to continue to conduct research and development, preclinical testing, clinical trials and regulatory compliance activities that, together with anticipated selling, general and administrative expenses, may result in incurring losses in future periods. Our losses, among other things, will continue to cause our working capital and shareholders' equity to decrease. We anticipate that our expenses will increase substantially if and as we:

- complete the Phase 1 clinical trial of MP0317, one of our product candidates in our oncology program;
- continue to prepare for and complete the Phase 1 clinical trial of MP0533, our CD3 T-cell engaging candidate against acute myeloid leukemia or AML;
- continue our research activities for developing suitable candidates that could neutralize viruses such as the Respiratory Syncytial Virus or the BK Polyomavirus;
- continue the research and development of our other clinical- and preclinical-stage product candidates and discovery stage programs including within the radioligand therapeutic space;
- continue the research and development of our other product candidates;
- seek to enhance our DARPin technology and build on our proprietary product pipeline;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any product candidates for which we may obtain regulatory approval;
- obtain, maintain, expand, protect and enforce our intellectual property and other proprietary rights and obtain licenses to third-party intellectual property;
- add clinical, regulatory, scientific, operational, financial, legal, intellectual property, compliance and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts; and
- experience any delays or encounter any issues relating to any of the above, including failed studies, ambiguous trial results, safety issues, other regulatory challenges or third party supply or manufacturing issues.

Since our inception in 2004, we have invested most of our resources in developing our product candidates, building our intellectual property portfolio, developing our supply chain, conducting business

planning, raising capital and providing general and administrative support for these operations. We do not currently have any approved products and have never generated any revenue from product sales.

To remain profitable, we must succeed in developing and eventually commercializing products that generate significant revenue. This will require us or our licensees to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of our product candidates, discovering and developing additional product candidates, obtaining regulatory approval for any product candidates that successfully complete clinical trials, establishing manufacturing and marketing capabilities and ultimately selling any products for which we may obtain regulatory approval. We are only in the preliminary stages of most of these activities. We may never succeed in these activities and, even if we do, may never generate revenue that is significant enough to sustain or increase profitability on a quarterly or annual basis. Our failure to remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

If we are required by the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or other comparable foreign authorities to perform studies in addition to those we currently anticipate, or if there are any delays in completing our clinical trials or the development of any of our product candidates, our expenses could increase and revenue could be further delayed.

Even if we do generate product royalties or product sales, we may never sustain profitability on a quarterly or annual basis. Our failure to sustain profitability would depress the market price of the ADSs and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations. A decline in the market price of the ADSs also could cause you to lose all or a part of your investment.

***We may need substantial additional funding in order to complete the development and commercialization of our product candidates. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate certain of our product development or research operations.***

To date, we have funded our operations through public and private placements of equity securities, upfront, milestone, option exercise, reservation fee, expense reimbursement, sponsored research payments received from our collaborators, recharging of third party costs and interest income from the investment of our cash, cash equivalents and financial assets. We expect to require additional funding in the future to sufficiently finance our operations and advance development of our product candidates. On July 1, 2022, we entered into a sales agreement with SVB Securities LLC, or the Sales Agreement, to sell ordinary shares from time to time at our discretion under an “at the market” program, with aggregate gross sales proceeds of up to \$100.0 million.

We expect that our existing cash, cash equivalents, together with anticipated funding through collaborations, will enable us to fund our operating expenses and capital expenditure requirements into 2026. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements for MP0317 and MP0533 or our preclinical programs will depend on many factors, including:

- the progress, timing and completion of preclinical testing and clinical trials for our current or any future product candidates;
- the number of potential new product candidates we identify and decide to develop;
- the costs involved in growing our organization to the size needed to allow for the research, development and potential commercialization of our current or any future product candidates;

- the costs involved in filing patent applications, maintaining and enforcing patents or defending against infringement, misappropriation or other claims raised by third parties;
- the maintenance of our existing license and collaboration agreements and the entry into new license and collaboration agreements;
- the time and costs involved in obtaining regulatory approval for our product candidates and any delays we may encounter as a result of evolving regulatory requirements or adverse results with respect to any of our product candidates;
- selling and marketing activities undertaken in connection with the potential commercialization of our current or any future product candidates, if approved, and costs involved in the creation of an effective sales and marketing organization; and
- the amount of revenues, if any, we may derive either directly or in the form of milestone and royalty payments from future sales of our product candidates, if approved.

Our ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which we may have no or limited control. Further, as a Swiss corporation, we have less flexibility to raise capital than U.S. companies, particularly in a quick and efficient manner. As a result, we may not be able to access the capital markets as frequently as comparable U.S. companies. See the Risk Factor entitled “Our status as a Swiss corporation means that our shareholders enjoy certain rights that may limit our flexibility to raise capital, issue dividends and otherwise manage ongoing capital needs” for additional information related to our ability to timely raise capital. If adequate funds are not available on commercially acceptable terms or at all when needed, we may be forced to delay, reduce or terminate the development or commercialization of all or part of our research programs or product candidates or we may be unable to take advantage of future business opportunities.

***The effects of health epidemics, including the ongoing COVID-19 pandemic, in regions where we, or the third parties on which we rely, have business operations could adversely impact our business, including our preclinical studies and clinical trials, as well as the business or operations of third parties with whom we conduct business.***

Our business could be adversely affected by health epidemics in regions where we have concentrations of clinical trial sites or other business operations, and could cause significant disruption in the operations of third party manufacturers and contract research organizations, or CROs, upon whom we rely.

As the result of the pandemic, we may experience disruptions that could impact our business, preclinical studies and clinical trials, including:

- delay of submissions to, and approvals of, regulatory authorities;
- interruption or delays in the operations of regulatory authorities, which may impact review and approval timelines, including delays in receiving approval from local regulatory authorities to initiate our planned clinical trials;
- interruption of, or delays in receiving, supplies of our product candidates or target material from our contract manufacturing organizations, or CMOs and other suppliers due to staffing shortages, shortages in supply of production materials, production slowdowns or stoppages and disruptions in delivery systems;
- interruptions in preclinical studies due to restricted or limited operations at our facilities; limitations on employee resources that would otherwise be focused on the conduct of our preclinical studies and

clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people; and

- interruption or delays to our sourced discovery and clinical activities.

The extent to which the COVID-19 outbreak or any future outbreaks of contagious disease ultimately impacts our business, preclinical studies and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the pandemic, the emergence of variants, the transition to endemic status, travel restrictions and social distancing in Switzerland, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in countries around the world to contain and treat the disease.

***Raising additional capital may cause dilution to holders of our ordinary shares or ADSs, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our operations with our existing cash, cash equivalents and current financial assets, proceeds from debt or equity offerings, revenue from our collaborations and interest income from the investment of our cash, cash equivalents and financial assets. In order to further advance the development of our product candidates, discover additional product candidates and pursue our other business objectives, however, we will need to seek additional funds.

We cannot guarantee that future financing will be available in sufficient amounts or on commercially reasonable terms, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of holders of our ordinary shares or ADSs and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our ADSs and our ordinary shares to decline. The sale of additional equity or convertible securities would dilute all of our existing shareholders and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our shareholders. The incurrence of indebtedness could result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. Further, any additional fundraising efforts may divert our management from its day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any of our product candidates, or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

#### **Risks Related to the Development and Clinical Testing of Our Product Candidates**

***We are heavily dependent on the success of our DARPin platform to identify and develop product candidates. If we or our collaborators are unable to successfully develop and commercialize product***

***candidates based on our platforms or experience significant delays in doing so, our business may be harmed.***

We are heavily dependent on the success of our DARPin platform technology and the product candidates currently in our core programs. Our commercial prospects will be heavily dependent on product candidates identified and developed using our DARPin platform. To date, we have invested substantially all of our efforts and financial resources to identify, acquire intellectual property for, and develop our DARPin platform technology and our programs, including conducting preclinical studies and early-stage clinical trials, and providing general and administrative support for these operations.

We may not be successful in our efforts to further develop our DARPin platform technology and current product candidates. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the FDA, European Commission (granted on the basis of a positive opinion from the Committee for Medicinal Products for Human Use of the European Medicines Agency, or EMA and commonly referred to as EMA approval) or comparable foreign regulatory authorities, and we may never receive such regulatory approval for any of our product candidates. Each of our product candidates will require significant additional clinical development, management of preclinical, clinical, and manufacturing activities, regulatory approval, adequate manufacturing supply, a commercial organization, and significant marketing efforts before we generate any revenue from product sales, if at all.

***All of our product candidates are in preclinical or various stages of clinical development. Clinical drug development is a lengthy and expensive process with uncertain timelines and uncertain outcomes. If clinical trials of our product candidates, particularly MP0317, MP0533, abicipar and product candidates that we have licensed to our partners, including ensovibep, are prolonged, delayed or not commercially viable, we or our collaborators may be unable to obtain required regulatory approvals, and therefore may be unable to commercialize our product candidates on a timely basis or at all, which will adversely affect our business.***

To obtain the requisite regulatory approvals to market and sell any of our product candidates, we or our collaborators for such candidates must demonstrate through extensive preclinical studies and clinical trials that our products are safe, pure and potent or effective in humans. Further, the process of obtaining regulatory approval is expensive, often takes many years following the commencement of clinical trials and can vary substantially based upon the type, complexity and novelty of the product candidates involved, as well as the target indications and patient population. Prior to obtaining approval to commercialize a product candidate in the United States or in other countries, we or our potential future collaborators must demonstrate with substantial evidence from adequate and well-controlled clinical trials, and to the satisfaction of the FDA or comparable foreign regulatory authorities, that such product candidates are safe and effective for their intended uses. Additionally, clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process and our future clinical trial results may not be successful.

We may experience delays in our ongoing clinical trials and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all.

Clinical trials can be delayed, suspended, or terminated for a variety of reasons, including the following:

- delays in or failure to obtain regulatory approval to commence a trial;
- delays in or failure to reach agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- delays in or failure to obtain institutional review board, or IRB, or ethics committee approval at each site;
- delays in or failure to recruit suitable patients to participate in a trial;
- failure to have patients complete a trial or return for post-treatment follow-up;
- clinical sites deviating from trial protocol or dropping out of a trial;
- adding new clinical trial sites;
- manufacturing sufficient quantities of product candidate for use in clinical trials;
- third-party actions claiming infringement by our product candidates in clinical trials and obtaining injunctions interfering with our progress;
- safety or tolerability concerns could cause us or our collaborators, as applicable, to suspend or terminate a trial if we or our collaborators find that the participants are being exposed to unacceptable health risks;
- changes in regulatory requirements, policies and guidelines;
- lower than anticipated retention rates of patients and volunteers in clinical trials;
- our third-party research contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- delays in establishing the appropriate dosage levels in clinical trials;
- the difficulty in certain countries in identifying the sub-populations that we are trying to treat in a particular trial, which may delay enrollment and reduce the power of a clinical trial to detect statistically significant results; and
- the quality or stability of the product candidate falling below acceptable standards.

We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted or ethics committees, by the Data Review Committee, or DRC, or Data Safety Monitoring Board, or DSMB, for such trial or by the EMA, the FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the EMA, the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, including those relating to the class to which our product candidates belong, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. For example, we have faced and may face in the future bioburden during drug substance production campaigns or particles in drug product preparations at our CMOs which led or may lead to regulatory actions, including from the FDA. While we and our partners endeavor to maintain appropriate backup supply with respect to our product candidates, and not all such bioburden or particles result in regulatory action or delays, we cannot assure that any such issues would not result in delays in our clinical trials or product development or other adverse impacts on our business.

If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and



approval process and jeopardize our ability to commence product sales and generate revenues. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our product candidates and impair our ability to commercialize our product candidates and may harm our business and results of operations. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates or result in the development of our product candidates being stopped early.

Clinical trials must be conducted in accordance with the FDA, the EMA and other applicable regulatory authorities' legal requirements and regulations, and are subject to oversight by these governmental agencies, IRBs at the medical institutions where the clinical trials are conducted or ethics committees. In addition, clinical trials must be conducted with supplies of our product candidates produced under cGMP requirements and other regulations. Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. We depend on our collaborators and on medical institutions and CROs to conduct our clinical trials in compliance with GCP requirements. To the extent our collaborators or the CROs or investigators fail to enroll participants for our clinical trials, fail to conduct the study to GCP standards or are delayed for a significant time in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business.

Further, conducting clinical trials in multiple countries presents additional risks that may delay completion of our clinical trials. These risks include the failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with adhering to GCP, regulations and other foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries.

In addition, future clinical trials that could be conducted in countries outside Switzerland, the European Union and the United States may subject us to further delays and expenses as a result of increased shipment costs, additional regulatory requirements and the engagement of non-European Union and non-U.S. CROs, as well as expose us to risks associated with clinical investigators who are unknown to the FDA or the EMA, and different standards of diagnosis, screening and medical care.

***We may not be successful in our efforts to use and expand our platform to build a pipeline of product candidates with commercial value.***

A key element of our strategy is to use and expand our platform to build a pipeline of product candidates and progress these product candidates through clinical development. So far none of the product candidates originating from our platform has received marketing approval from the FDA or other regulatory authorities. The scientific discoveries that form the basis for our efforts to discover and develop targeted oncology therapeutic candidates for cancer patients are relatively new. The scientific evidence to support the feasibility of developing product candidates based on these discoveries is both preliminary and limited. There can be no assurance that any development problems we may experience in the future related to our platform will not cause significant delays or unanticipated costs or that such development problems can be solved. Even if we are successful in building our pipeline of product candidates, the potential product candidates that we identify may not be suitable for clinical development or generate acceptable clinical data, including as a result of being shown to have characteristics that indicate that they are unlikely to be products that will receive marketing approval from the FDA or other regulatory authorities or achieve market acceptance.

***Preclinical drug development is uncertain. Some or all of our preclinical programs may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which would have an adverse effect on our business.***

In order to obtain FDA or EMA approval to market a new pharmaceutical or biological product we must demonstrate proof of safety, purity and potency or efficacy in humans. To meet these requirements we will have to conduct adequate and well-controlled clinical trials. Before we can commence clinical trials for a product candidate, we must complete extensive preclinical testing and studies that support our planned Investigational New Drug application, or IND, in the United States, or a Clinical Trial Authorization Application, or CTA, in Europe. We cannot be certain of the timely completion or outcome of our preclinical testing and studies and cannot predict if the FDA or EMA will accept our proposed clinical programs or if the outcome of our preclinical testing and studies will ultimately support the further development of these product candidates. Thus, we cannot be sure that we will be able to submit INDs or CTAs for our preclinical programs on the timelines we expect, if at all, and we cannot be sure that submission of INDs or CTAs will result in the FDA or EMA allowing clinical trials to begin.

Conducting preclinical testing is a lengthy, time-consuming and expensive process. The length of time may vary substantially according to the type, complexity, novelty and intended use of the product candidate, and often can be several years or more per product candidate. Delays associated with product candidates for which we are directly conducting preclinical testing and studies may cause us to incur additional operating expenses. We may encounter similar or different safety issues in this trial or our other clinical trials in the future. Moreover, we may continue to be affected by delays associated with the preclinical testing and studies of certain product candidates conducted by our potential partners over which we have no control. The commencement and rate of completion of preclinical studies and studies for a product candidate may be delayed by many factors, including, for example:

- the inability to generate sufficient preclinical or other in vivo or in vitro data to support the initiation of clinical studies;
- delays in reaching a consensus with regulatory agencies on study design; and
- the FDA or EMA not allowing us to rely on previous findings of safety and efficacy for other similar but approved products and published scientific literature.

Moreover, even if clinical trials do begin for our preclinical programs, our development efforts may not be successful, and clinical trials that we conduct or that third parties conduct on our behalf may not demonstrate sufficient safety, purity and potency or efficacy to obtain the requisite regulatory approvals for any of our product candidates or product candidates employing our technology.

***Positive results from early preclinical studies of our product candidates would not necessarily be predictive of the results of later preclinical studies and any ongoing or future clinical trials of our product candidates. If we were to achieve positive results from preclinical studies, but were unable to then replicate those positive results in our later preclinical studies and ongoing future clinical trials, we might be unable to successfully develop, obtain regulatory or marketing approval for and commercialize our product candidates.***

Any positive results from our preclinical studies of our product candidates may not necessarily be predictive of the results from required later preclinical studies and clinical trials, and there can be no assurance that any of our clinical trials will ultimately be successful or support further clinical development of any of our product candidates. For example, while we have observed positive biological activity in patient samples following administration of initial doses in the MP0317 Phase 1 clinical trial,

there can be no assurance that such biological activity will be similarly observed and maintained following administration of additional doses or any drop in biological activity could be overcome with additional development regarding more frequent dosing regimens. Similarly, even if we are able to complete our planned preclinical studies or any future clinical trials of our product candidates according to our current development timeline, the positive results from such preclinical studies and clinical trials of our product candidates may not be replicated in subsequent preclinical studies or clinical trial results. In addition, positive results in later stage clinical trials of one of our product candidates in an indication may not be predictive of the safety or efficacy of our other product candidates in other indications, even if they employ a similar mechanism of action.

Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in early-stage development and we cannot be certain that we will not face similar setbacks. For example, our therapeutics in oncology, ophthalmology and virology has in the past and may in the future result in the creation of anti-drug antibodies that can neutralize the effects of the therapeutic, require that higher doses be used to obtain a therapeutic effect or cause adverse events. Whether anti-drug antibodies will be created and how they react can often not be predicted from nonclinical or even clinical studies, and their detection or appearance can be delayed. These setbacks have been caused by, among other things, preclinical and other nonclinical findings made while clinical trials were underway, or safety or efficacy observations made in preclinical studies and clinical trials, including previously unreported adverse events. Moreover, preclinical, nonclinical and clinical data are often susceptible to varying interpretations and analyses and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials nonetheless failed to obtain FDA or EMA approval.

***Some of our product candidates utilize a novel mechanism of action which may result in greater research and development expenses, regulatory issues that could delay or prevent approval, or discovery of unknown or unanticipated adverse effects.***

Some of our product candidates, such as MP0317 and MP0533, the lead product candidates from our oncology program, utilize novel mechanisms of action which may result in greater research and development expenses, regulatory and development or CMC issues that could delay or prevent approval, or discovery of unknown or unanticipated adverse effects. Regulatory approval of novel product candidates such as ours can be more expensive, riskier and take longer than for other, more well-known or extensively studied pharmaceutical or biopharmaceutical product candidates due to our and regulatory agencies' lack of experience with the novel mechanisms of action. The novelty of our mechanism of action may lengthen the regulatory review process, require us to conduct additional studies or clinical trials, increase our development costs, lead to changes in regulatory positions and interpretations, delay or prevent approval and commercialization of our product candidates or lead to significant post-approval limitations or restrictions. The novel mechanisms of action also means that fewer people are trained in or experienced with product candidates of such type, which may make it more difficult to find, hire and retain personnel for research, development and manufacturing positions. Any such events could adversely impact our business prospects, financial condition and results of operations.

***Failure to successfully validate, develop and obtain regulatory approval for companion diagnostics could harm our product development strategy.***

As one of the key elements of our clinical development strategy, we seek to identify patient subsets within a disease category who may derive selective and meaningful benefit from the product candidates we are developing. In collaboration with partners, we may develop companion diagnostics to help us to more accurately identify patients within a particular subset, both during our clinical trials and in connection with the commercialization of our product candidates.

Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as medical devices and require separate regulatory approval prior to commercialization. The FDA generally expects contemporaneous regulatory approvals of the companion diagnostic and the therapeutic product. We do not develop companion diagnostics internally and thus we are dependent on the sustained cooperation and effort of third-party collaborators in developing and obtaining regulatory approval for these companion diagnostics. We and our collaborators may encounter difficulties in developing and obtaining approval for the companion diagnostics, including issues relating to selectivity/specificity, analytical validation, reproducibility or clinical validation. Any delay or failure by our collaborators to develop or obtain regulatory approval of the companion diagnostics could delay or prevent approval of our product candidates.

In addition, our collaborators may encounter production difficulties that could constrain the supply of the companion diagnostics, and both they and we may have difficulties gaining acceptance of the use of the companion diagnostics in the clinical community. If such companion diagnostics fail to gain market acceptance, it would have an adverse effect on our ability to derive revenues from sales of our products. In addition, the diagnostic company with whom we contract may decide to discontinue selling or manufacturing the companion diagnostic that we anticipate using in connection with development and commercialization of our product candidates or our relationship with such diagnostic company may otherwise terminate.

We may not be able to enter into arrangements with another diagnostic company to obtain supplies of an alternative diagnostic test for use in connection with the development and commercialization of our product candidates or do so on commercially reasonable terms, which could adversely affect and/or delay the development or commercialization of our product candidates.

***Interim, topline and preliminary data from our clinical trials that we announce or publish may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.***

From time to time, we may publish interim, topline or preliminary data from our clinical trials. Preliminary and interim data from our clinical trials may change as more patient data become available. Preliminary or interim data from our clinical trials are not necessarily predictive of final results. Preliminary and interim data are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues, more patient data become available and we issue our final clinical trial report. Interim, topline and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, preliminary and interim data should be viewed with caution until the final data are available. Adverse changes in the final data compared to the interim data could significantly harm our business prospects.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular preclinical study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product, product candidate or our business. If the preliminary and interim data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product

candidates may be harmed, which could harm our business, operating results, prospects or financial condition.

***Because the number of patients in certain of our clinical trials is small, the results from such trials may be less reliable than results achieved in larger clinical trials.***

A study design that is considered appropriate includes a sufficiently large sample size with appropriate statistical power to allow a meaningful interpretation of the results. The preliminary results of studies with smaller sample sizes can be disproportionately influenced by the impact the treatment had on a few individuals, which limits the ability to generalize the results across a broader community, thus making the study results less reliable than studies with a larger number of subjects.

***Our product candidates may have serious adverse, undesirable or unacceptable side effects which may delay or prevent marketing approval. If side effects are identified during the development of our product candidates or following approval, if any, we may need to abandon our development of such product candidates, the commercial profile of any approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.***

Undesirable side effects that may be caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA or other comparable foreign authorities. While our preclinical and clinical studies for our product candidates to date have generally been well tolerated from a risk-benefit perspective, the results from ongoing and future trials may not support this conclusion.

The results of future clinical studies may show that our product candidates cause undesirable or unacceptable side effects or even death. In such an event, our trials could be suspended or terminated and the FDA, the EMA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our prospects significantly. Further, because all of our product candidates and preclinical programs are based on our DARPin technology, any adverse safety or efficacy findings related to any product candidate or preclinical program may adversely impact the viability of our other product candidates or preclinical programs.

Additionally, if any of our product candidates receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such products and require us to take our approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- regulatory authorities may require a medication guide outlining the risks of such side effects for distribution to patients, or that we implement a risk evaluation and mitigation strategy, or REMS, plan to ensure that the benefits of the product outweigh its risks;
- regulatory authorities may require additional clinical trials;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;

- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us, our collaborators or our potential future partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our products.

***If any of our product candidates has negative side effects, public perception of our DARPin platform and commercial opportunities for all of our current and future product candidates could be adversely affected.***

Adverse side effects that may be caused by any of our product candidates could negatively impact the public perception of and commercial opportunities for all of our product candidates. The clinical and commercial success of our product candidates will depend in part on the absence of negative side effects caused by our product candidates. Even if an adverse side effect that results from one of our product candidates is unlikely to occur in our other product candidates, all of our product candidates could be adversely affected because the negative side effect may be perceived to be a likely side effect of all of our product candidates. In the clinical trials performed by AbbVie for abicipar in wet AMD, for example, ocular inflammation has been reported as an undesirable side effect. In June 2020, the FDA sent a CRL to AbbVie stating that ocular inflammation results in an unfavorable benefit-risk ratio in the treatment of nAMD. However unlikely it is that ocular inflammation will be a side effect of our other product candidates in indications outside of ophthalmology, the public may perceive our DARPin technology or our product candidates to pose a heightened risk of inflammation, thus negatively affecting the commercial opportunities of our current and future product candidates. These adverse events may negatively affect the perception of the DARPin technology platform, the commercial opportunity for our product candidates or cause us to suspend clinical trials.

***We face significant competition for our drug discovery and development efforts, and if we do not compete effectively, our commercial opportunities will be reduced or eliminated.***

The market for pharmaceutical products is highly competitive. Our competitors include many established pharmaceutical companies, biotechnology companies, universities and other research or commercial institutions, many of which have substantially greater financial, research and development resources than us. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing pharmaceutical products. Smaller and early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, the development of our products. The fields in which we operate are characterized by rapid technological change and innovation. There can be no assurance that our competitors are not currently developing, or will not in the future develop, technologies and products that are equally or more effective or are more economically attractive as any of our current or future technology or product. Competing products or technology platforms may gain faster or greater market acceptance than our products or technology platform and medical advances or rapid technological development by competitors may result in our product candidates or technology platforms becoming non-competitive or obsolete before we are able to recover our research and development and commercialization expenses. Additionally, certain of our product candidates may be administered in combination with approved pharmaceutical products. Our

ability to develop and ultimately commercialize our product candidates used in combination with other therapies will depend on our ability to access these drugs on commercially reasonable terms for the clinical trials and their availability for use with the commercialized product, if approved. We cannot be certain that current or potential future commercial relationships will provide us with a sufficient supply of these drugs on commercially reasonable terms or at all. If we, our product candidates or our technology platforms do not compete effectively, it may have an adverse effect on our business and results of operation.

***We depend on enrollment of patients in our clinical trials for our product candidates. If we are unable to enroll patients in our clinical trials, our research and development efforts and business could be adversely affected.***

Identifying and qualifying patients to participate in our clinical trials is critical to our success. Patient enrollment depends on many factors, including the size and nature of the patient population, eligibility criteria for the trial, the proximity of patients to clinical sites, the design of the clinical protocol, the availability of competing clinical trials, the availability of new drugs approved for the indication the clinical trial is investigating, and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies. Since some of our product candidates could be focused on addressing sub-groups of cancer patients, there are limited patient pools from which to draw in order to complete our clinical trials in a timely and cost-effective manner. Furthermore, if the actual number of patients with these pathologies is smaller than we anticipate, we may encounter difficulties in enrolling patients in our clinical trials, thereby delaying or preventing development and approval of our drug candidates. Even once enrolled we may be unable to retain a sufficient number of patients to complete any of our trials.

Furthermore, our efforts to build relationships with patient communities may not succeed, which could result in delays in patient enrollment in our clinical trials. In addition, any negative results we may report in clinical trials of one of our product candidates may make it difficult or impossible to recruit and retain patients in other clinical trials of that same product candidate. Delays in the completion of any clinical trial of our product candidates will increase our costs, slow down our product candidate development and approval process and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, some of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Additionally, our ability to successfully initiate, enroll and complete clinical trials in foreign countries is subject to numerous risks unique to conducting business in foreign countries, including:

- different standards for the conduct of clinical trials;
- difficulty in identifying and partnering with qualified local consultants, physicians and partners; and
- the potential burden of complying with a variety of foreign laws, medical standards and regulatory requirements, including the regulation of pharmaceutical and biotechnology research and products.

***We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage, and our product liability insurance may not cover all damages from such claims.***

We are exposed to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products. Currently, we have no products that have been approved for commercial sale; however, the current and future use of product

candidates by us and our corporate collaborators in clinical trials, and the potential sale of any approved products in the future, may expose us to liability claims. These claims might be made by patients who use the product, healthcare providers, pharmaceutical companies, our corporate collaborators or others selling such products. Any claims against us, regardless of their merit, could be difficult and costly to defend and could adversely affect the market for our product candidates or any prospects for commercialization of our product candidates. Although the clinical trial process is designed to identify and assess potential side effects, it is always possible that a drug, even after regulatory approval, may exhibit unforeseen side effects. If any of our product candidates were to cause adverse side effects during clinical trials or after approval of the product candidate, we may be exposed to substantial liabilities. Physicians and patients may not comply with any warnings that identify known potential adverse effects and patients who should not use our product candidates. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products due to negative public perception and injury to our reputation;
- withdrawal of clinical trial participants or difficulties in recruiting new trial participants;
- initiation of investigations by regulators;
- costs to defend or settle the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues from product sales; and
- the inability to commercialize any of our product candidates, if approved.

Although we maintain adequate clinical trial insurance for our product candidates, it is possible that our liabilities could exceed our insurance coverage. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our product candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of the events described above occur, this could have an adverse effect on our business and results of operations.

***We conduct clinical trials for our product candidates outside the United States, and the FDA and similar foreign regulatory authorities may not accept data from such trials.***

We also conduct clinical trials outside the United States, including in Europe and are likely to continue to do so in these or other foreign jurisdictions. The acceptance of trial data from clinical trials conducted outside the United States by the FDA may be subject to certain conditions. In cases where data from clinical trials conducted outside the United States are intended to serve as the sole basis for marketing approval in the United States, the FDA will generally not approve the application on the basis of foreign data alone unless (i) the data are applicable to the U.S. population and medical practice; (ii) the trials were performed by clinical investigators of recognized competence and (iii) the data may be considered valid without the need for an on-site inspection by the FDA or, if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means.



Additionally, the FDA's clinical trial requirements, including sufficient size of patient populations and statistical powering, must be met. Many foreign regulatory bodies have similar approval requirements. In addition, such foreign trials would be subject to the applicable local laws of the foreign jurisdictions where the trials are conducted. There can be no assurance that the FDA or any similar foreign regulatory authority will accept data from trials conducted outside of the United States or the applicable jurisdiction. If the FDA or any similar foreign regulatory authority does not accept such data, it would result in the need for additional trials, which would be costly and time-consuming and delay aspects of our business plan, and which may result in our product candidates not receiving approval or clearance for commercialization in the applicable jurisdiction.

***The regulatory approval processes of the FDA, the EMA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.***

The time required to obtain approval by the FDA, the EMA and comparable foreign authorities is unpredictable but typically takes many years, if obtained at all, following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate or product candidates licensed to our partners and it is possible that none of such existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA, the EMA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials, including the size of our clinical trials or the doses tested;
- we may be unable to demonstrate to the satisfaction of the FDA, the EMA or comparable foreign regulatory authorities that a product candidate is safe, pure and potent or effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA, the EMA or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA, the EMA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials or may require us to test additional dose regimens of our product candidates;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of a Biologics License Application, or BLA, to the FDA or other submission or to obtain regulatory approval in the United States, the European Union or elsewhere;
- the FDA, the EMA or comparable foreign regulatory authorities may find deficiencies with or fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA, the EMA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market any of our product candidates, which would significantly harm our business. The FDA, the EMA and other comparable foreign authorities have substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for any of our product candidates. Even if we believe the data collected from clinical trials of our product candidates are promising, such data may not be sufficient to support approval by the FDA, the EMA or any other regulatory authority.

***We or our partners may seek fast-track designation for some or all of our product candidates, but we may not receive such designation, and even if we do, it may not lead to a faster development or regulatory review or approval process, and will not increase the likelihood that such product candidates will receive marketing approval.***

We or our partners may seek fast-track designation and review for some or all of our product candidates. If a drug is intended for the treatment of a serious or life-threatening condition or disease, and nonclinical or clinical data demonstrate the potential to address an unmet medical need, the product may qualify for FDA fast track designation, for which sponsors must apply. The FDA has broad discretion whether or not to grant this designation. Thus, even if we or our collaborators believe a particular product candidate is eligible for this designation, such as we received for ensovibep in June 2021, the FDA may decide not to grant it. Moreover, even if we do receive fast track designation, we or our collaborators may not experience a faster development process, review or approval compared to conventional FDA procedures. In addition, the FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from the clinical development program.

***Even if our product candidates obtain regulatory approval, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.***

If the FDA, the EMA or a comparable foreign regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, recordkeeping, exporting and importing for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and GCPs for any clinical trials that we conduct post-approval, all of which may result in significant expense and limit our ability to commercialize such products. In addition, any regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate.

Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of our product candidates, withdrawal of the product from the market or voluntary or mandatory product recalls;
- restrictions on product distribution or use, or requirements to conduct post-marketing studies or clinical trials;

- fines, restitutions, disgorgement of profits or revenues, warning letters, untitled letters or holds on clinical trials;
- refusal by the FDA, the EMA or comparable foreign regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of approvals;
- product seizure or detention, or refusal to permit the import or export of our product candidates;
- negative impact to our reputation; and
- injunctions or the imposition of civil or criminal penalties.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue and could require us to expend significant time and resources in response and could generate negative publicity.

In addition, if any of our product candidates is approved, our product labeling, advertising and promotion will be subject to regulatory requirements and continuing regulatory review. The FDA strictly regulates the promotional claims that may be made about drug products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. If we receive marketing approval for a product candidate, physicians may nevertheless prescribe it to their patients in a manner that is inconsistent with the approved label based on the physician's independent medical judgement. If we are found to have promoted such off-label uses, we may become subject to significant liability. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant sanctions. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

Our product candidates are classified as biologics in the United States and, therefore, can only be sold if we obtain a BLA from the FDA. The holder of a BLA is obligated to monitor and report adverse events and any failure of a product to meet the specifications in the BLA. The holder of a BLA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labeling or manufacturing process. Failure to comply with a BLA or any other ongoing regulatory obligation may result in suspension of approval to manufacture or distribute the relevant product, as well as fines or imprisonment for violations.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we or one of our distributors, licensees or co-marketers are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability. We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or in other countries. For example, the policies and executive actions of the Biden administration may impact our business and industry. It is difficult to predict how these policies and executive actions will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these policies or executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

***Due to our limited resources and access to capital, we must, and have in the past decided to, prioritize development of certain product candidates over other potential candidates. These decisions may prove to have been wrong and may adversely affect our revenues.***

Because we have limited resources and access to capital to fund our operations, we must decide which product candidates to pursue and the amount of resources to allocate to each. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular compounds, product candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources away from better opportunities. Similarly, our decisions to delay, terminate or collaborate with third parties in respect of certain product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the biopharmaceutical industry, in particular for our lead product candidates, our business, financial condition and results of operations could be adversely affected.

#### **Risks Related to Commercialization of Our Product Candidates**

***Enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.***

In the United States, the European Union and other foreign jurisdictions, there have been a number of legislative and regulatory changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the United States federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, became law. The ACA is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the ACA of importance to our potential product candidates are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic products, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price," or AMP, for calculating and reporting Medicaid drug rebates on outpatient prescription drug prices and extending rebate liability to prescriptions for individuals enrolled in Medicare Advantage plans;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for products that are inhaled, infused, instilled, implanted or injected;
- expanding the types of entities eligible for the 340B drug discount program;

- establishing the Medicare Part D coverage gap discount program, which requires manufacturers to now provide 70% point-of-sale-discount off the negotiated price of applicable products to eligible beneficiaries during their coverage gap period as a condition for the manufacturers' outpatient products to be covered under Medicare Part D;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research; and
- establishment of the Center for Medicare and Medicaid Innovation within Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription product spending.

There have been executive, judicial and Congressional challenges to certain aspects of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017, or the Tax Act, includes a provision that repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated “Cadillac” tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. On June 17, 2021 the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the ACA is unconstitutional in its entirety because the “individual mandate” was repealed by Congress. Further, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or IRA, into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. The IRA also eliminates the “donut hole” under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost and creating a new manufacturer discount program. It is possible that the ACA will be subject to judicial or Congressional challenges in the future. It is unclear how such challenges, and the healthcare reform measures of the Biden administration will impact the ACA and our business.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, on August 2, 2011, the Budget Control Act of 2011, among other things, includes aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute will remain in effect until 2031 unless additional U.S. Congressional action is taken. Under current legislation the actual reduction in Medicare payments will vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester. Additionally, on March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug’s average manufacturer price, for single source and innovator multiple source drugs, beginning January 1, 2024. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Recently there has also been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. Specifically, there have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for drugs. At the federal level, in July 2021, the Biden administration

released an executive order, “Promoting Competition in the American Economy,” with multiple provisions aimed at prescription drugs. In response to Biden’s executive order, on September 9, 2021, HHS released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and sets out a variety of potential legislative policies that Congress could pursue as well as potential administrative actions HHS can take to advance these principles. In addition, the IRA, among other things (i) directs HHS to negotiate the price of certain high-expenditure, single-source drugs and biologics covered under Medicare and (ii) imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation. These provisions will take effect progressively starting in fiscal year 2023, although they may be subject to legal challenges. Further, the Biden administration released an additional executive order on October 14, 2022, directing HHS to report on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries. No legislation or administrative actions have been finalized to implement these principles. It is unclear whether these or similar policy initiatives will be implemented in the future. In addition, Congress is considering additional health reform measures.

At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Legally mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce the ultimate demand for our products or put pressure on our product pricing, which could negatively affect our business, results of operations, financial condition and prospects.

We expect that additional U.S. federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that the U.S. federal government will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

In the European Union, similar political, economic and regulatory developments may affect our ability to profitably commercialize our current or any future products. In addition to continuing pressure on prices and cost containment measures, legislative developments at the European Union or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than European Union, law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most European Union member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing European Union and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize any products for which we obtain marketing approval. In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or in other countries. If we or our collaborators are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or our collaborators are not able to maintain regulatory compliance, our

product candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability, which would adversely affect our business.

***We may be subject to healthcare laws, regulation and enforcement. Our failure to comply with these laws could harm our results of operations and financial conditions.***

Although we do not currently have any products on the market, our current and future operations may be directly, or indirectly through our relationships with healthcare providers, healthcare institutions, patients, customers and third-party payors, subject to various U.S. federal and state healthcare laws and regulations, including, without limitation, the U.S. federal Anti-Kickback Statute. Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain marketing approval. These laws impact, among other things, our proposed sales, marketing and education programs and constrain our business and financial arrangements and relationships with third-party payors, healthcare professionals and healthcare institutions who participate in our clinical research programs, healthcare professionals and others who recommend, purchase, or provide our approved products, and other parties through which we market, sell and distribute our products for which we obtain marketing approval. In addition, we may be subject to patient data privacy and security regulation by both the U.S. federal government and the states in which we conduct our business. Finally, our current and future operations are subject to additional healthcare-related statutory and regulatory requirements and enforcement by regulatory authorities in jurisdictions in which we conduct our business. The laws that may affect our ability to operate include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, individuals or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid;
- the U.S. federal civil and criminal false claims and civil monetary penalties laws, including, without limitation, the civil False Claims Act (which can be enforced through "qui tam," or whistleblower actions, by private citizens on behalf of the federal government), which prohibits, among other things, individuals or entities from knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent or for knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, and as amended again by the Final HIPAA Omnibus Rule, published in January 2013, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization by certain health plans, healthcare clearinghouses and healthcare providers, known as covered entities, as well as their business associates that perform certain services involving the use, disclosure or transmission of individually identifiable health information for or on behalf of a covered entity, and their covered subcontractors;

- the U.S. Federal Food, Drug, and Cosmetic Act, or FDCA, which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the U.S. federal physician payment transparency legislation, commonly referred to as Physician Payments Sunshine Act, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to CMS information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), other healthcare professionals (such as physician assistants and nurse practitioners), and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members;
- analogous state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities, state and local laws that require the registration of pharmaceutical sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- European and other foreign law equivalents of each of the above laws, including reporting requirements detailing interactions with and payments to healthcare providers.

It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid or comparable foreign programs, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm and the curtailment or restructuring of our operations.

The risk of us being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. For example, the definition of the "remuneration" under the U.S. federal Anti-Kickback Statute has been interpreted to include anything of value. Further, courts have found that if "one purpose" of remuneration is to induce referrals, the U.S. federal Anti-Kickback Statute is violated.

Additionally, recent healthcare reform legislation has strengthened federal and state healthcare fraud and abuse laws. For example, the ACA amends the intent requirement of the U.S. federal Anti-Kickback Statute and criminal healthcare fraud statutes to clarify that liability under these statutes does not require a person or entity to have actual knowledge of the statutes or a specific intent to violate them in order to have committed a violation. Moreover, the ACA provides that the government may assert that a claim that includes items or services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act. Because of the breadth of these laws



and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

***The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate reimbursement levels and pricing policies. Failure to obtain or maintain coverage and adequate reimbursement for our product candidates, if approved, could limit our ability to market those products and decrease our ability to generate revenue.***

The availability of coverage and adequate reimbursement by third-party payors, including governmental healthcare programs such as Medicare and Medicaid, private health insurers and managed care organizations, is essential for most patients to be able to afford products such as our product candidates, assuming approval. Our ability to achieve acceptable levels of coverage and reimbursement for products by third-party payors will have an effect on our ability to successfully commercialize, and attract additional collaboration partners to invest in the development of our product candidates. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. We cannot be sure that coverage and reimbursement in the United States, the European Union or elsewhere will be available for any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future.

Third-party payors increasingly are challenging prices charged for pharmaceutical products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drugs when an equivalent generic drug or a less expensive therapy is available. It is possible that a third-party payor may consider our product candidate and other therapies as substitutable and only offer to reimburse patients for the less expensive product. Even if we show improved efficacy or improved convenience of administration with our product candidate, pricing of existing drugs may limit the amount we will be able to charge for our product candidate. Third-party payors may deny or revoke the reimbursement status of a given drug product or establish prices for new or existing marketed products at levels that are too low to enable us to realize an appropriate return on our investment in product development. If coverage and reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize our product candidates, and may not be able to obtain a satisfactory financial return on products that we may develop.

There is significant uncertainty related to the third-party payor coverage and reimbursement of newly approved products. In the United States, third-party payors play an important role in determining the extent to which new drugs and biologics will be covered. The Medicare and Medicaid programs increasingly are used as models for how private payors and other governmental payors develop their coverage and reimbursement policies for drugs and biologics. Some third-party payors may require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse health care providers who use such therapies. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our product candidates.

Obtaining and maintaining reimbursement status is time-consuming and costly. No uniform policy for coverage and reimbursement for drug products exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. Furthermore, rules and regulations regarding reimbursement change frequently, in some cases at short notice, and we believe that changes in these rules and regulations are likely.

In addition, companion diagnostic tests require coverage and reimbursement separate and apart from the coverage and reimbursement for their companion pharmaceutical or biological products. Similar challenges to obtaining coverage and reimbursement, applicable to pharmaceutical or biological products, will apply to companion diagnostics. Additionally, if any companion diagnostic provider is unable to obtain reimbursement or is inadequately reimbursed, that may limit the availability of such companion diagnostic, which would negatively impact prescriptions for our product candidates, if approved.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost-containment initiatives in Europe, Canada and other countries has and will continue to put pressure on the pricing and usage of our product candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than European Union, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most European Union member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing European Union and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize any products for which we obtain marketing approval.

Moreover, increasing efforts by governmental and third-party payors in the European Union, the United States and abroad to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our product candidates. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products.

***The future commercial success of our product candidates will depend on the degree of market acceptance of our potential products among physicians, patients, healthcare payors and the medical community.***

Our product candidates are at varying stages of development and we may never have a product that is commercially successful. To date, we have no product authorized for marketing. Our lead product candidates are in the relatively early stages of clinical development. Our lead product candidates will require further clinical investigation, regulatory review, significant marketing efforts and substantial investment before they can provide us with any revenues. Furthermore, if and when available on the market, our products may not achieve an adequate level of acceptance by physicians, patients and the medical community, and we may not become profitable. If our products are not accepted, we may need to increase our efforts to educate the medical community and third-party payors on the benefits of our products, which may require significant resources and may never be successful. Market acceptance of our future products by physicians, patients and healthcare payors will depend on a number of factors, many of which are beyond our control, including:

- the wording of the product label;
- changes in the standard of care as well as recommendations from relevant national and/or international associations for the targeted indications for any product candidate;
- sales, marketing and distribution support;
- potential product liability claims;
- acceptance by physicians, patients and healthcare payors of each product as safe and effective;
- relative convenience, ease of use, ease of administration and other perceived advantages over alternative products;
- availability of coverage and adequate reimbursement from third-party payors and the willingness of patients to pay out-of-pocket in the absence of adequate reimbursement;
- prevalence and severity of adverse events or publicity;
- limitations, precautions or warnings listed in the summary of product characteristics, patient information leaflet, package labeling or instructions for use;
- the cost of treatment with our products in relation to alternative treatments;
- the extent to which products are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations; and
- whether our products are designated in the label, under physician treatment guidelines or under reimbursement guidelines as a first-line, second-line, third-line or last-line therapy.

If our product candidates fail to gain market acceptance, this will have a material adverse impact on our ability to generate revenues to provide a satisfactory, or any, return on our investments. Even if a potential product displays a favorable efficacy and safety profile in preclinical studies and clinical trials, market acceptance of the product will not be fully known until after it is launched. Furthermore, even if some products achieve market acceptance, the market may prove not to be large enough to allow us to generate significant revenues. In addition, we are entitled to royalties on future commercial sales of ensivibep made by or on behalf of Novartis in certain territories but have agreed to forgo royalties in other territories, including lower income countries; if our product candidates are commercialized more largely

in territories for which we have agreed to forgo royalties, this could have a material adverse impact on our revenues and financial results.

***We have never commercialized a product candidate before and may lack the necessary expertise, personnel and resources to successfully commercialize our products on our own or together with suitable collaboration partners.***

We do not have a sales or marketing infrastructure and have no experience in the sale or marketing of pharmaceutical products. To achieve commercial success for any approved product, we must develop or acquire a sales and marketing organization, outsource these functions to third parties or enter into collaboration or license arrangements with third parties.

To the extent possible, we may establish our own sales and marketing capabilities and promote our product candidates if and when regulatory approval has been obtained in the major European Union countries and the United States for certain of our product candidates. There are risks involved should we decide to establish our own sales and marketing capabilities or enter into arrangements with third parties to perform these services. Even if we establish sales and marketing capabilities, we may fail to launch or market our products effectively since we have no experience in the sales and marketing of pharmaceutical products. In addition, recruiting and training a sales force is expensive and time consuming and could delay any product launch. In the event that any such launch is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel. Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe any future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organization; and
- costs of marketing and promotion above those anticipated by us.

If we enter into arrangements with third parties to perform sales and marketing services, our product revenues or profitability could be lower than if we were to market and sell any products that we develop ourselves. Such collaborative arrangements may place the commercialization of our products outside of our control and would make us subject to a number of risks including that we may not be able to control the amount or timing of resources that our collaborative partner devotes to our products or that our collaborator's willingness or ability to complete its obligations, and our obligations under our arrangements, may be adversely affected by business combinations or significant changes in our collaborator's business strategy. In addition, we may not be successful in entering into arrangements with third parties to sell and market our products or may be unable to do so on terms that are favorable to us. Acceptable third parties may fail to devote the necessary resources and attention to sell and market our products effectively.

If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we may not be successful in commercializing our products, which in turn would have a material adverse effect on our business, prospects, financial condition and results of operations.

***Our product candidates for which we intend to seek approval as biologic products may face competition sooner than anticipated.***

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation and meaning are subject to uncertainty.

We believe that any of our product candidates approved as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to U.S. Congressional action or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

The European Union provides opportunities for data and market exclusivity related to marketing authorizations. Upon receiving a marketing authorization, innovative medicinal products are generally entitled to receive eight years of data exclusivity and 10 years of market exclusivity. Data exclusivity, if granted, prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic application or biosimilar application for eight years from the date of authorization of the innovative product, after which a generic or biosimilar marketing authorization application can be submitted, and the innovator's data may be referenced. The market exclusivity period prevents a successful generic or biosimilar applicant from commercializing its product in the European Union until 10 years have elapsed from the initial marketing authorization of the reference product in the European Union. The overall ten-year period may, occasionally, be extended for a further year to a maximum of 11 years if, during the first eight years of those ten years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. However, there is no guarantee that a product will be considered by the European Union's regulatory authorities to be a new chemical/biological entity, and products may not qualify for data exclusivity.

In the EU, there is a special regime for biosimilars, or biological medicinal products that are similar to a reference medicinal product but that do not meet the definition of a generic medicinal product. For such products, the results of appropriate preclinical or clinical trials must be provided in support of an application for MA. Guidelines from the EMA detail the type of quantity of supplementary data to be provided for different types of biological product.

We also believe that our product candidates in the EEA should benefit from this data and market exclusivity. As with the U.S., however, if competitors obtain marketing authorization for their biosimilar products, our products may become subject to competition from these biosimilars, with the attendant competitive pressure and consequences.

***If we do not achieve our projected development and commercialization goals in the timeframes we announce and expect, the commercialization of our product candidates or any future product candidates may be delayed, and our business will be harmed.***

For planning purposes, we estimate the timing of achieving various scientific, clinical, regulatory, and other product development objectives. These milestones may include our expectations regarding the commencement or completion of scientific studies and clinical trials, regulatory submissions or commercialization objectives. From time to time, we may publicly announce the expected timing of some of these milestones, such as the completion of an ongoing clinical trial, the initiation of clinical trials, receipt of regulatory approval, or the commercial launch of a product. The achievement of many of these milestones may be outside of our control. All of these milestones are based on a variety of assumptions, which may cause the timing of achieving the milestones to vary considerably from our estimates, including:

- our available capital resources or capital constraints we experience;
- the rate of progress, costs, and results of our clinical trials and research and development activities, including the extent of scheduling conflicts with participating clinicians and collaborators;
- our ability to identify and enroll patients who meet clinical trial eligibility criteria;
- our receipt of approvals by the FDA, EMA and comparable foreign regulatory authorities, and the timing thereof;
- other actions, decisions, or rules issued by regulators;
- our ability to access sufficient, reliable, and affordable supplies of materials used in the manufacture of our product candidates;
- our ability to manufacture and supply clinical trial materials to our clinical sites on a timely basis;
- the efforts of our collaborators with respect to the commercialization of our approved products, if any; and
- the securing of, costs related to, and timing issues associated with, commercial product manufacturing, as well as sales and marketing activities.

If we fail to achieve announced milestones in the timeframes we expect, the commercialization of our current or any future product candidates may be delayed, and our business, results of operations, financial condition, and prospects may be adversely affected.

### **Risks Related to Our Business and Industry**

***Nearly all aspects of our activities are subject to substantial regulation. No assurance can be given that any of our product candidates will fulfill regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals and withdrawal of approvals, as well as fines.***

The international biopharmaceutical and medical technology industry is highly regulated by the FDA, the EMA and other comparable foreign authorities and by other national or supra-national regulatory authorities that impose substantial requirements covering nearly all aspects of our activities notably on research and development, manufacturing, preclinical tests, clinical trials, labeling, marketing, sales, storage, record keeping, promotion and pricing of our product candidates. Such regulation is further subject to regular review by the FDA, the EMA and other comparable foreign authorities which may result in changes in applicable regulation. If we do not comply with one or more of these requirements in a timely manner, or at all, our product development could experience significant delays as a result of the

FDA, the EMA or other comparable regulatory authorities recommending non-approval or restrictions on approval of a product candidate, leading to an inability to successfully commercialize any of our product candidates, which would materially harm our business. Any failure of any of our product candidates in clinical studies or to receive regulatory approval could have a material adverse effect on our business, results of operations and financial condition. If any of our product candidates fails to obtain approval on the basis of any applicable condensed regulatory approval process, this will prevent such product candidate from obtaining approval in a shortened time frame, or at all, resulting in increased expenses which would materially harm our business.

Compliance with requirements laid down by local regulatory authorities is necessary in each country where we, or any of our partners or licensees, conduct said activities in whole or in part. Local regulatory authorities notably include the EMA and the FDA. In order to market our future products in regions such as the European Economic Area, United States of America, Asia Pacific and many other foreign jurisdictions, we must obtain separate regulatory approvals. The approval procedures vary among countries and can require additional clinical testing, and the time required to obtain approval may differ from that required to obtain for example FDA or EMA approval. Moreover, clinical studies conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA or EMA does not ensure approval by the comparable foreign authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA or EMA.

There can be no assurance that our product candidates will fulfil the criteria required to obtain necessary regulatory approval to access the market. Also, at this time, we cannot guarantee or know the exact nature, precise timing and detailed costs of the efforts that will be necessary to complete the remainder of the development of our research programs and products candidates. Each of the FDA, the EMA and other comparable foreign authorities may impose its own requirements, may discontinue an approval or revoke a license, may refuse to grant approval, or may require additional data before granting approval, notwithstanding that approval may have been granted by the FDA, the EMA or one or more other comparable foreign authority. The FDA, the EMA or other comparable foreign authorities may also approve a product candidate for fewer or more limited indications or patient sub-segments than requested or may grant approval subject to the performance of post-marketing studies. The EMA's, the FDA's or other regulatory authority's approval may be delayed, limited or denied for a number of reasons, most of which are beyond our control. Such reasons could include, among others, the production process or site not meeting the applicable requirements for the manufacture of regulated products, or the products not meeting applicable requirements for safety, purity or potency, or efficacy, during the clinical development stage or after marketing. No assurance can be given that clinical trials will be approved the FDA, the EMA or other comparable foreign authorities or that products will be approved for marketing by such regulatory authorities in any pre-determined indication or intended use. Any of the FDA, the EMA and other comparable foreign authorities may disagree with our interpretation of data submitted for their review.

We and our collaborative partners are, or may become subject to, numerous ongoing other regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals. The costs of compliance with such applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing authorization of our products, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase our or our collaborative partners' costs or delay the development and commercialization of our product candidates.

***Changes in funding for the FDA and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new or existing product candidates from being developed or commercialized in a timely manner, or otherwise prevent those agencies from performing normal functions on which the operation of our business may rely, which could negatively impact our business.***

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel, and accept payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times, and certain regulatory agencies, such as the FDA, have had to furlough critical FDA and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, in our operations as a public company, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

***Our research and development activities could be affected or delayed as a result of possible restrictions on animal testing.***

Certain laws and regulations require us to test our product candidates on animals before initiating clinical trials involving humans. Animal testing activities have been the subject of controversy and adverse publicity. Animal rights groups and other organizations and individuals have attempted to stop animal testing activities by pressing for legislation and regulation in these areas and by disrupting these activities through protests and other means. To the extent the activities of these groups are successful, our research and development activities may be interrupted, delayed or become more expensive.

***Because we are subject to environmental, health and safety laws and regulations, we may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities which may adversely affect our business.***

Our operations, including our research, development, testing and manufacturing activities, are subject to numerous environmental, health and safety laws and regulations. These laws and regulations govern, among other things, the controlled use, handling, release and disposal of and the maintenance of a registry for, hazardous materials and biological materials, such as chemical solvents, human cells, carcinogenic compounds, mutagenic compounds and compounds that have a toxic effect on reproduction, laboratory procedures and exposure to blood-borne pathogens. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

Our professional liability insurance and our accident insurance, which cover for costs and expenses we may incur due to environmental liability that may be asserted against us or due to injuries to our employees resulting from the use of hazardous materials, may not provide adequate coverage against potential liabilities.



As with other companies engaged in activities similar to ours, we face a risk of environmental liability inherent in our current and historical activities, including liability relating to releases of or exposure to hazardous or biological materials. Environmental, health and safety laws and regulations are becoming more stringent. We may be required to incur substantial expenses in connection with future environmental compliance or remediation activities, in which case, our production and development efforts may be interrupted or delayed and our financial condition and results of operations may be adversely affected.

Further with respect to the operations of our third-party contract manufacturers, it is possible that if they fail to operate in compliance with applicable environmental, health and safety laws and regulations or properly dispose of wastes associated with our product candidates or products, we could be held liable for any resulting damages, suffer reputational harm or experience a disruption in the manufacture and supply of our product candidates or products, if approved.

***Our employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.***

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in fraudulent conduct or other illegal activities. Misconduct by these parties could include intentional, reckless and negligent conduct or unauthorized activities that violate: the regulations of the FDA, the EMA and other comparable foreign authorities, including those laws that require the reporting of true, complete and accurate information to such authorities; manufacturing standards; federal and state data privacy, security, fraud and abuse and other healthcare laws and regulations in the United States and abroad; or laws that require the reporting of true, complete and accurate financial information and data. Specifically, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials or creating fraudulent data in our preclinical studies or clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. Additionally, we are subject to the risk that a person could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid and other U.S. federal healthcare programs, individual imprisonment, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, other sanctions, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations.

***Our high dependency on public perception of our products may negatively influence the success of these products.***

If any of our product candidates are approved for commercial sale, we will be highly dependent upon consumer perceptions of the safety and quality of our products. We could be adversely affected if we

were subject to negative publicity or if any of our products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to patients. Because of our dependence upon consumer perception, any adverse publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies could have a material adverse impact on our business and results of operations.

Future adverse events in research into the oncology and virology fields that we focus our research efforts on, or the biopharmaceutical industry more generally, could also result in greater governmental regulation, stricter labeling requirements and potential regulatory delays in the testing or approvals of our products. Any increased scrutiny could delay or increase the costs of obtaining regulatory approval for our product candidates.

***Failure to successfully identify, develop and commercialize additional products or product candidates could impair our ability to grow.***

Although a substantial amount of our efforts will focus on the continued preclinical and clinical testing and potential approval of our product candidates in our current pipeline, a key element of our long-term growth strategy is to develop and market additional product candidates. Because we have limited managerial resources, research programs to identify product candidates will require substantial additional technical, financial and human resources, whether or not any product candidates are ultimately identified. The success of this strategy depends partly upon our ability to identify, select and develop promising product candidates and products. Our technology platforms may fail to discover and to generate additional product candidates that are suitable for further development. All product candidates are prone to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate may not be suitable for clinical development as a result of its harmful side effects, limited efficacy or other characteristics that indicate that it is unlikely to be a product that will receive approval by the FDA, the EMA and other comparable foreign regulatory authorities and achieve market acceptance. If we do not successfully develop and commercialize product candidates based upon our DARPin technology approach, we may not be able to obtain product or collaboration revenues in future periods, which would adversely affect our business and results of operations.

***We may expend our limited resources to pursue a particular DARPin product candidate or indication and fail to capitalize on DARPin product candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we focus on research programs and DARPin product candidates for specific indications, mode of actions or targets. As a result, we may forego or delay pursuit of opportunities with other DARPin product candidates or other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and DARPin product candidates for specific indications may not yield any commercially viable products.

If we do not accurately evaluate the commercial potential or target market for a particular DARPin product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been advantageous for us to retain sole development and commercialization rights.

***Service or supply failures, or other failures, business interruptions or other disasters affecting the manufacturing facilities of any party participating in the supply chain would adversely affect our ability to supply our products, if approved.***

Our product candidates are biologics and require processing steps that are more difficult than those required for most chemical pharmaceuticals. Accordingly, multiple steps are needed to control the manufacturing processes. Problems with these manufacturing processes, even minor deviations from the normal process or from the materials used in the manufacturing process, which may not be detectable by us in a timely manner, could lead to product defects or manufacturing failures, resulting in lot failures, product recalls, product liability claims and insufficient inventory.

Also, certain raw materials or other products necessary for the manufacture and formulation of our product candidates, some of which are difficult to source, are provided by single-source unaffiliated third-party suppliers. The COVID-19 pandemic has caused delays and difficulties in the timely shipping and delivery of supplies, samples and products required for our clinical trials. In addition, we rely on certain third parties to perform filling, finishing, distribution, laboratory testing and other services related to the manufacture of our product candidates, and to supply various raw materials and other products. We would be unable to obtain these raw materials, other products, or services for an indeterminate period of time if any of these third parties were to cease or interrupt production or otherwise fail to supply these materials, products, or services to us for any reason, including due to regulatory requirements or actions (including recalls), adverse financial developments at or affecting the supplier, failure by the supplier to comply with cGMPs, contamination, business interruptions, or labor shortages or disputes. In any such circumstances, we may not be able to engage a backup or alternative supplier or service provider in a timely manner or at all. This, in turn, could materially and adversely affect our ability to supply product candidates, which could materially and adversely affect our business and future prospects.

***We may develop our DARPin platform and other current or future product candidates, in combination with other therapies, which exposes us to additional risks.***

We may develop our DARPin platform and other current or future product candidates in combination with one or more currently approved therapies. Even if any product candidates we develop were to receive marketing approval or be commercialized for use in combination with other existing therapies, we would continue to be subject to the risks that the FDA or comparable foreign regulatory authorities could revoke approval of the therapy used in combination with our DARPin platform or any other current or future product candidates or that safety, efficacy, manufacturing, or supply issues could arise with these existing therapies. This could result in our own product candidates being removed from the market or being less successful commercially.

We may also evaluate our DARPin platform or any other current or future product candidates in combination with one or more other therapies that have not yet been approved for marketing by the FDA or comparable foreign regulatory authorities. We will not be able to market and sell our DARPin product candidates or any product candidate we develop in combination with any such unapproved therapies that do not ultimately obtain marketing approval. These unapproved therapies may face the same risks described with respect to our product candidates, including the emergence of adverse events and delays in their clinical trials. If the FDA or comparable foreign regulatory authorities do not approve these other therapies or revoke their approval of, or if safety, efficacy, manufacturing, or supply issues arise with, the therapies we choose to evaluate in combination with our DARPin product candidates or any other product candidate we develop, we may be unable to obtain approval of or market our DARPin product candidates or any other product candidate we develop.

***We are subject to stringent and changing obligations related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business.***

In the ordinary course of business, we collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (commonly known as processing) personal data and other sensitive information, including proprietary and confidential business data, trade secrets, intellectual property, data we collect about trial participants in connection with clinical trials, and sensitive third-party data. Our data processing activities subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contracts, and other obligations that govern the processing of personal data by us and on our behalf. In the United States, numerous federal and state laws, rules and regulations, including federal health information privacy laws, state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws that govern the collection, processing of personal information, including health-related personal information, could apply to our operations or the operations of our collaborators. For example, HIPAA, as amended by HITECH, imposes specific requirements relating to the privacy, security, and transmission of individually identifiable health information. We may obtain health information from third parties (including research institutions from which we obtain clinical trial data) that are subject to privacy and security requirements under HIPAA. Depending on the facts and circumstances, we may be subject to civil, criminal, and administrative penalties if we knowingly obtain, use, or disclose individually identifiable health information in a manner that is not authorized or permitted by HIPAA.

Additionally, the California Consumer Privacy Act, or CCPA, imposes obligations on covered businesses. These obligations include, but are not limited to, providing specific disclosures in privacy notices and affording California residents certain rights related to their personal data. The CCPA allows for statutory fines for noncompliance (up to \$7,500 per violation) and includes a private right of action for certain data breaches. Although the CCPA exempts some data processed in the context of clinical trials, the CCPA may increase compliance costs and potential liability with respect to other personal data we maintain about California residents. In addition the California Privacy Rights Act of 2020, or CPRA, effective January 1, 2023, expands the CCPA, including by adding a new right for individuals to correct their personal information and establishing a new regulatory agency to implement and enforce the law. Other states have enacted data privacy laws as well. For example, Virginia passed the Consumer Data Protection Act, and Colorado passed the Colorado Privacy Act, both of which become effective in 2023. While these states, like the CCPA, also exempt some data processed in the context of clinical trials, these developments further complicate compliance efforts, and increase legal risk and compliance costs for us and the third parties upon whom we rely. Data privacy and security laws have been proposed at the federal, state, and local levels in recent years, which could further complicate compliance efforts.

Outside the United States, an increasing number of laws, regulations, and industry standards apply to data privacy and security. For example, the European Union's General Data Protection Regulation, or EU GDPR, and the United Kingdom's GDPR, or UK GDPR, impose strict requirements for processing personal data. For example, under the EU GDPR, government regulators may impose temporary or definitive bans on data processing, as well as fines of up to 20 million euros or 4% of annual global revenue, whichever is greater. Further, companies may face private litigation related to processing of personal data brought not only by individuals but also by classes of data subjects or consumer protection organizations authorized at law to represent their interests. Additionally, EU member states are also able to legislate separately on health and genetic data, and we must comply with these local laws where we operate. The Swiss Federal Act on Data Protection, or DPA, also applies to the collection and processing of personal data, including health-related information, by companies located in Switzerland, or in certain circumstances, by companies located outside of Switzerland. The DPA has been revised, and the revised version and its revised ordinances will enter into force September 2023.

Certain jurisdictions have enacted data localization laws and cross-border personal data transfer laws, which could make it more difficult to transfer information across jurisdictions (such as transferring or receiving personal data that originates in the EU or in other foreign jurisdictions). Existing mechanisms that facilitate cross-border personal data transfers may change or be invalidated. For example, absent appropriate safeguards or other circumstances, the EU GDPR generally restricts the transfer of personal data to countries outside of the European Economic Area, or EEA, such as the United States, which are not considered by the European Commission to provide an adequate level of data protection. The European Commission released a set of “Standard Contractual Clauses,” or SCCs, that are designed to be a valid mechanism to facilitate personal data transfers out of the EEA to these jurisdictions. Currently, these SCCs are a valid mechanism to transfer personal data outside of the EEA, but this mechanism is subject to legal challenge. Additionally, the SCCs impose additional compliance burdens, such as conducting transfer impact assessments to determine whether additional security measures are necessary to protect the at-issue personal data. In addition, Switzerland and the UK similarly restrict personal data transfers outside of those jurisdictions to countries such as the United States that do not provide an adequate level of personal data protection. If we cannot implement a valid compliance mechanism for cross-border data transfers, we may face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal data from Europe or other foreign jurisdictions. The inability to import personal data to the United States could significantly and negatively impact our business operations, including by limiting our ability to conduct clinical trial activities in Europe and elsewhere; limiting our ability to collaborate with parties that are subject to such cross-border data transfer or localization laws; or requiring us to increase our personal data processing capabilities and infrastructure in foreign jurisdictions at significant expense.

We are also bound by contractual obligations related to data privacy and security, and our efforts to comply with such obligations may not be successful. For example, certain privacy laws, such as the GDPR and the CCPA, require our customers to impose specific contractual restrictions on their service providers. We publish privacy policies, and other statements, such as compliance with certain certifications or self-regulatory principles, regarding data privacy and security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences.

Our obligations related to data privacy and security are quickly changing in an increasingly stringent fashion, creating some uncertainty as to the effective future legal framework. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires significant resources and may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. Although we endeavor to comply with all applicable data privacy and security obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third-party processor to comply with applicable law, regulations, or contractual obligations could result in adverse effects, including inability to or interruption in our ability to operate our business and proceedings against us by governmental entities or others.

If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences. These consequences may include, but are not limited to government enforcement actions (which could include civil, criminal and administrative penalties), private litigation, and/or adverse publicity, additional reporting requirements and/or oversight, bans on processing personal data, orders to destroy or not use personal data, imprisonment of company officials. Moreover, clinical trial subjects, employees and other individuals about whom we or our potential collaborators obtain personal information, as well as the providers who share this information with us,

may limit our ability to collect, use and disclose the information. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to interruptions or stoppages in our business operations (including, as relevant, clinical trials), inability to process personal data or to operate in certain jurisdictions, limited ability to develop or commercialize our products, expenditure of time and resources to defend any claim or inquiry, adverse publicity, or revision or restructuring of our operations.

***We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.***

We are subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, collectively referred to as the trade control laws.

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the biopharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

There is no assurance that we will be effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA, the Swiss anti-corruption laws or other legal requirements, including trade control laws. If we are not in compliance with the FCPA, the Swiss anti-corruption laws and other anti-corruption laws or trade control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the FCPA, the Swiss anti-corruption laws, other anti-corruption laws or trade control laws by U.S. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

In addition, changes in our products and product candidates or changes in applicable export or import laws and regulations may create delays in the introduction or provision of our products and product candidates in other jurisdictions, prevent others from using our products and product candidates or, in some cases, prevent the export or import of our products and product candidates to certain countries, governments or persons altogether. Any limitation on our ability to export or provide our products and product candidates could adversely affect our business, financial condition and results of operations.

Moreover, a growing number of investors, regulators, self-regulatory organizations and other stakeholders have expressed an interest in setting Environmental, Social and Corporate Governance, or ESG, goals and requiring the provision of new and more robust disclosure of steps taken to implement such goals. The

related legislative landscape in the EU has been evolving accordingly. For example, in December 2022, Directive No 2464/2022 on Corporate Sustainability Reporting, or CSRD, was adopted and entered into force on 5 January 2023. This new Directive strengthens the rules governing the social and environmental information that companies are required to report. The new rules expand the number of companies that are required to report ESG information and broaden the amount of ESG information that companies must report. The CSRD also requires a "double materiality" analysis. This means that companies will have to report on how sustainability issues might create financial risks for the company and on the company's own impacts on people and the environment. The CSRD will apply to; large EU companies, EU parents of a "large group", and to listed EU small or medium-sized companies. It will also apply to non-EU companies that have a certain threshold of EU-generated turnover and an EU branch or subsidiary. The specific information that will be subject to reporting will be detailed in the European Sustainability Reporting Standards, or ESRS to be adopted by the European Commission. The first set ESRS are expected to be adopted by June 30, 2023. Companies subject to the CSRD will be required to fulfil their reporting obligations in accordance with a staggered timeline depending on the category of company. The first reports are expected in 2025 for the 2024 financial year.

In response to new ESG initiatives and regulations we may voluntarily elect, or be required, to adopt strategies, policies, or procedures related to ESG matters. Reporting on ESG goals and objectives may cause us to expend significant capital and human resources, and could divert management's attention from central operational matters. Reports could also lead to the disclosure of information that which may have a negative impact on our operations and reputation which may lead to additional exposure. Failure to accurately comply with any ESG reporting obligations may result in enforcement actions, sanctions, reputational harm or private litigation.

### **Risks Related to Our Dependence on Third Parties**

***We rely, and expect to continue to rely, on third parties, including independent clinical investigators and CROs, to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be harmed.***

We have relied upon and plan to continue to rely upon third parties, including independent clinical investigators and third-party CROs mandated by us or by our partners, to conduct our preclinical studies and clinical trials and to monitor and manage data for our ongoing preclinical and clinical programs. We rely on these parties for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our third party contractors and CROs are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA, the EMA and comparable foreign regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we, our investigators or any of our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, the EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Further, these investigators and CROs are not our employees and we will not be able to control, other than by contract, the amount of resources, including time, which they devote to our product candidates and

clinical trials. If independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of any product candidates that we develop. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated.

We also face the risk of potential infringement, unauthorized disclosure, misappropriation or other violation of our intellectual property by our third party contractors or CROs, which may reduce our trade secret protection and allow our potential competitors or other third parties to access and exploit our proprietary technology. Our third party contractors or CROs also may use our proprietary information and intellectual property in such a way as to invite litigation or other intellectual property-related proceedings that could jeopardize or invalidate our proprietary information and intellectual property. For more information regarding our intellectual property, see “Risk Factors—Risks Related to Intellectual Property.”

There are a limited number of third-party service providers that specialize or have the expertise required to achieve our business objectives. If any of our relationships with these third-party CROs or clinical investigators terminate, we may not be able to enter into arrangements with alternative CROs or investigators or to do so on commercially reasonable terms. Switching or adding additional CROs (or investigators) involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

***We rely and will continue to rely on collaborative partners regarding the development of our research programs and product candidates. If we are not able to maintain our current relationships or enter into new strategic relationships our business, financial condition, commercialization prospects and results of operations may be adversely affected.***

We are, and expect to continue to be, dependent on partnerships with partners relating to the development and commercialization of our existing and future research programs and product candidates.

We currently have collaborative research relationships with the University of Bern for MP0533 and with Novartis Pharma AG, or Novartis, primarily for radioligand therapies. We have had and will continue to have discussions on potential partnering opportunities with various pharmaceutical companies. If we fail to enter into or maintain collaborations on reasonable terms or at all, our ability to develop our existing or future research programs and product candidates could be delayed, the commercial potential of our products could change and our costs of development and commercialization could increase. Furthermore, we may find that our programs require the use of intellectual property rights and other proprietary rights held by third parties, and the growth of our business may depend in part on our ability to acquire, in-license or use these intellectual property and other proprietary rights.



Our dependence on collaborative partners subjects us to a number of risks, including, but not limited to, the following:

- we may not be able to control the amount and timing of resources that the collaboration partner devotes to our research programs and product candidates;
- for collaboration agreements where we are solely or partially responsible for funding development expenses through a defined milestone event, the payments we receive from the collaboration partner may not be sufficient to cover the expenses we have or would need to incur in order to achieve that milestone event;
- we may be required to relinquish significant rights, including intellectual property or other proprietary rights, marketing and distribution rights;
- our anticipated payments under any partnership agreement (e.g., royalty payments for licensed products) may not materialize;
- we rely on the information and data received from third parties regarding their research programs and product candidates and will not have control of the process conducted by the third party in gathering and composing such data and information.
- if rights to develop and commercialize our product candidates subject to collaborations revert to us for any reason (for example MP0310 and abicipar), we may not have sufficient financial resources to develop such product candidates, which may result in us failing to recognize any value from our investments in developing such product candidates and/or requiring us to divert our resources elsewhere;
- a collaborative partner may decide not to pursue, or discontinue the collaborative development of, our product candidates;
- a collaborative partner may develop a competing product either by itself or in collaboration with others, including one or more of our competitors;
- our collaborative partners' willingness or ability to complete their obligations under our partnership arrangements may be adversely affected by business combinations or significant changes in a collaborative partner's business strategy;
- we may experience delays in, or increases in the costs of, the development of our research programs and product candidates due to the termination or expiration of collaborative research and development arrangements;
- we may have disagreements with collaborative partners, including disagreements over proprietary rights, contract interpretation or the preferred course of development, that might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborative partners may not properly maintain, enforce or defend our intellectual property rights or other proprietary information or may such use proprietary information in such a way as to invite litigation or other intellectual property-related proceedings that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation; or
- collaborative partners may infringe, misappropriate or otherwise violate the intellectual property or other proprietary rights of third parties, which may expose us to litigation and potential liability, and

collaborators may also allege that we are liable for potential infringement, misappropriation or other violations of third-party intellectual property or proprietary rights during the research and development work for the collaboration.

We face significant competition in seeking appropriate collaborative partners. Our ability to reach a definitive agreement for a partnership will depend, among other things, upon an assessment of the collaborator's resources and expertise, the terms and conditions of the proposed partnership and the proposed collaborator's evaluation of a number of factors. These factors may include the design or results of clinical trials, the likelihood of regulatory approval, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership regardless of the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a partnership could be more attractive than the one with us.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop product candidates or bring them to market and generate product revenue.

***We rely completely on third parties to manufacture our preclinical and clinical drug supplies and we intend to rely on third parties to provide us with required target material for developing and selecting product candidates as well as to produce commercial supplies of any approved product candidate.***

We do not currently have the infrastructure or capability internally to manufacture our product candidates for use in the conduct of our clinical studies or for commercial supply, if our products are approved. Instead, we rely on, and expect to continue to rely on CMOs. We currently rely mainly on a few CMOs for the manufacturing of our product candidate materials. Any replacement of our CMOs could require significant effort and expertise because there may be a limited number of qualified CMOs. Reliance on third-party providers may expose us to more risk than if we were to manufacture our product candidates ourselves. We are dependent on our CMOs for the production of our product candidates in accordance with relevant regulations (such as cGMP), which includes, among other things, quality control, quality assurance and the maintenance of records and documentation. Moreover, many of the third parties with whom we contract may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting product development activities that could harm our competitive position.

If we were to experience an unexpected delay in receiving required target material or loss of supply of or if any supplier were unable to meet our demand for any of our product candidates, we could experience delays in our research or planned clinical studies or commercialization. We could be unable to find alternative suppliers of acceptable quality, in the appropriate volumes and at an acceptable cost. Moreover, our suppliers are subject to strict manufacturing requirements and rigorous testing requirements, which could limit or delay production. The long transition periods necessary to switch manufacturers and suppliers, if necessary, would significantly delay our clinical studies and the

commercialization of our products, if approved, which would adversely affect our business and results of operation.

In complying with the manufacturing regulations of the FDA, the EMA and other comparable foreign authorities, we and our third-party suppliers must spend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against our CMOs and subsequently against us, including the seizure of products and shutting down of production. We and any of these third-party suppliers may also be subject to audits by the FDA, the EMA or other comparable foreign authorities. If any of our third-party suppliers fails to comply with cGMP or other applicable manufacturing regulations, our ability to develop and commercialize the products could suffer significant interruptions. For example, we have faced and may face in the future bioburden during drug substance production campaigns or particles in drug product preparations at our CMOs which led or may lead to regulatory actions, including from the FDA. While we and our partners endeavor to maintain appropriate backup supply with respect to our product candidates, and not all such bioburden or particles result in regulatory action or delays, we cannot assure that any such issues would not result in delays in our clinical trials or product development or other adverse impacts on our business. We face risks inherent in relying on our CMOs, as any disruption, such as a fire, natural hazards or vandalism at any such CMO could significantly interrupt our manufacturing capability. Our CMOs currently do not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, we will have to establish alternative manufacturing sources. This would require substantial capital on our part, which we may not be able to obtain on commercially acceptable terms or at all. Additionally, we would likely experience months of manufacturing delays as the CMO builds or locates replacement facilities and seeks and obtains necessary regulatory approvals. If this occurs, we will be unable to satisfy manufacturing needs on a timely basis, if at all.

The manufacturing of all of our product candidates requires using cells which are stored in a cell bank. We have one master cell bank for each product manufactured in accordance with cGMP. Working cell banks have not yet been manufactured. Half of each master cell bank is stored at a separate site so that in case of a catastrophic event at one site we believe sufficient vials of the master cell banks are left at the alternative storage site to continue manufacturing. We believe sufficient working cell banks could be produced from the vials of the master cell bank stored at a given site to assure product supply for the future. However, it is possible that we could lose multiple cell banks and have our manufacturing significantly impacted by the need to replace these cell banks, which could materially adversely affect our business, prospects, financial condition and results of operations.

***We do not and will not have access to all information regarding the product candidates we license to our collaboration partners. Consequently, our ability to inform our shareholders about the status of such product candidates, and to make informed operational and investment decisions about the product candidates to which we have retained development and commercialization rights, may be limited.***

We do not and will not have access to all information regarding the product candidates being developed and potentially commercialized by Novartis, including potentially material information about clinical trial design and execution, safety reports from clinical trials, spontaneous safety reports if the product is later approved and marketed, regulatory affairs, process development, manufacturing, marketing and other areas known by Novartis. In addition, we have confidentiality obligations under our agreement with Novartis. Thus, our ability to keep our shareholders informed about the status of product candidates under our collaboration will be limited by the degree to which Novartis keeps us informed and allows us to

disclose such information to the public. If Novartis fails to keep us informed about the clinical development and regulatory approval of our collaboration and product candidates licensed to it, we may make operational and investment decisions that we would not have made had we been fully informed, which may materially and adversely affect our business and operations.

***Our financial prospects are dependent upon the manufacture, development and marketing efforts of our licensees. Our licensees may act in their best interest rather than in our best interest, which could materially adversely affect our business, financial condition and results of operations.***

We rely on our licensees to manufacture, fund and conduct the clinical development and commercialization of product candidates, and our licensees have complete control over such activities. Our ability to generate revenue in the near term will depend primarily on the successful development, regulatory approval, marketing and commercialization of product candidates by our licensees. Such success is subject to significant uncertainty, and we have limited control over the manufacturing processes of such product candidates as well as the resources, time and effort that licensees may devote to such product candidates. Any of several events or factors could have a material adverse effect on our ability to generate revenue from our licensee's potential commercialization of product candidates.

In addition, our licensees have the right to make decisions regarding the development and commercialization of product candidates under the collaborations without consulting us and may make decisions with which we do not agree. For example, in April 2022, Amgen, our collaboration partner for MP0310 (AMG 506), informed us of its decision to return global rights of MP0310 to us following a strategic pipeline review. Conflicts between our licensees and us may arise if there is a dispute about the progress of the clinical development of a product candidate, the achievement and payment of a milestone amount or the ownership of intellectual property developed during the course of our collaboration agreements. If any of our licenses terminate with our licensees, it may be necessary for us to assume responsibility at our own expense for the development of the applicable product candidates. In that event, we would likely be required to limit the size and scope of one or more of our programs or increase our expenditures and seek additional funding, which may not be available on acceptable terms or at all, which would materially adversely affect our business, financial condition and results of operations.

### **Risks Related to Intellectual Property**

***We rely on patents and other intellectual property rights to protect our product candidates and the DARPin technology, the prosecution, grant, enforcement, defense and maintenance of which may be challenging and costly. Failure to obtain, maintain, enforce or protect these rights adequately could harm our ability to compete and impair our business.***

Our commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property rights for our product candidates, methods used to manufacture those products and methods for treating patients using those products, or on licensing in such rights. Failure to obtain, maintain, enforce, protect or extend adequate patent and other intellectual property rights could adversely affect our ability to develop and market our products and product candidates or pursue collaborations with partners for our product candidates.

We cannot be certain that patents will be issued or granted with respect to applications that are currently pending, or that issued or granted patents will not later be found to be invalid or unenforceable. The patent position of biopharmaceutical companies is generally uncertain because it involves complex legal and factual considerations, and has been the subject of much litigation in recent years. The standards applied by the United States Patent and Trademark Office, or USPTO, the European Patent Office, or EPO, and other foreign patent offices in granting patents are not always identical or applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the

scope of claims allowable in biopharmaceutical patents. Consequently, patents may not issue from our pending patent applications or, if issued, patents may vary in scope depending on the jurisdiction. As such, we do not know the degree of future protection that we will have on our proprietary products and technology in the various jurisdictions. The scope of patent protection that the USPTO, the EPO and other foreign patent offices will grant with respect to the DARPin product candidates in our product pipeline is uncertain. It is possible that the USPTO, the EPO and other foreign patent offices will not allow broad claims that cover DARPin product candidates closely related to our product candidates or to the specific protein building blocks. As a result, upon receipt of EMA or FDA approval, competitors may be free to market other products almost identical to ours, thereby decreasing our market share.

The patent prosecution process is expensive, time-consuming and complex, and we and our current or future licensors, licensees or collaboration partners may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our licensors, licensees or collaboration partners will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection for them. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, collaborators, CROs, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

Further, the issuance, scope, validity, enforceability and commercial value of our and our current or future licensors', licensees' or collaboration partners' patent rights are highly uncertain. Our and our licensors' pending and future patent applications may not result in patents being issued that protect our technology or products, in whole or in part, or that effectively prevent others from commercializing competitive technologies and products. Moreover, in some circumstances, we may not have the right to control the preparation, filing, prosecution and maintenance of the licensed patent applications or other intellectual property, or to maintain the patents, or may not have the first right to enforce the intellectual property. We may need to enter into new license or royalty agreements, covering technology that we license from or license to third parties or have developed in collaboration with our collaboration partners and are reliant on patent procurement activities of our licensors, licensees or collaboration partners. Therefore, we may not be able to adequately influence the patent prosecution or enforcement of these patents and patent applications, or prevent inadvertent lapses of coverage due to failure to pay maintenance fees and we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business and that does not compromise the patent rights. If our current or future licensors, licensees or collaboration partners fail to obtain, maintain, protect or enforce such patents and other intellectual property rights, such rights may be reduced or lost. If our licensors, licensees or collaboration partners are not fully cooperative or disagree with us as to the preparation, filing, prosecution, maintenance, defense or enforcement of any licensed patent rights, such patent rights could be compromised. The patent examination process may require us or our licensors, licensees or collaboration partners to narrow the scope of the claims of our or our licensors', licensees' or collaboration partners' pending and future patent applications, which may limit the scope of patent protection that may be obtained. We cannot assure you that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it may invalidate patents in whole or in part or prevent patents from issuing from pending patent applications. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may initiate an opposition, interference, re-examination, post-grant review, inter partes review, nullification, revocation, derivation, or other actions in court or before patent offices challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed, invalidated, or held unenforceable. Such proceedings have a higher impact in the

biopharmaceutical industry than in other industries, given that biopharmaceutical products are often protected by only one or few patents. Our and our licensors', licensees' or collaboration partners' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the practiced technology. An adverse determination in any such proceeding could reduce the scope of, invalidate, or render unenforceable our patent rights, and allow third parties to commercialize our technology or products and compete directly with us, without payment to us. Such proceedings also may result in substantial cost and require significant time from our scientists and management, even if the eventual outcome is favorable to us.

Moreover, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Even if our patent applications or those of our licensors, licensees or collaboration partners issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents may be challenged, narrowed, circumvented or invalidated by third parties. Consequently, we do not know whether any of our DARPin platform advances or product candidates will be protectable or remain protected by valid and enforceable patents. In addition, our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications are confidential for a period of time after filing, and some remain so until issued. Therefore, we cannot be certain that we or our licensors, licensees or collaborators were the first to make the inventions claimed in any patent application, or were the first to file any patent application related to a product candidate. Furthermore, as to the United States, if third parties have filed such patent applications on or before March 15, 2013, an interference proceeding can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding can be initiated by such third parties to determine whether our invention was derived from theirs. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date, or if the other party is able to obtain a compulsory license.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. As a result, our intellectual property may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, including generic versions of such products. Moreover, it is possible that some future patents and patent applications owned or in-licensed by us may be co-owned with third parties, including our collaboration partners and other third parties with whom we conduct research and development. If we are unable to obtain an exclusive license to any such third party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us.

Furthermore, it is possible that some future patents and patent applications owned or in-licensed by us may be subject to a reservation of rights by one or more third parties. For example, this may happen if the research resulting in certain of our owned or in-licensed patent rights and technology was funded in part

by the U.S. government. As a result, the government may have certain rights, or march-in rights, to such patent rights and technology. When new technologies are developed with government funding, the government generally obtains certain rights in any resulting patents, including a non-exclusive license authorizing the government to use the invention for noncommercial purposes. These rights may permit the government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology. The government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, our rights in such inventions may be subject to certain requirements to manufacture products embodying such inventions in the United States. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

***We may fail in enforcing our intellectual property rights and issued patents covering one or more of our product candidates or DARPin technology or our intellectual property rights and issued patents could be found invalid or unenforceable if challenged in court.***

To protect our competitive position, we or our licensors or collaboration partners may from time to time need to resort to litigation in order to enforce or defend any patents or other intellectual property rights owned by or licensed to us, or to determine or challenge the scope or validity of patents or other intellectual property rights of third parties. Enforcement of intellectual property rights is difficult, unpredictable and expensive, and many of our or our licensors' or collaboration partners' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaboration partners can. Accordingly, despite our or our licensors' or collaboration partners' efforts, we or our licensors or collaboration partners may not be able to prevent third parties from infringing upon, misappropriating or otherwise violating intellectual property rights we own or control, particularly in countries where the laws may not protect those rights as fully as in the European Union and the United States. We may fail in enforcing our rights, in which case our competitors may be permitted to use our technology without being required to pay us any license fees. In addition, litigation involving our patents carries the risk that one or more of our patents will be held invalid (in whole or in part, on a claim-by-claim basis) or unenforceable. Such an adverse court ruling could allow third parties to commercialize our products or use our DARPin technology, and then compete directly with us, without payment to us.

If we or one of our licensors or collaboration partners were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates or our technology, including our DARPin technology, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the United States and Europe, defendant counterclaims alleging invalidity or unenforceability are commonplace. Third parties could also raise challenges to the validity of patent claims before administrative bodies in the United States, Europe or other foreign jurisdictions, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, inter partes review, interference proceedings, derivation proceedings and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in the revocation of, cancellation of or amendment to our patent claims in such a way that they no longer cover our technology or DARPin platform, or any product candidates that we may develop. A claim for a validity challenge may be based on failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. A claim for unenforceability could involve an allegation that someone connected with prosecution of the patent withheld relevant information from or made a misleading statement to the USPTO, the EPO or other patent offices during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our issued patents, for

example, we cannot be certain that there is no invalidating prior art, of which we, our licensors or collaboration partners and the patent examiner were unaware during prosecution. If a third party were to prevail on a legal assertion of invalidity or unenforceability, we would lose part or all of the patent protection afforded by the affected patent. Such a loss of patent protection could have a material adverse impact on our business. Further, litigation could result in substantial costs and diversion of management resources, and reputational harm, regardless of the outcome, which could harm our business and financial results.

***Third parties may initiate legal proceedings alleging that we are infringing, misappropriating, or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business. Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities and negative outcomes could result in adverse effects on our business.***

Our success depends, in part, on our ability to operate without infringing the patents and other proprietary intellectual property rights of third parties. This is generally referred to as having the “freedom to operate.” The biotechnology and pharmaceutical industries in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In addition, companies producing therapeutics in the oncology and virology fields have employed intellectual property litigation as a means to gain an advantage over their competitors. As a result, we may be required to defend against claims of intellectual property infringement, misappropriation or other violation that may be asserted by third parties against us and, if the outcome of any such litigation is adverse to us, it may affect our ability to compete effectively.

Our competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover our products or elements thereof, our manufacture or uses relevant to our products or development plans, the targets of our product candidates, or other attributes of our product candidates or our technology. In such cases, we may not be in a position to develop or commercialize the applicable products or product candidates unless we successfully pursue litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, which may not be available on commercially reasonable terms, or at all. In the event that a relevant patent has not expired at the time of approval of such product candidate and the patent owner were to bring an infringement action against us, we may have to argue that our product, its manufacture, importation or use does not infringe, misappropriate or otherwise violate a valid claim of the patent in question. Alternatively, if we were to challenge the validity of any issued U.S. patent in court, we would need to overcome a statutory presumption of validity that attaches to every U.S. patent. This means that in order to prevail, we would need to present clear and convincing evidence as to the invalidity of the patent's claims. There is no assurance that a court would find in our favor on questions of infringement or validity. In the event that a patent is successfully asserted against us such that the patent is found to be valid and enforceable and infringed by our product, unless we obtain a license to such a patent, which may not be available on commercially reasonable terms or at all, we could be prevented from continuing to develop or commercialize our product. Similarly, the targets for certain of our product candidates have also been the subject of research by other companies, which have filed patent applications or own issued patents on aspects related to the targets or their uses. There can be no assurance that any such patents will not be asserted against us or that we will not need to seek licenses from such third parties. We may not be able to secure such licenses on acceptable terms, if at all, and any such litigation would be costly and time-consuming.

It is also possible that we failed to identify relevant patents or applications. For example, certain U.S. applications filed after November 29, 2000 that will not be filed outside the United States may remain



confidential until patents issue. In general, patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing from which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our products or platform technology could have been filed by others without our knowledge. Furthermore, we operate in a highly competitive field, and given our limited resources, it is unreasonable to monitor all patent applications purporting to gain broad coverage in the areas in which we are active. Additionally, claims in pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our products or the use of our products.

Third-party intellectual property right holders, including our competitors, may actively bring infringement, misappropriation or other claims against us. We may not be able to successfully settle or otherwise resolve such claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage in or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing our products.

If we fail in any such dispute, in addition to being forced to pay damages, we or our licensees may be temporarily or permanently prohibited from commercializing any of our product candidates that are held to be infringing, misappropriating or violating any third-party intellectual property rights. We might also be forced to redesign product candidates so that we no longer infringe, misappropriate or otherwise violate third-party intellectual property rights, which may result in significant cost or delay to us or be technically infeasible, or to seek a license to any such third-party intellectual property rights that we are found to infringe, misappropriate or otherwise violate, which license may not be available on commercially reasonable terms, or at all. Even if we or our licensors or collaboration partners obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaboration partners, and it could require us or our licensors or collaboration partners to make substantial royalty and other payments. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent. Any of these events, even if we were to ultimately prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

Our involvement in litigation, and in any interference, derivation, reexamination, inter partes review, post grant review, opposition or other post-grant proceedings or other intellectual property proceedings inside and outside of the European Union or the United States, even if resolved in our favor, may cause us to incur significant expenses, distract our technical and management personnel from their normal responsibilities and cause substantial delays in marketing our products. In addition, there could be public announcements of the results of hearings, motions, other interim proceedings or developments, or of final verdicts and if securities analysts or investors perceive these results to be negative, this could have a substantial adverse effect on our share price. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have an adverse effect on our ability to compete in the marketplace.

In addition, if the breadth or strength of protection provided by our or our licensors' or collaboration partners' patents and patent applications is challenged or threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

***Our rights to develop and commercialize our technology and product candidates are subject, in part, to the terms and conditions of licenses granted to us by others, and we may not be successful in obtaining or maintaining additional necessary rights related to our product candidates through acquisitions and in-licenses.***

We rely upon licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development of our product candidates. We may also need to obtain additional licenses to advance the development and commercialization of any product candidates we may develop. Additionally, we have in the past collaborated and may in the future collaborate with U.S. and/or European academic institutions to accelerate our preclinical research or development under written agreements with these institutions. In some instances, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to other parties, potentially blocking our ability to pursue our applicable product candidate or program. Our current license and collaborations agreements also impose, and we expect that future agreements will likely impose various reporting, prosecution, diligence, fee payment, royalty and other obligations on us. If there is any conflict, dispute, disagreement or issue of non-performance between us and our licensing or collaboration partners regarding our rights or obligations under the agreements, including any such conflict, dispute or disagreement arising from our alleged failure to satisfy payment obligations under any such agreement, we may owe damages, the counterparty may have a right to terminate the affected agreement, and our and our licensees' ability to utilize the affected intellectual property in drug discovery and development efforts, and our ability to enter into collaboration or marketing agreements for an affected product candidate, may be adversely affected. Our business could also suffer if a licensor or collaborator fails to abide by the terms of the agreement, if any licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms or at all. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects. For more information regarding our license and collaboration agreements, see "Item 4.B — Business—License and Collaboration Agreements."

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement and defense of patents and patent applications covering the technology that we license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business. If our current or future licensors fail to prosecute, maintain, enforce and defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our products that are subject of such licensed rights could be adversely affected.

Our current or future licensors may have relied on third party consultants or collaborators or on funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-licensed. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Because our programs may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire, in-license, maintain or use these proprietary rights. We may be unable to acquire or in-license, on reasonable terms or at all, any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that we identify as necessary for our product candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. If we are unable to successfully obtain a license to third-party intellectual property rights necessary for the development of a product candidate or program, we may have to abandon development of that product candidate or program and our business and financial condition could suffer.

If in the future we do undertake any acquisitions, the process of integrating an acquired business, technology, service, products or product candidates into our business may result in unforeseen operating difficulties and expenditures, including diversions of resources and management's attention from our core business, or any acquired intellectual property may be subject to claims of invalidity or unenforceability or held to be invalid. In addition, we may fail to retain key executives and employees of the companies we acquire, which may reduce the value of the acquisition or give rise to additional integration costs. Future acquisitions could result in additional issuances of equity securities that would dilute the ownership of existing shareholders. Future acquisitions could also result in the incurrence of debt, actual or contingent liabilities or the amortization of expenses related to other intangible assets, any of which could adversely affect our operating results. In addition, we may fail to realize the anticipated benefits of any acquisition. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

***If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.***

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented, declared generic or determined to be infringing on other marks or names. We may not be able to protect or enforce our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. If we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. If other entities use trademarks similar to ours in different jurisdictions, or have rights senior to ours, it could interfere with our use of our current trademarks throughout the world.

***If we do not obtain protection under the Hatch-Waxman Act Amendments and similar non-U.S. legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.***

Patents have a limited duration. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest effective U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates, their manufacture, or use are obtained, once the patent life has expired, we may be open to competition from competitive medications, including biosimilar medications or generic versions of such products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or

shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, at least not long enough to recoup the costs incurred in developing our products.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act and similar legislation in the European Union and several other relevant countries around the world. The Hatch-Waxman Act permits a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. The patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent applicable to an approved drug may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not receive an extension if we fail to exercise due diligence during the testing phase or regulatory review process, fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for the applicable product will be shortened and our competitors may be able to enter the market with competing products sooner than we expect, and our business, financial condition, results of operations, and prospects could be materially harmed.

***The base patents relating to the DARPin base technology we use to generate our DARPin product candidates expired in September 2021 (except for one patent in the United States), after which our competitors may use the technology claimed in such patents, which may materially adversely affect our business and competitive position.***

The base patents that we had licensed from the University of Zurich in 2004 expired in September 2021 (except for one patent in the United States) and we terminated the license agreement effective October 2021. Our competitors may be able to utilize the technology claimed in such patents to develop product candidates that compete with ours. In addition, we have been exploring entering into a non-exclusive license with the University of Zurich for the remaining U.S. patent that will expire in August 2023 but there can be no assurance that we will enter into such license. If we do not enter into such non-exclusive license, a third party may obtain an exclusive license to the patent that will expire in August 2023. Any of these events could harm our reputation as being the leader in the DARPin technology, and could have an adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

***We enjoy only limited geographical protection with respect to certain patents and may face difficulties in certain jurisdictions, which may diminish the value of our intellectual property rights.***

Filing, prosecuting and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States and the European Union. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States and the European Union, or from selling or importing products made using our inventions in and into all countries outside the United States and the European Union.

We often file our first patent application, or our priority filing, at the EPO or the USPTO. International applications under the Patent Cooperation Treaty, or PCT, are usually filed within twelve months after the priority filing. Based on the PCT filing, national and regional patent applications may be filed in additional jurisdictions where we believe our product candidates may be marketed. We have so far not

filed for patent protection in all national and regional jurisdictions where such protection may be available. In addition, we may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national/regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant patent offices, while granted by others. It is also quite common that depending on the country, the scope of patent protection may vary for the same product candidate or technology.

Competitors may use our or our licensors' or collaboration partners' technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we and our licensors or collaboration partners have patent protection, but enforcement is not as strong as that in the United States and the European Union. These products may compete with our product candidates, and our and our licensors' or collaboration partners' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in the United States and the European Union, and companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Some countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired and our business and results of operations may be adversely affected.

Proceedings to defend or enforce our and our licensors' or collaboration partners' patent rights in foreign jurisdictions could result in substantial costs and divert our and our licensors' or collaboration partners' efforts and attention from other aspects of our business, could put our and our licensors' or collaboration partners' patents at risk of being invalidated or interpreted narrowly, could put our and our licensors' or collaboration partners' patent applications at risk of not issuing and could provoke third parties to assert claims against us or our licensors or collaboration partners. We or our licensors or collaboration partners may not prevail in any lawsuits that we or our licensors or collaboration partners initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property and proprietary rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. If we or our licensors or collaborators encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

For example, the complexity and uncertainty of European patent laws have also increased in recent years. In Europe, a new unitary patent system and a new European patent court will likely become effective and start operations before the end of 2023, which would significantly impact European patents, including those granted before the introduction of such a system. Under the unitary patent system, European applications will soon have the option, upon grant of a patent, of becoming a Unitary Patent which will be subject to the jurisdiction of the new Unified Patent Court (UPC). As the UPC is a new court system, there is no precedent for the court, increasing the uncertainty of any litigation. Patents granted before the implementation of the UPC will have the option of opting out of the jurisdiction of the UPC and

remaining as national patents in the UPC countries. Patents that remain under the jurisdiction of the UPC will be potentially vulnerable to a single UPC-based revocation challenge that, if successful, could invalidate the patent in all countries who are signatories to the UPC. We cannot predict with certainty the long-term effects of any potential changes.

In addition, a decree was adopted by the Russian government in March 2022 as a response to economic sanctions imposed by various other governments, allowing Russian companies and individuals to exploit inventions owned by patentees that have citizenship or nationality in, are registered in, or have a primary place of business or profit-making activities in the U.S. and other countries that Russia has deemed unfriendly without consent or compensation. Consequently, we would not be able to prevent third parties from practicing our inventions protected by Russian patents in Russia or from manufacturing, selling, using or importing products made using our inventions in and into Russia. Accordingly, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

***If we fail to comply with our obligations under the agreements pursuant to which we license intellectual property rights from third parties, or otherwise experience disruptions to our business relationships with our licensors, we could lose the rights to intellectual property that are important to our business.***

We are a party to agreements under which we are granted rights to intellectual property that are important to our business and we expect that we may need to enter into additional license agreements in the future. Under certain license agreements, we may not control the preparation, filing, prosecution or maintenance of the licensed intellectual property, or may not have the first right to enforce or defend the intellectual property. In those cases, we may not be able to adequately influence patent prosecution, enforcement or defense, or prevent inadvertent lapses of coverage due to failure to pay maintenance fees and we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced, and defended in a manner consistent with the best interests of our business and that does not compromise the patent rights. Existing license agreements impose, and we expect that future license agreements will impose, various development obligations as well as other obligations, such as payment of royalties. If we fail to comply with our obligations under these agreements, the licensor may have the right to terminate the license. The termination of any license agreements or failure to adequately protect such license agreements could prevent us from commercializing product candidates covered by the licensed intellectual property. For more information regarding our license and collaboration agreements, see “Business—License and Collaboration Agreements.”

Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or otherwise violate intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under any current or future collaboration relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow

what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

It is possible that we may be unable to obtain any necessary additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our technology, product candidates, or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected product candidates, which could harm our business, financial condition, results of operations, and prospects significantly. We cannot provide any assurances that third party patents do not exist which might be enforced against our current technology, including our DARPin product candidates, manufacturing methods or future methods or products resulting in either an injunction prohibiting our manufacture or sales, or, with respect to our sales, an obligation on our part to pay royalties or other forms of compensation to third parties, which could be significant.

***Intellectual property rights do not necessarily address all potential threats to our competitive advantage.***

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. For example:

- others may be able to make compounds that are similar or substantially equivalent to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed.
- the patents of third parties, including patents related to repeat protein technology, may have an adverse effect on our business.
- we or our current or future licensors or strategic partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that we own or have licensed.
- we or our current or future licensors or strategic partners might not have been the first to file patent applications covering certain of our or their inventions.
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our intellectual property rights;
- it is possible that our current or future patent applications will not lead to issued patents.
- issued patents that we own or license may not provide us with any competitive advantage, or may be held invalid or unenforceable, including as a result of legal challenges by our competitors.
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

- third parties performing manufacturing or testing for us using our products or technologies could use the intellectual property of third parties without obtaining a proper license, rendering us susceptible to claims of infringement, misappropriation or other violation of such third parties' intellectual property rights;
- we may not develop additional technologies that are patentable; and
- the patents of others may have an adverse effect on our business; in particular, our product candidates may in the future be tested for new indications, and if one proves to be effective against a specific new indication, we may be confronted with existing patents covering such indication.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations, and prospects.

***Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products.***

Our success is heavily dependent on the extent of our intellectual property rights, particularly patents. Obtaining, defending and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is costly, time-consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the European Union, United States or other jurisdictions could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. The Leahy-Smith America Invents Act, or the AIA, was enacted in the United States in September 2011, resulting in significant changes to the U.S. patent system.

For example, assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. As of March 16, 2013, under the AIA, the United States transitioned to a "first-to-file" system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. Therefore, a third party that files a patent application in the USPTO before us could therefore be awarded a patent covering an invention even if we had made the invention before it was made by the third party. This will require us to be cognizant of the time from invention to filing of a patent application, and circumstances could prevent or dissuade us from promptly filing patent applications on our inventions.

The AIA also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include changes that limit where a patentee may file a patent infringement suit and that allow third party submissions of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO-administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.



In addition, the patent positions of companies in the development and commercialization of biologics and pharmaceuticals are particularly uncertain. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, and other applicable bodies in the European Union and other foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to defend and enforce our existing patents and patents that we might obtain in the future.

***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.***

We consider proprietary trade secrets, confidential know-how and unpatented know-how to be important to our business and competitive position. We may rely on trade secrets or confidential know-how to protect our technology, especially where patent protection is believed to be of limited value. However, trade secrets and confidential know-how are difficult to protect.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors, CROs and advisors to enter into confidentiality agreements with us. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes and, despite these efforts, any of these parties may unintentionally or willfully breach the agreements and use or disclose our confidential information to competitors, and such agreements may not provide an adequate remedy in the event of unauthorized disclosure or use of confidential information. Enforcing a claim that a third party illegally disclosed or misappropriated trade secrets or confidential know-how is expensive, time-consuming and unpredictable. In addition, the enforceability of confidentiality agreements and trade secrets may vary from jurisdiction to jurisdiction. Furthermore, if a third party lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such third party from using that technology or information to compete with us or from disclosing it to others, which could harm our competitive position. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating our trade secrets.

Failure to effectively maintain and protect trade secrets or confidential know-how could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors may be able to limit our use of our trade secrets or confidential know-how.

***We may be subject to claims by third parties asserting that we or our employees have infringed, misappropriated or otherwise violated their intellectual property, or claiming ownership of what we regard as our own intellectual property.***

Many of our consultants and employees, including our senior management, were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these consultants and employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our consultants and employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these consultants and employees have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary

information, of any such consultant's or employee's current or former employer, or have breached their non-competition agreement. Litigation may be necessary to defend against such claims.

In addition, we or our licensors may be subject to claims that former employees, consultants, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property as an inventor or co-inventor. While it is our policy to require our consultants and employees who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Our and their assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance and annuity fees on any of our owned or licensed patents and patent applications are due to be paid to the USPTO, the EPO and other foreign patent agencies in several stages over the lifetime of the patents and patent applications. The USPTO, the EPO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors or collaboration partners fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market earlier with similar products or technology, which would have an adverse effect on our business.

### **Risks Related to Our Organization and Operations**

***Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.***

Our success depends upon the continued contributions of our key management, scientific and technical personnel, many of whom have been instrumental for us and have substantial experience with our therapies and related technologies. These key management individuals include the members of our board of directors and executive management, including Dr. Patrick Amstutz, our Chief Executive Officer, Dr. Alexander Z✓rcher, our Chief Operating Officer, Dr. Michael Tobias Stumpp, our EVP Projects, Dr. Nicolas Leupin, our Chief Medical Officer and Renate Gloggnier, our EVP People and Culture.

The loss of key managers and senior scientists could delay our research and development activities. In addition, our ability to compete in the highly competitive biotechnology and pharmaceutical industries,

and particularly, in the oncology field, depends upon our ability to attract and retain highly qualified management, scientific and medical personnel. Many other biotechnology and pharmaceutical companies and academic institutions that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. Therefore, we might not be able to attract or retain these key persons on conditions that are economically acceptable. Furthermore, we will need to recruit new managers and qualified scientific personnel to develop our business if we expand into fields that will require additional skills. Additionally, there is a larger pool of qualified scientific and medical personnel in the United States than in Switzerland, and we may need to increase our presence in the United States in order to attract and retain the necessary human resources. Our inability to attract and retain these key persons could prevent us from achieving our objectives and implementing our business strategy, which could have an adverse effect on our business and prospects.

***We expect to expand our development, regulatory and sales and marketing capabilities and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.***

We expect to experience growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs, sales and marketing and support functions such as finance, human resources, legal, intellectual property, information technology and administration. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

***We may not be able to integrate efficiently or achieve the expected benefits of any acquisitions of complementary businesses, product candidates or technologies.***

Since our inception in 2004, we have grown organically without any acquisitions. Should we in the future contemplate to acquire any complementary business, product candidates or technologies, our ability to integrate and manage acquired businesses, product candidates or technologies effectively will depend upon a number of factors including the size of the acquired business, the complexity of any product candidate or technology and the resulting difficulty of integrating the acquired business's operations, if any. Our relationship with current employees or employees of any acquired business may become impaired. We may also be subject to unexpected claims and liabilities arising from such acquisitions. These claims and liabilities could be costly to defend, could be material to our financial position and might exceed either the limitations of any applicable indemnification provisions or the financial resources of the indemnifying parties.

***Our business is subject to economic, political, regulatory and other risks associated with international operations.***

Our business is subject to risks associated with conducting business internationally. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, increase of interest rates, or political instability in particular economies and markets;
- differing regulatory requirements for drug approvals;

- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- potentially reduced ability to obtain, maintain, protect and enforce intellectual property rights and other proprietary rights;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- changes in regulations and customs, tariffs and trade barriers;
- changes in currency exchange rates of the euro, U.S. dollar and Swiss franc and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by governments;
- differing reimbursement regimes and price controls in certain international markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of stock options granted under our employee stock plan;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- litigation or administrative actions resulting from claims against us by current or former employees or consultants individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct;
- litigation resulting from claims against us by third parties, including claims of breach of noncompete and confidentiality provisions of our employees' former employment agreements with such third parties;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from cyber-attacks, geo-political actions, including war (such as the Russia-Ukraine war) and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

Additionally, in connection with the ongoing war between Russia and Ukraine, the U.S. government and other governments have imposed enhanced export controls on certain products and sanctions on certain industry sectors and parties in Russia, and have indicated they will consider imposing additional sanctions and other similar measures in the near future. Although we do not have any operations in Russia or Ukraine, further escalation of geopolitical tensions could have a broader impact that expands into other markets where we do business, which could adversely affect our business, our supply chain or our collaborators.

***Exchange rate fluctuations or abandonment of the euro currency may materially affect our results of operations and financial condition.***

Due to the international scope of our operations, our assets, earnings and cash flows are influenced by movements in exchange rates of several currencies, particularly regarding U.S. dollars, euros, British pounds and Swiss francs. Our functional currency is the Swiss franc and the majority of our operating expenses are paid in Swiss francs, but we also may receive payments from our business partners, including Novartis in U.S. dollars or euros and we regularly acquire services, consumables and materials in U.S. dollars, euros and Swiss francs. Further, potential future revenue may be derived from abroad, particularly from the United States and the European Union. As a result, our business and share price may be affected by fluctuations in foreign exchange rates between the Swiss franc, the euro, the U.S. dollar and these other currencies, which may also have a significant impact on our reported results of operations and cash flows from period to period. Besides our natural hedging, currently, we do not have any exchange rate hedging arrangements in place.

In addition, the possible abandonment of the euro by one or more members of the European Union could materially affect our business in the future. Despite measures taken by the European Union to provide funding to certain European Union member states in financial difficulties and by a number of European countries to stabilize their economies and reduce their debt burdens, it is possible that the euro could be abandoned in the future as a currency by countries that have adopted its use. This could lead to the re-introduction of individual currencies in one or more European Union member states, or in more extreme circumstances, the abandonment of the euro or the dissolution of the European Union. The effects on our business of a potential dissolution of the European Union, the exit of one or more European Union member states from the European Union or the abandonment of the euro as a currency, are impossible to predict with certainty, and any such events could have a material adverse effect on our business, financial condition and results of operations.

***Unfavorable global economic conditions, including as a result of the ongoing military action by Russia in Ukraine, could have a negative impact on our operations, which could materially and adversely affect our business, financial condition, results of operations, prospects and market price of our common stock.***

On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is possible. The impact to Ukraine as well as actions taken by other countries, including new and stricter sanctions imposed by Canada, the United Kingdom, the European Union, the United States, and other countries and companies and organizations against officials, individuals, regions, and industries in Russia and Ukraine, and actions taken by Russia in response to such sanctions, and responses of countries and political bodies to such sanctions, tensions, and military actions and the potential for more widespread conflict, have resulted in supply chain disruptions, and resulting increases in inflation, financial market volatility and capital markets disruption, potentially increasing in magnitude, and such effects on the global economy and financial markets could affect our business, operations, operating results and financial condition as well as the price of our common stock and our ability to raise additional capital when needed on acceptable terms. In addition, any or all of these effects could disrupt our and our collaborators' supply chains and adversely affect our and our collaborators' ability to conduct ongoing and future clinical trials of our product candidates. The extent and duration of the military action, sanctions and resulting economic, market and other disruptions are impossible to predict, but could be substantial. Any such disruptions may magnify the impact of the other risks described in this report.

***Recent developments relating to the United Kingdom's referendum vote in favor of withdrawal from the European Union could adversely affect our ability to develop, manufacture and commercialize our product candidates in the United Kingdom.***

Following the result of a referendum in 2016, the United Kingdom left the European Union on January 31, 2020, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the United Kingdom and the European Union, the United Kingdom was subject to a transition period until December 31, 2020, or the Transition Period, during which European Union rules continued to apply. The Trade and Cooperation Agreement, or the Trade and Cooperation Agreement, which outlines the future trading relationship between the United Kingdom and the European Union was agreed in December 2020 and formally entered into force on May 1, 2021.

Since a significant proportion of the regulatory framework in the United Kingdom applicable to our business and our product candidates is derived from European Union directives and regulations, Brexit has had, and will continue to have, a material impact on the regulatory regime with respect to the development, manufacture, importation, approval and commercialization of our product candidates in the United Kingdom. For example, Great Britain is no longer covered by the centralized procedures for obtaining European Union-wide marketing authorizations from the EMA, and a separate marketing authorization will be required to market our product candidates in Great Britain. It is currently unclear whether the Medicines & Healthcare products Regulatory Agency in the United Kingdom is sufficiently prepared to handle the increased volume of marketing authorization applications that it is likely to receive. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would delay or prevent us from commercializing our product candidates in the United Kingdom and limit our ability to generate revenue and achieve and sustain profitability. We could face significant additional expenses to obtain regulatory approval for our products in the United Kingdom.

***We are exposed to unanticipated changes in tax laws and regulations, adjustments to our tax provisions, exposure to additional tax liabilities, or forfeiture of our tax assets.***

The determination of our provision for income taxes and other tax liabilities requires significant judgment, including the adoption of certain accounting policies and our determination of whether we will be able to obtain a future tax benefit from our deferred tax assets. We cannot guarantee that our interpretations will not be challenged by the relevant tax authorities, or that the relevant tax laws and regulations, or the interpretation thereof, including through tax rulings, by the relevant tax authorities, will not be subject to change. Any adverse outcome of such a challenge may lead to adjustments in the amounts recorded in our financial statements, and could have a material adverse effect on our operating results and financial condition.

We are subject to laws and regulations on tax levies and other charges or contributions in different countries, including transfer pricing and tax regulations applicable to the compensation of personnel and third parties. Transactions between current group companies, as well as additional companies that may form part of our group in the future, are subject to transfer pricing regulations, which may be subject to change or our existing transfer pricing system could be challenged by the relevant tax authority, and any such changes or challenges could adversely affect us.

Our effective tax rate could be adversely affected by changes in tax laws, treaties and regulations, both internationally and domestically, or the interpretation thereof by the relevant tax authorities, including changes to the U.K. research and development tax credit regime or the "patent box" regime, possible changes to the corporate income tax base, changes to the additional deduction for expenditure on research and development personnel in Switzerland and other tax incentives. An increase in our effective tax rate could have an adverse effect on our business, financial position, results of operations and cash flows.

In addition, we may not be able to use, or changes in tax regulations may affect the use of, certain tax loss carryforwards that we have generated in prior years. For instance, as of December 31, 2022, we had substantial tax loss carry forwards. In general, some of these tax loss carry forwards may be forfeited in whole, or in part, as a result of various transactions, or their utilization may be restricted by statutory law in the relevant jurisdiction. Any corporate reorganization by us or any transaction relating to our shareholding structure may result in partial or complete forfeiture of tax loss carry forwards. If not used, tax loss carryforwards for Swiss corporate income tax purposes expire seven years after the tax year in which they were incurred. Due to our limited future / expected income, there is a high risk that our tax loss carryforwards will expire in part or in their entirety and therefore will not be able to be used to offset future taxable income for Swiss corporate income tax purposes. Furthermore, any tax loss carry forwards that we report on our Swiss tax returns are subject to review and confirmation by the competent Swiss tax authorities in their tax assessment of the tax year for which the tax loss carryforwards are used to offset taxable income. Consequently, we are exposed to the risk that the competent Swiss tax authorities may not accept the reported tax loss carryforwards in part or in their entirety.

***Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.***

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them;
- changes to our assessment about our ability to realize any deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of any current or future tax audits, examinations, or administrative appeals; and
- any limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our business, results of operations and financial condition.

***As a result of changes in, or in the interpretation of, tax laws, treaties, rulings, regulations or agreements of Switzerland or any other country in which we currently operate or may in the future operate, the loss of a major tax dispute or a challenge to our operating structure, intercompany pricing policies or the taxable presence of our existing or any future subsidiaries in certain countries, or other factors, our effective income tax rates may increase in the future, which could adversely affect our net income and cash flows.***

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. The tax laws applicable to our business activities, however, are subject to changes in interpretation. Our tax position could be adversely impacted by changes in tax rates, tax laws, tax practice, tax treaties or tax regulations or changes in the interpretation thereof by the tax authorities in jurisdictions in which we currently do or may in the future elect to do business. Our effective income tax rate may be affected by changes in or interpretations of tax laws, treaties, rulings, regulations or agreements in any such jurisdiction, the resolution of issues arising from any future tax audits with various tax authorities, utilization of net operating loss and tax credit carryforwards, changes in geographical allocation of income and expense, and changes in management's assessment of matters such as the realizability of deferred tax assets. In the past, we have experienced fluctuations in our effective

income tax rate. Our actual tax rate may vary from our expectation and that variance may be material. Our effective income tax rate in a given fiscal year reflects a variety of factors that may not be present in the succeeding fiscal year or years. There is no assurance that our effective income tax rate will not change in future periods.

Due to the Swiss corporate tax law reform that took effect on January 1, 2020, all Swiss cantons, including the Canton of Zurich, have abolished previously existing cantonal tax privileges. Therefore, since January 1, 2020, we are subject to standard cantonal taxation. The standard effective corporate tax rate in Schlieren, Canton of Zurich, can change from time to time. The standard combined (federal, cantonal, municipal) effective corporate income tax rate, except for dividend income for which we could claim a participation exemption, for 2022 in Schlieren, Canton of Zurich, is approximately 19.4%.

We urge our shareholders to consult with their legal and tax advisors with respect to the potential tax consequences of investing in or holding our ADSs and ordinary shares.

***The price of our ADSs may be volatile and may fluctuate due to factors beyond our control.***

The market price of our ADSs and our ordinary shares may fluctuate significantly due to a variety of factors, many of which are beyond our control, including:

- positive or negative results of testing and clinical trials reported or conducted by us, strategic partners or competitors;
- delays in entering into strategic relationships with respect to development or commercialization of our product candidates or entering into strategic relationships on terms that are not deemed to be favorable to us;
- technological innovations or commercial product introductions by us or competitors;
- changes in government regulations;
- developments concerning proprietary rights, including patents and litigation matters;
- public concern relating to the commercial value or safety of any of our product candidates;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts;
- general market conditions in the pharmaceutical industry or in the economy as a whole;
- impact of macroeconomic factors, including the COVID-19 pandemic, rising inflation, the U.S. Federal Reserve raising interest rates and the Russia-Ukraine war, on the global economy or financial markets; or
- price and volume fluctuations attributable to inconsistent trading volume levels of our ADSs and/or ordinary shares.

These and other market and industry factors may cause the market price and demand for our ADSs and ordinary shares to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their ADSs or ordinary shares and may otherwise negatively affect the liquidity of our ADSs and ordinary shares. In addition, the stock market in general, and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.



***We have and will continue to incur increased costs as a result of operating as a U.S.-listed public company, and our board of directors will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

As a public company in the United States, and particularly after we no longer qualify as an emerging growth company, we have and will continue to incur significant legal, accounting and other expenses that we did not incur as a public company listed only on the SIX Swiss Exchange. We are a corporation (*Aktiengesellschaft*), organized under the laws of Switzerland in accordance with articles 620 et seqq. CO and subject to the listing rules and the applicable regulations for companies listed on the SIX Swiss Exchange, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Stock Market, or Nasdaq, and other applicable securities rules and regulations that impose various requirements on non-U.S. reporting public companies, including the establishment and maintenance of effective disclosure and financial controls and certain additional corporate governance practices. Our board of directors and other personnel are required to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we are required to furnish a report on our internal control over financial reporting beginning with our current Form 20-F. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we are documenting and evaluating our internal control over financial reporting, which is both costly and challenging. In this regard, we continue to dedicate internal resources, continue to engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***Certain significant shareholders will continue to own a substantial number of our securities and as a result, may be able to exercise significant influence over the outcome of shareholder votes. These shareholders may have different interests from us or your interests.***

We have a number of significant shareholders. For an overview of our current significant shareholders, please see "Principal Shareholders."

Currently, we are not aware that any of our existing shareholders have entered or will enter into a shareholders' agreement with respect to the exercise of their voting rights. Nevertheless, depending on the level of attendance at our general meetings of shareholders, or the General Meeting, these significant shareholders could have the ability to significantly influence the outcome of decisions taken at any such General Meeting. Any such voting by these shareholders may not be in accordance with our interests or those of our other shareholders. Among other consequences, this concentration of ownership may have the effect of delaying or preventing a change in control and might therefore negatively affect the market price of our ADSs.

***Future sales, or the possibility of future sales, of a substantial number of our securities could adversely affect the price of the shares and dilute shareholders.***

If our existing shareholders sell, or indicate an intent to sell, substantial amounts of our securities in the public market, the trading price of our ADSs and our ordinary shares could decline significantly. As of December 31, 2022, we had 36,044,706 ordinary shares outstanding including 3,500,000 treasury shares held through our wholly-owned subsidiary Molecular Partners Inc and 3,000,000 ADS representing our ordinary shares issued and outstanding. In addition, ordinary shares subject to outstanding options under our equity incentive plans and the ordinary shares reserved for future issuance under our equity incentive plan will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations.

We intend to register all ordinary shares that we may issue under our equity compensation plans. Once we register these ordinary shares, they can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates and any applicable lock-up agreements.

***Provisions of our articles of association or Swiss corporate law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the then board of directors.***

Provisions of our articles of association may make it more difficult for a third party to acquire control of us. For example, our board of directors is authorized to deny the preemptive rights of shareholders and allocate them to third parties as a defense of an actual, threatened or potential takeover bid, in relation to which our board of directors, upon consultation with an independent financial adviser retained by it, has not recommended to the shareholders acceptance on the basis that the board of directors has not found the takeover bid to be financially fair to the shareholders.

In addition, several provisions of Swiss corporate law and certain other provisions of Swiss law, such as obligations to disclose significant shareholdings and merger control regulations, that apply to us may make an unsolicited tender offer, merger, change in management or other change in control of our company more difficult. These provisions could discourage potential takeover attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of our securities. These provisions may also have the effect of depriving ADS holders of the opportunity to sell their ADSs at a premium. In addition, the board of directors of Swiss companies may in certain instances, and subject to prior authorization by the shareholders, deter or frustrate public takeover bids through dilutive issuances of equity securities (pursuant to the authorized capital) or through share buy-backs.

***Fluctuations in exchange rates may increase the risk of holding ADSs and ordinary shares.***

Due to the international scope of our operations, our assets, earnings and cash flows are influenced by movements in exchange rates of several currencies, particularly the euro, U.S. dollar and Swiss franc. Our functional currency is the Swiss franc, and the majority of our operating expenses are paid in Swiss franc, but we also receive or may receive payments from business partners in U.S. dollars, and we regularly acquire services, consumables and materials in U.S. dollars and euros. Further, potential future revenue may be derived from abroad, particularly from the United States or the European Union. As a result, our business and the price of our ADSs and ordinary shares may be affected by fluctuations in foreign exchange rates between the Swiss franc and these other currencies, which may also have a significant impact on our reported results of operations and cash flows from period to period. Besides natural hedging, currently, we do not have any exchange rate hedging arrangements in place.

Moreover, because our ordinary shares currently trade on the SIX Swiss Exchange in Swiss francs, and our ADSs trade on the Nasdaq Global Select Market in U.S. dollars, fluctuations in the exchange rate

between the U.S. dollar and the Swiss franc may result in temporary differences between the value of our ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences.

***Our ordinary shares and ADSs are traded on more than one market and this may result in price variations and adversely affect the liquidity and value of the ADSs; in addition, investors may not be able to easily move ordinary shares for trading between such markets. Furthermore, because of this dual listing, securities and stock exchange laws, regulations and rules apply to us that may be irreconcilable or otherwise difficult to comply with contemporaneously.***

Our ordinary shares have traded on the SIX Swiss Exchange since 2014 and our ADSs have traded on the Nasdaq Global Select Market since June 2021. Trading in our ADSs or ordinary shares on these markets takes place in different currencies (U.S. dollars on the Nasdaq Global Select Market and Swiss Francs on the SIX Swiss Exchange), at different times (resulting from different time zones, different trading days and different public holidays in the United States and Switzerland) and among a different investor base. The trading prices of our ordinary shares and our ADSs on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on the SIX Swiss Exchange could cause a decrease in the trading price of our ADSs on the Nasdaq Global Select Market. Investors could seek to sell or buy our ordinary shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange and the ordinary shares available for trading on the other exchange. In addition, holders of ADSs cannot immediately surrender their ADSs and withdraw the underlying ordinary shares for trading on the other market without effecting necessary procedures with the depository. This could result in time delays and additional cost for holders of ADSs.

Because different types of our equity securities are admitted to trading and listed on two different stock exchanges in two different jurisdictions, two sets of securities laws and regulations and stock exchange rules apply to us contemporaneously. It cannot be excluded that the laws, regulations and/or rules of one jurisdiction or trading venue may require us to effect disclosures or filings or grant shareholders and/or holders of our ADSs certain rights that would be unlawful under the laws, regulations and/or rules of the respective other jurisdiction or trading venue. For this or other reasons, it may prove difficult or impossible for us to at all times comply with the laws, regulations and/or rules of both jurisdictions and trading venues at the same time.

***Holders of ADSs are not treated as holders of our ordinary shares.***

Holders of our ADSs are not treated as holders of our ordinary shares, unless they withdraw the ordinary shares underlying their ADSs in accordance with the deposit agreement and applicable laws and regulations. The depository is the holder of the ordinary shares underlying our ADSs. Holders of our ADSs therefore do not have any rights as holders of our ordinary shares, other than the rights that they have pursuant to the deposit agreement.

***Holders of ADSs may be subject to limitations on the transfer of their ADSs and the withdrawal of the underlying ordinary shares.***

ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository think it is advisable to do so because of any requirement of law, government or governmental body, or under any provision of the deposit agreement, or for any other reason, subject to the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of your ADSs and withdrawal of the underlying ordinary shares may arise because the depository has closed its transfer

books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares. In addition, ADS holders may not be able to cancel their ADSs and withdraw the underlying ordinary shares when they owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

***We are entitled to amend the deposit agreement and to change the rights of ADS holders under the terms of such agreement, or to terminate the deposit agreement, without the prior consent of the ADS holders.***

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. We and the depository may agree to amend the deposit agreement in any way we decide is necessary or advantageous to us or to the depository. Amendments may reflect, among other things, operational changes in the ADS program, legal developments affecting ADSs or changes in the terms of our business relationship with the depository. In the event that the terms of an amendment are materially disadvantageous to ADS holders, ADS holders will only receive 30 days' advance notice of the amendment, and no prior consent of the ADS holders is required under the deposit agreement. Furthermore, we may decide to direct the depository to terminate the ADS facility at any time for any reason. For example, terminations may occur if we become the subject of a takeover or a going-private transaction. If the ADS facility will terminate, ADS holders will receive at least 30 days' prior notice, but no prior consent is required from them. Under the circumstances that we decide to make an amendment to the deposit agreement that is disadvantageous to ADS holders or terminate the deposit agreement, the ADS holders may choose to sell their ADSs or surrender their ADSs and become direct holders of the underlying ordinary shares, but will have no right to any compensation whatsoever.

***ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.***

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, holders and beneficial owners of ADSs irrevocably waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to the ADSs or the deposit agreement.

If this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. If we or the depository opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, including claims under federal

securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depositary. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Moreover, as the jury trial waiver relates to claims arising out of or relating to the ADSs or the deposit agreement, we believe that, as a matter of construction of the clause, the waiver would likely to continue to apply to ADS holders who withdraw the ordinary shares from the ADS facility with respect to claims arising before the cancellation of the ADSs and the withdrawal of the ordinary shares, and the waiver would most likely not apply to ADS holders who subsequently withdraw the ordinary shares represented by ADSs from the ADS facility with respect to claims arising after the withdrawal. However, to our knowledge, there has been no case law on the applicability of the jury trial waiver to ADS holders who withdraw the ordinary shares represented by the ADSs from the ADS facility.

***You will not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.***

Except as described in this Annual Report on Form 20-F and the deposit agreement, holders of the ADSs are not able to exercise voting rights attached to the ordinary shares represented by the ADSs. Under the terms of the deposit agreement, holders of the ADSs may instruct the depositary to vote the ordinary shares underlying their ADSs. Otherwise, holders of ADSs are not able to exercise their right to vote unless they withdraw the ordinary shares underlying their ADSs in accordance with the deposit agreement and applicable laws and regulations to vote them in person or by proxy in accordance with applicable Swiss laws and regulations and our articles of association. Even so, ADS holders may not know about a meeting far enough in advance to withdraw those ordinary shares. If we ask for the instructions of holders of the ADSs, the depositary, upon timely notice from us, will notify ADS holders of the upcoming vote and arrange to deliver our voting materials to them. Upon our request, the depositary will mail to holders a shareholder meeting notice that contains, among other things, a statement as to the manner in which voting instructions may be given. We cannot guarantee that ADS holders will receive the voting materials in time to ensure that they can instruct the depositary to vote the ordinary shares underlying their ADSs. In addition, regardless of whether timely voting instructions are provided to the depositary, at our request, the depositary will represent all ordinary shares underlying the ADSs for the purpose of establishing a quorum at a meeting of our shareholders. A shareholder is only entitled to participate in, and vote at, the meeting of shareholders, provided that its shares are recorded in its name at midnight (Central European Time) at the end of the 28th day preceding the date of the meeting of shareholders. In addition, the depositary's liability to ADS holders for failing to execute voting instructions or for the manner of executing voting instructions is limited by the deposit agreement. As a result, holders of ADSs may not be able to exercise their right to give voting instructions or to vote in person or by proxy and they may not have any recourse against the depositary or us if their ordinary shares are not voted as they have requested or if their shares cannot be voted.

***A beneficial owner of our ordinary shares that is not registered in our shareholders register may not be able to exercise certain rights attached to the ordinary shares.***

The financial rights attached to our ordinary shares transfer to a holder of those shares upon purchasing such shares in a stock market transaction. Any voting rights or rights related to voting rights only transfer once the acquirer has been registered in the shareholders' register as shareholder of such ordinary shares. A beneficial owner that is not directly registered in the shareholders' register can enjoy the financial rights, voting rights and rights related to voting rights only through the entity that acts as nominee or depositary for those ordinary shares and is recorded in the shareholders' register as the shareholder of record of those shares. This is also the case if you hold ADSs. It is possible that a nominee or a depositary will be unwilling to exercise certain rights attached to the ordinary shares, such as rights that require litigation. Therefore, failing to register in the shareholders' register may result in your inability to exercise certain rights as a shareholder.

***We do not expect to pay dividends in the foreseeable future.***

We have not paid any dividends since our incorporation. Even if future operations lead to significant levels of distributable profits, we currently intend that any earnings will be reinvested in our business and that dividends will not be paid until we have an established revenue stream to support continuing dividends. In addition, payment of any future dividends to shareholders would be subject to shareholder approval at our General Meeting, upon proposal of the board of directors, which proposal would be subject to the approval of the majority of the non-executive directors after taking into account various factors including our business prospects, cash requirements, financial performance and new product development. In addition, certain limitations apply to the payment of future dividends pursuant to Swiss law and our articles of association. In addition, payment of future cash dividends may be made only if our shareholders' equity exceeds the sum of our paid-in and called-up share capital plus the reserves required to be maintained by Swiss law or by our articles of association. Accordingly, investors cannot rely on cash dividend income from ADSs and any returns on an investment in the ADSs will likely depend entirely upon any future appreciation in the price of the ADSs.

***You may not receive distributions on our ordinary shares represented by our ADS or any value for them if it is illegal or impractical to make them available to holders of ADSs.***

The depositary for our ADSs will pay to you or distribute the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impracticable to make them available to you. These restrictions may have a material adverse effect on the value of your ADSs.

***Holders of our ordinary shares outside Switzerland and ADS holders may not be able to exercise pre-emptive rights.***

Under Swiss law, shareholders may receive certain pre-emptive rights to subscribe on a pro rata basis for issuance of equity or other securities that are convertible into equity. Due to laws and regulations in their respective jurisdictions, however, non-Swiss shareholders may not be able to exercise such rights unless we take action to register or otherwise qualify the rights offering under the laws of that jurisdiction. There can be no assurance that we would take any such action and we reserve the right to determine whether we

should take such action in any jurisdiction. If shareholders in such jurisdictions were unable to exercise their subscription rights, their ownership interest in the Company would be diluted.

ADS holders have no pre-emptive rights to subscribe to newly issued shares unless we grant such rights to the foreign depository. The right to exercise such pre-emptive rights is set out in the agreement between the ADS holder and the depository.

***We are a Swiss corporation. The rights of our shareholders may be different from the rights of shareholders in companies governed by the laws of U.S. jurisdictions.***

We are a Swiss corporation. Our corporate affairs are governed by our articles of association and organizational rules and by the laws governing companies, including listed companies, incorporated in Switzerland. The rights of our shareholders and the responsibilities of members of our board of directors may be different from the rights and obligations of shareholders and directors of companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our board of directors is required by Swiss law to consider the interests of our company, and may also have regard to the interests of our shareholders, our employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a holder of ADSs. Swiss corporate law limits the ability of our shareholders to challenge resolutions made or other actions taken by our board of directors in court. Our shareholders generally are not permitted to file a suit to reverse a decision or an action taken by our board of directors but are instead only permitted to seek damages for breaches of fiduciary duty. As a matter of Swiss law, shareholder claims against a member of our board of directors for breach of fiduciary duty would have to be brought to the competent courts in Schlieren, Canton of Zurich, Switzerland, or where the relevant member of our board of directors is domiciled. In addition, under Swiss law, any claims by our shareholders against us must be brought exclusively to the competent courts in Schlieren, Canton of Zurich, Switzerland.

On January 1, 2023, legislation that modernized certain aspects of Swiss corporate law (the Swiss corporate law reform (*Aktienrechtsrevision*)) entered into force. The new legislation altered the rights of shareholders under Swiss law, and as a consequence the rights of holders of our ADSs. The Swiss corporate law reform is subject to certain transitional periods as provided for therein. In particular, Swiss stock corporations registered with the Commercial Register on January 1, 2023, are required to amend their articles of incorporation and organizational regulations in line with the new legislation within a transitional period of two years (i.e., until January 1, 2025). Accordingly, we intend to propose certain amendments to our articles of incorporation at the next annual general meeting of shareholders. Until such amendments have been adopted and approved by the general meeting of shareholders, our current articles of association remain in full force and effect. See "Item 10. - Memorandum and Articles of Association - Swiss Corporate Law Reform." There can be no assurance that Swiss law will not once again change in the future, which could adversely affect the rights of our shareholders or holders of our ADSs. Furthermore, there can be no guarantee that Swiss law does or will protect our shareholders or the holders of our ADSs in a similar fashion as the laws of U.S. jurisdictions would, in particular as regards corporate law principles, if we were a U.S.-incorporated company.

***Our ordinary shares are issued under the laws of Switzerland, which may not provide investors with the same protections provided by incorporation in Delaware.***

We are organized under the laws of Switzerland. A further summary of applicable Swiss law is contained in this Annual Report on Form 20-F. There can be no assurance that Swiss law will not change in the future or that it will provide investors with the same protections afforded to investors of a Delaware corporation, which could adversely affect the rights of investors.

***Claims of U.S. civil liabilities may not be enforceable against us.***

We are incorporated under the laws of Switzerland and our registered office and domicile is located in Schlieren, Switzerland. Substantially all of our assets are located outside the United States. A number of our directors and executive officers are not residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments obtained against them or us in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by our Swiss counsel that there is doubt as to the enforceability in Switzerland of original actions, or in actions for enforcement of judgments of U.S. courts, of civil liabilities to the extent solely predicated upon the federal and state securities laws of the United States. Original actions against persons in Switzerland based solely upon the U.S. federal or state securities laws are governed, among other things, by the principles set forth in the Swiss Federal Act on Private International Law.

The United States currently does not have a treaty with Switzerland providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in Switzerland. In order to obtain a judgment which is enforceable in Switzerland, the party in whose favor a final and conclusive judgment of the U.S. court has been rendered will be required to file its claim with a court of competent jurisdiction in Switzerland. Such party may submit to the Swiss court the final judgment rendered by the U.S. court. If and to the extent that the Swiss court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the court of Switzerland will, in principle, give binding effect to the judgment of the U.S. court, unless such judgment contravenes principles of public policy of Switzerland. Also, mandatory provisions of Swiss law may be applicable regardless of any other law that would otherwise apply. Swiss courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Swiss court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in Switzerland are solely governed by the provisions of the Swiss Federal Private International Law Act. This statute provides in principle that a judgment rendered by a non-Swiss court may be enforced in Switzerland only if:

- the non-Swiss court had jurisdiction pursuant to the Swiss Federal Act on Private International Law;
- the judgment of such non-Swiss court has become final and non-appealable;
- the judgment does not contravene Swiss public policy;
- the court procedures and the service of documents leading to the judgment were in accordance with the due process of law; and
- no proceeding involving the same position and the same subject matter was first brought in Switzerland, or adjudicated in Switzerland, or was earlier adjudicated in a third state and this decision is recognizable in Switzerland.

Based on the lack of a treaty as described above, U.S. investors may not be able to enforce against us or members of our board of directors or certain experts named herein who are residents of Switzerland or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.



***Our status as a Swiss corporation means that our shareholders enjoy certain rights that may limit our flexibility to raise capital, issue dividends and otherwise manage ongoing capital needs.***

Swiss law reserves for approval by shareholders certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, the payment of dividends and cancellation of treasury shares must be approved by shareholders. Swiss law also requires that our shareholders themselves resolve to, or authorize our board of directors to, increase our share capital. While our shareholders may authorize share capital that can be issued by our board of directors without additional shareholder approval, Swiss law limits this authorization to 50% of the share capital registered in the commercial register at the time of the authorization. The authorization, furthermore, has a limited duration of up to five years and must be renewed by the shareholders from time to time thereafter in order to be available for raising capital. For an overview of the changes in Swiss corporate law due to the Swiss corporate law reform that came into effect on January 1, 2023, see "Item 10. - Memorandum and Articles of Association - Swiss Corporate Law Reform." Additionally, subject to specified exceptions, including exceptions explicitly described in our articles of association, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares, which may be limited or withdrawn only under certain limited conditions. Swiss law also does not provide as much flexibility in the various rights and regulations that can attach to different categories of shares as do the laws of some other jurisdictions. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided benefits to our shareholders. For changes to Swiss corporate law potentially affecting the rights of the holders of our ADSs, see also "Item 10. - Memorandum and Articles of Association - Swiss Corporate Law Reform"

***We are a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.***

We report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

***As a foreign private issuer and as permitted by the listing requirements of Nasdaq, we rely on certain home country governance practices rather than the corporate governance requirements of Nasdaq.***

We are a foreign private issuer. As a result, in accordance with Nasdaq Listing Rule 5615(a)(3), we comply with home country governance requirements and certain exemptions thereunder rather than complying with certain of the corporate governance requirements of Nasdaq.

Swiss law does not require that a majority of our board of directors consist of independent directors. Our board of directors therefore may include fewer independent directors than would be required if we were subject to Nasdaq Listing Rule 5605(b)(1). In addition, we are not subject to Nasdaq Listing Rule 5605(b)(2), which requires that independent directors regularly have scheduled meetings at which only independent directors are present.

Although Swiss law also requires that we adopt a compensation committee, we follow home country requirements with respect to such committee. As a result, our practice varies from the requirements of Nasdaq Listing Rule 5605(d), which sets forth certain requirements as to the responsibilities, composition and independence of compensation committees. We have opted out of shareholder approval requirements for the issuance of securities in connection with certain events such as the acquisition of stock or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements. To this extent, our practice varies from the independent director oversight of director nominations requirements of Nasdaq Listing Rule 5605(e).

Furthermore, in accordance with Swiss law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders. Our practice thus varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock. To this extent, our practice varies from the requirements of Nasdaq Listing Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with such events.

As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

***We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.***

We may no longer be a foreign private issuer as of June 30 for a given fiscal year (the end of our second fiscal quarter for a given fiscal year), which would require us to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers as of January 1 of such year. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lost foreign private issuer status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We would be required to change our accounting from reporting under IFRS to reporting under U.S. generally accepted accounting principles. We would also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules

and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors.

***We are an "emerging growth company," and a "smaller reporting company" and we cannot be certain if the reduced reporting requirements applicable to "emerging growth companies" will make our ADSs less attractive to investors.***

We are an "emerging growth company," as defined in the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an "emerging growth company," we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an "emerging growth company." We could be an "emerging growth company" for up to the last day of the fiscal year ending after the fifth anniversary of our initial U.S. public offering (June 2021), although circumstances could cause us to lose that status earlier, including if the aggregate market value of our ordinary shares held by non-affiliates exceeds \$700 million as of any June 30 (the end of our second fiscal quarter) before that time, in which case we would no longer be an "emerging growth company" as of the following December 31 (our fiscal year-end).

In addition, because the market value of our ordinary shares held by non-affiliates was less than \$560 million as of June 30, 2022 and our revenue for the year ended December 31, 2021 were less than \$100 million, we qualify as a "smaller reporting company" under the Exchange Act as of June 30, 2022. We may continue to be a smaller reporting company if either (i) the market value of our ordinary shares held by non-affiliates is less than \$250 million or (ii) our annual revenue was less than \$100.0 million during the most recently completed fiscal year and the market value of our ordinary shares held by non-affiliates is less than \$700.0 million.

We cannot predict if investors will find our ordinary shares less attractive because we may rely on the exemptions and reduced disclosure obligations applicable to emerging growth companies and smaller reporting companies. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our shares or ADSs.***

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of ADSs representing our shares or our shares.

Management is required to assess the effectiveness of our internal controls annually beginning with this annual report on Form 20-F to be filed with the SEC. However, for as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements requiring us to incur the expense of remediation and could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

***If we are classified as a passive foreign investment company, U.S. Holders of ADSs may be subject to adverse U.S. federal income tax consequences.***

For U.S. federal income tax purposes, we generally will be classified as a passive foreign investment company, or PFIC, for any taxable year, in which, after the application of certain look-through rules with respect to our subsidiaries, at least 75% of our gross income is passive income, or at least 50% of the average value (determined on the basis of a weighted quarterly average) of our assets for the taxable year is attributable to assets that produce passive income or are held for the production of passive income, including cash. For purposes of these tests, passive income includes, among other things, dividends, interest, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income (including amounts derived by reason of the temporary investment of funds raised in offerings of our shares or ADSs) and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. Generally, in determining whether a non-U.S. corporation is a PFIC, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as holding and receiving directly its proportionate share of assets and income of such corporation.

Based upon our analysis of the value of our assets and the nature and composition of our income and assets, we believe that we were a PFIC for the taxable year ended December 31, 2022. However, the determination of whether or not we are a PFIC for any taxable year is a factual determination made annually after the end of each taxable year, and because the applicable law is subject to varying interpretations, we cannot provide any assurance regarding our PFIC status and our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year. If we are characterized as a PFIC for any taxable year during which U.S. Holders (as defined in “Item 10. E Taxation – Material U.S. Federal Income Tax Consequences for U.S. Holders” below) hold our ADSs, U.S. Holders of our ADSs may suffer adverse tax consequences regardless of whether we continue to qualify as a PFIC, including having gains realized on the sale of our ADSs treated as ordinary income rather than capital gain, the loss of the preferential rate applicable to dividends received on ADSs by individuals who are U.S. Holders, and having interest charges apply to certain distributions by us and gains from the sales of our ADSs.

The tax consequences that would apply if we are classified as a PFIC would be different from those described above if a U.S. Holder of ADSs were able to make a valid qualified electing fund, or QEF, election, or, in some circumstances, a “mark-to-market” election. We currently expect to provide U.S. holders of ADSs with the information necessary for a U.S. shareholder to make a QEF election if we were treated as a PFIC for any taxable year, although there is no assurance that we will do so.

For further discussion of the PFIC rules and the adverse U.S. federal income tax consequences in the event we are classified as a PFIC, as well as certain elections that may be available to U.S. shareholders, see “Item 10. E Taxation – Material U.S. Federal Income Tax Consequences for U.S. Holders.”

***If we are a controlled foreign corporation, there could be materially adverse U.S. federal income tax consequences to certain U.S. Holders of our ordinary shares.***

If a United States person is treated as owning (directly, indirectly, or constructively) at least 10% of the value or voting power of our shares (including through ADSs), such person may be treated as a “United States shareholder” with respect to each “controlled foreign corporation” in our group. Because our group includes one or more U.S. subsidiaries, we expect that certain of our future non-U.S. subsidiaries will be treated as controlled foreign corporations (regardless of whether or not we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of “Subpart F income,” “global intangible low-taxed income,” and investments in U.S. property by controlled foreign corporations, regardless of whether the controlled foreign corporations make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject a United States shareholder to significant monetary penalties and may prevent the statute of limitations from starting with respect to such shareholder’s U.S. federal income tax return for the year for which reporting was due. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation, or that we will furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its advisors regarding the potential application of these rules to an investment in our ADSs.

**General Risks**

***We depend on our information technology systems, and any failure of these systems could harm our business. Security incidents, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business, results of operations and financial condition.***

We collect and maintain information in digital and other forms that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we may process large amounts of confidential and sensitive data, including personal data (such as health-related data), intellectual property, and proprietary business information (collectively, sensitive information). We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may have access to sensitive information. Our ability to monitor these third parties’ information security practices is limited, and these third parties may not have adequate information security measures in place. We may share or receive sensitive information with or from third parties.

Cyberattacks, malicious internet-based activity, and online and offline fraud are prevalent and have generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These threats come from a variety of sources, including traditional computer “hackers,” threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including cyber-attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products.

We and the third parties upon which we rely may also be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), ransomware attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, and other similar threats. Ransomware attacks, including by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third-party partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems or the third-party information technology systems that support us and our business operations.

In addition, the prevalent use of mobile devices that access confidential information increases the risk of lost or stolen devices and security incidents, which could lead to the loss of sensitive information. Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. Additionally, future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

Any of the previously identified or similar threats could cause a security incident or other interruption. A security incident or other interruption could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to conduct our business. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data.

We may expend significant resources or modify our business activities (including our clinical trial activities) to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry-standard or reasonable security measures to protect our information technology systems and sensitive information.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures will be effective. We experience such security incidents of varying degrees from time to time, and we incur costs in protecting against or remediating such security incidents.

We take steps to detect and remediate vulnerabilities, but we may be unable in the future to detect vulnerabilities in our information technology systems because such threats and techniques change frequently, are often sophisticated in nature, and may not be detected until after a security incident has occurred. Despite our efforts to identify and remediate vulnerabilities, if any, in our information technology systems, our efforts may not be successful. These vulnerabilities pose material risks to our business. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities.

Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences. If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences. These consequences may include governmental enforcement actions (for example, investigations, fines, penalties, audits, and inspections), additional reporting requirements and/or oversight, restrictions on processing sensitive information (including personal data), litigation (including class claims), indemnification obligations, negative publicity, reputational harm, monetary fund diversions, interruptions in our operations (including availability of data); financial loss; and other similar harms.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

***If securities or industry analysts cease coverage of us, or publish inaccurate or unfavorable research about our business, the price of the ADSs and our trading volume could decline.***

The trading market for the ADSs and our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If no or too few securities or industry analysts cover us, the trading price for the ADSs and our ordinary shares would likely be negatively affected. If one or more of the analysts who cover us downgrade the ADSs or our ordinary shares or publish inaccurate or unfavorable research about our business, the price of the ADSs and our ordinary shares would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for the ADSs and our ordinary shares could decrease, which might cause the price of the ADSs and our ordinary shares and trading volume to decline.

***We are subject to securities litigation, which is expensive and could divert management attention and adversely impact our business.***

The market price of our common stock has been and may continue to be volatile. Companies that have experienced volatility in the market price of their common stock are often subject to securities class action litigation. For example, in July 2022, a securities class action complaint was filed in the U.S. District Court for the Southern District of New York against us, our directors and certain of our current and former executive officers. The case is still in the early stages. However, regardless of outcome, this or any future securities litigation could result in substantial costs and diversion of management's attention and resources, which could adversely impact our business. Any adverse determination in litigation could also subject us to significant liabilities. See Part I, Item 8.A "Consolidated Statements and Other Financial Information – Legal Proceedings" for more information.

## Item 4. Information on the Company.

### A. History and Development of the Company

Our corporate name is Molecular Partners AG. We were incorporated in Switzerland as an *Aktiengesellschaft*, or AG, on November 22, 2004 and are subject to article 620 et seq. of the Swiss Code of Obligations. Our principal executive offices are located at Wagistrasse 14, 8952 Schlieren, Switzerland. We are registered with the commercial register of the Canton of Zurich under number CHE-112.115.136. In November 2014, we completed the initial public offering of our ordinary shares on the SIX Swiss Exchange. In June 2021, we completed the initial public offering of our ADSs on the Nasdaq Global Select Market. Our telephone number at our principal executive offices in Switzerland is +41 44 755 77 00.

Molecular Partners AG is the sole shareholder of Molecular Partners Inc., a Delaware corporation, with a registered office at 245 Main Street, Cambridge, Massachusetts 02142, with a secondary address at 33, Bradford Street, Concord, Massachusetts 01742. Molecular Partners Inc. is our agent for service of process in the United States.

Our website address is [www.molecularpartners.com](http://www.molecularpartners.com). The reference to our website is an inactive textual reference only and information contained in, or that can be accessed through, our website or any other website cited in this registration statement is not part of this Annual Report on Form 20-F. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

### B. Business Overview

We are a clinical-stage biopharmaceutical company pioneering DARPIn candidates to treat serious diseases, with a current focus on oncology and virology. Our DARPIn platform, which is built using designed ankyrin repeat proteins, or DARPins, allows us to generate candidates with multiple mechanisms of action, or MOAs, to address complex biological problems.

DARPins are a novel class of drugs with broad therapeutic applications that may overcome many of the limitations of conventional protein and antibody-based therapeutics. Our DARPIn candidates have been extensively tested in preclinical studies and clinical trials, including in approximately 2,500 patients, and have been observed to be highly active and generally well-tolerated.

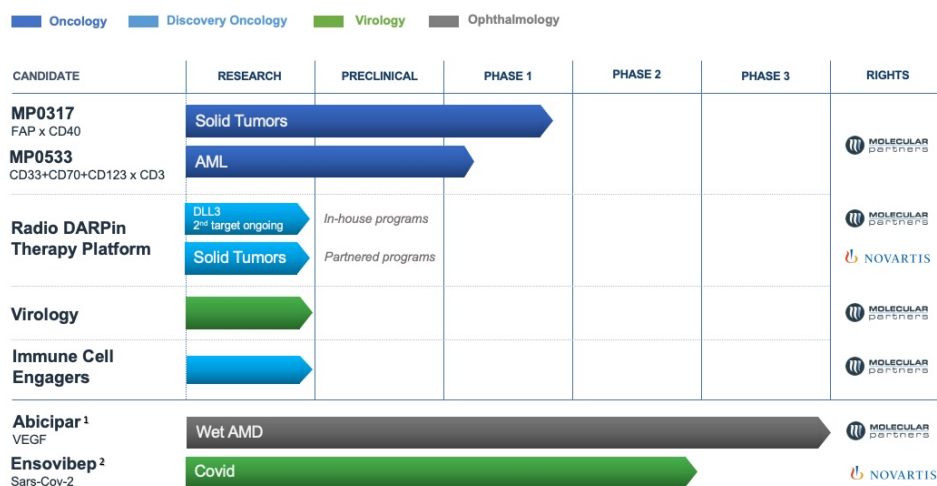
Leveraging our DARPIn platform, we have designed product candidates with multiple MOAs that we believe have the potential to offer patients therapeutic options with higher efficacy and fewer adverse events as compared to the current standard of care. Among these multiple MOAs, DARPIn product candidates have been designed to block growth factors, localize activity, conditionally activate, neutralize viruses, adjust half-life as needed, and initiate cell death. We apply these features across our portfolio to elicit a specific therapeutic response.

We believe that our DARPIn platform has the potential to yield novel product candidates with broad therapeutic application given their ability to overcome many of the limitations of antibody and other conventional protein-based therapeutics.



## Our Pipeline

Molecular Partners' pipeline includes two key areas: oncology (blue) and virology (green). In addition we are reviewing opportunities in ophthalmology (gray).



1) The Company continues to evaluate potential business opportunities for abicipar, outside of Molecular Partners.  
2) Molecular Partners was informed by Novartis that the Emergency Use Authorization (EUA) application from the U.S. Food and Drug Administration (FDA) for ensovibep was withdrawn effective January 25, 2023. As previously disclosed, ensovibep is not presently in clinical development.

While our DARPIn candidates have distinct therapeutic features and particular targets, each DARPIn therapeutic modality can be utilized across multiple programs. Our pipeline programs benefit from the learnings of earlier discoveries, such as:

- The use of fibroblast activation protein, or FAP as a localized activator for both MP0317, and previously MP0310;
- Multi-specificity and avidity-driven selectivity to boost tumor specificity for our Acute Myeloid Leukemia, or AML, candidate MP0533; and
- Cooperative binding for increased antiviral neutralization by ensovibep for COVID-19;

We have research collaboration agreements with Novartis as well as other third party collaborators.

## Our Team

We were founded in 2004 by the inventors of our DARPIn platform. Our senior management, which includes two of our company's co-founders, have significant prior experience in oncology, research, drug development and finance. Members of our team have served as senior executives at other well-established companies including argenx, Bavarian Nordic, Celgene, Roche, Novartis and Tesaro. Additionally, our board of directors includes current and former senior executives of AbbVie (Allergan), Biogen, Novartis AG, Novo Holdings Advisory Group, Roche and Takeda (Millennium Pharmaceuticals, Shire).

As our name indicates, partnership and collaboration are at the core of our company, our research activities and our therapeutic designs. Molecular Partners embodies an international working environment comprised of 170+ individuals from numerous disciplines who contribute to our shared values of scientific excellence, respectful teamwork and personal aspiration. Whether it stems from our long-

standing goal of improving the lives of patients with cancer, or to our more recent efforts to deploy our technology against COVID-19, we are a group dedicated to moving the needle of medicine. We foster true innovation and creative thinking to advance our therapeutic product candidates, and we continue to be inspired by the difference we can make for our patients. Our team members possess a curiosity and a passion to advance our shared goal of providing better treatment options for patients with serious diseases.

## **Our Strategy**

We are committed to leveraging our proprietary DARPin platform to unlock and expand the inherent advantages of DARPin molecules to potentially deliver innovative therapies to patients suffering from severe disease with significant unmet medical needs. Key aspects of our strategy include the following:

- a. Rapidly advance our tri-specific T-cell engaging DARPin, MP0533, for patients with AML and high-risk MDS. Presently in a Phase 1 clinical trial, we plan to establish the safety and tolerability profile of the program, and will aim to identify a therapeutic dose level for additional clinical evaluation. Initial preliminary clinical data is anticipated to be reported by the end of 2023.
- b. Unlock novel biological solutions and expand therapeutic applications of clinically validated DARPin approaches. As the inventors of the DARPin class of drugs, we believe we are the world leaders in DARPin engineering and research. With this expertise, we have developed a strategy of unlocking various technical hurdles which may limit other discovery platforms, and then expanding our clinical product candidates based upon each technological solution. Examples of this include the conditional activation of our oncology programs MP0317 and MP0310, the avidity driven mechanism of MP0533, and multi-specificity of our COVID-19 antiviral ensovibep.
- c. Maintain a robust discovery program leveraging our proprietary DARPin libraries and novel DARPin-based biological solutions. DARPins are designed to be added to new product candidates in a modular fashion to address novel disease biology. This process enables us to construct and screen multi-specific DARPin molecules for new disease areas and to quickly identify and progress differentiated candidates for our oncology and virology programs. In pursuit of a sustainable and diversified portfolio, we plan to develop potentially innovative and transformational constructs directed against the most promising targets in our areas of focus.
- d. Continue a strategic approach to in-house versus partnered development. To unlock and expand the full potential of our DARPin platform, we intend to independently develop and commercialize product candidates in our core focus areas, where we believe we have an established clinical and regulatory approval pathway and the resources to commercialize successfully. To complement this approach, we also plan to collaborate with biopharmaceutical companies on product candidates that have promising utility in target areas or patient populations requiring greater global development capabilities or those outside of our strategic focus.
  - i. This strategy has allowed us to pursue major therapeutic innovations for the DARPin platform, often in parallel, across our oncology and virology focus areas. To this end, we continue to support our partners across our portfolio as we advance our Radio DARPin-Therapy Platform, both independently and in collaboration with Novartis; and our research collaboration with the University of Bern for MP0533.
  - ii. We will also seek to collaborate with companies developing complementary technology to our platform when we see the strategic rationale to combine our industry-leading DARPin capabilities with other modalities.

## Our DARPin Platform

Our DARPin platform was invented over twenty years ago by the co-founders of our company, who were then researchers at the University of Zurich. DARPin molecules were discovered as a result of our co-founders' quest to find a versatile protein-based therapeutic class that was highly differentiated from antibodies. The ability to design multi-specific molecules, along with the ease of use and manufacturing, made DARPin technology an ideal platform for us from which to pursue treatments beyond traditional protein therapeutics. The foundational technology we use in our DARPin platform to generate our product candidates was initially licensed to us by the University of Zurich. Leveraging our DARPin platform, we have designed product candidates with MOAs that we believe have the potential to offer patients therapeutic options with higher efficacy and fewer adverse events compared to the current standard of care. Among these multiple MOAs, DARPin product candidates have been designed to block growth factors, localize activity, conditionally activate, neutralize viruses, adjust half-life as needed and initiate cell death. We apply these features across our portfolio to elicit a specific therapeutic response.

We believe that our DARPin platform has the potential to yield novel product candidates with broad therapeutic application given their ability to overcome many of the limitations of antibody and other conventional protein-based therapeutics.

## Benefits and Advantages of our DARPin Platform over Traditional Approaches

We believe the benefits of our DARPin platform include:

- **Ability of DARPin product candidates to target multiple escape pathways in parallel**  
When cancer cells or a virus are targeted by conventional therapies, they often develop resistance by loss of target, mutational escape or activating multiple escape pathways at once. To create effective products, we believe that we must understand the dynamics of these escape pathways and then target their key components in parallel. We believe our DARPin product candidates are ideally suited for this approach because of their ability to bind to multiple targets and inhibit multiple escape pathways at once. Our approach allows us to efficiently test product candidates to determine the affinity and target binding of our DARPin proteins in the relevant setting. The most effective combination of DARPin proteins is assembled into one DARPin product candidate for further product development. These DARPin product candidates can demonstrate cooperative binding, leading to high potency and preventing escape as demonstrated by our antiviral product candidates.
- **Capacity to find and address new biology on known targets**  
Using our DARPin approach, we are able to select DARPin proteins that bind to known targets in novel ways, thereby unlocking additional therapeutic solutions. For example, we can achieve conditional activation where the molecule will activate only in the presence of a particular tumor-associated antigen, or TAA. One of our product candidates, MP0533 utilizes the power of multi-specific targeting to potentially enhance efficacy and minimize tumor resistance through simultaneously targeting three known antigens associated with AML, which, to our knowledge, had not previously been addressed in one molecule. In addition, positive topline data from the global EMPATHY Phase 2 clinical trial of ensovibep was a clinical validation of our platform's ability to deliver multi-specific candidates that enact simultaneous binding for unique clinical effect.
- **Flexible architecture to engage and locally activate immune cells**  
Immune-mediated therapies rely on the activation of a patient's immune response to fight tumors. In some cases, blocking negative checkpoint signals can produce a deep and durable effect in stopping the growth of, and regressing, tumors. We believe that our DARPin platform is well

suited for the combined approaches of blocking negative checkpoint signals and engaging and activating immune cells. We have unlocked approaches that utilize DARPin to direct tumor-localized activation of immune cells, resulting in the selective activation of immune system cells within a tumor, which may potentially avoid systemic adverse events. We have designed two of our DARPin product candidates, MP0310 and MP0317, to cluster, thereby locally activating immune cells more effectively. MP0310 is a tumor-restricted 4-1BB immune-cell activator for the potential treatment of FAP-positive cancers, and MP0317 activates CD40, also in an FAP-dependent manner.

- **Tailored pharmacokinetic profile**

All of our DARPin product candidates are constructed to benefit from high-yield microbial manufacturing. Unlike manufacturing using traditional mammalian cell lines, productions of DARPin molecules via microbial manufacturing allow for several key competitive advantages, including the ability to manufacture clinical batches every seven to ten days, versus a thirty-day mammalian campaign. This advantage is critical to allow drug supply on a global scale. Additional benefits include high production yield of raw drug substance, 12-15g/L for example, as well as high thermal stability, with certain programs demonstrating shelf stability at 4 degrees centigrade for several years.

### **Background of Our DARPin Platform: A Source of Virtually Unlimited Binding Proteins**

The fundamental building block for all of our DARPin product candidates is the single DARPin protein. A DARPin protein consists of an engineered protein base structure, which we refer to as the scaffold. The DARPin scaffold is formed from consecutive copies of ankyrin repeat proteins, which are chains of 33 amino acids stacked together. The scaffold can be generated to provide a binding site to specifically recognize, or permit binding to, a desired target protein or other molecule, similar to how monoclonal antibodies can be generated to recognize a single target antigen. We have developed and upgraded our libraries to include over one trillion DARPin proteins, each of which can potentially bind to a specific target structure. From this library we can screen and select DARPins within weeks that are highly specific and have high affinity for any given target structure. We use these selected DARPins to build our product candidates.

DARPins are small, with a molecular weight of approximately 14–18 kilodaltons, or approximately the tenth of the size of a monoclonal antibody. We believe this smaller size potentially enables increased tissue penetration and a higher potency at lower doses. The natural biophysical properties of DARPins, including high affinity due to the rigidity of the scaffold and high solubility of the base structure, enable more distinct specificity for a particular target, or a specific site on a particular target, such as an epitope. These benefits have the potential to increase activity and efficacy of our product candidates for their targets.

### **How We Use DARPins**

We can select DARPins to bind to a given target and form the basis of a product candidate, or we can genetically assemble DARPins into DARPin product candidates using different linkers. This allows us to screen our libraries that contain over one trillion DARPins to select those with the optimal properties. We believe this process is more difficult with multi-specific antibodies or other complex proteins. Further, we can add additional elements either to increase the half-life of our product candidates to match the therapeutic need or to add functionality. While antibodies generally have a long systemic half-life, most repeat proteins have a short half-life. The half-life of a single DARPin is usually a few hours when injected into the blood stream. To increase the half-life of DARPin product candidates, we have created proprietary, patent protected, specific DARPins that bind to human serum albumin, or HSA. HSA is the

most abundant protein in human blood and has a half-life of approximately three weeks. When administered intravenously, the HSA-DARPin binds to its target to extend its half-life to the same period as HSA. This approach allows us to tailor the half-life of our individual product candidates.

Our accumulated preclinical and clinical experience of developing and testing DARPin candidates has allowed us to establish an intellectual property portfolio that, as of December 31, 2022, included over 180 granted patents and over 190 additional pending U.S. and foreign patent applications across more than 30 patent families, covering both core and derivative aspects of our DARPin platform.

## **Our Oncology Programs**

### ***Cancer Background and Treatment***

The rapid development of immune-mediated therapies for multiple types of cancer has transformed the oncology treatment landscape and improved the long-term outlook for many cancer patients. Rather than targeting treatments directly at the tumor, these therapies generally engage the immune system to promote its recognition and eradication of tumor cells. Key features of immune-mediated therapy include specificity, breadth of response, and memory. These features can contribute to complete tumor regressions, often providing more durable clinical outcomes and improved quality of life relative to other therapies. However, despite the early success observed with immune mediated therapies, it has become clear that these treatments can currently help only a minority of patients and are more effective in some tumor types than others. This limit arises from various factors, including differential target expression patterns by cancer cells, variable immune responses to the treatment, and cancer immune-escape via mutagenesis and proliferation of non-targeted cellular populations.

We believe that, through years of building our DARPin expertise, we have developed DARPin candidates that can unlock and expand these immune-mediated capabilities through several mechanisms, which include targeting immuno-stimulatory proteins through multi-specific DARPin candidates and using delayed and/or conditional activation of our immune engagers. These attributes allow us to optimize the potency, localization and/or exposure of our product candidates and reduce the risk of off-target toxicity in order to improve their therapeutic index and overall profile.

### ***Localized Immune Agonists: MP0317 and MP0533 Product Candidates***

In our oncology program we are currently developing and assessing two product candidates with localized immune agonists:

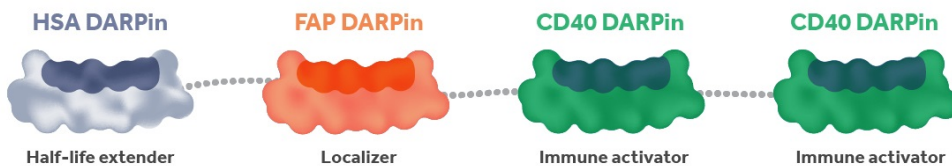
- MP0317, which allows for tumor-restricted immune-cell CD40 activation for the treatment of FAP positive cancers; and
- MP0533, which targets CD3, CD70, CD123 and CD 33 for the treatment of AML.

Development of our MP0317 and MP0533 product candidates has leveraged the learnings from our two first-generation product candidates in our oncology program, MP0250, MP0274 and MP0310. Those candidates have shown efficacy and tolerability in preclinical and clinical studies in patient populations who were resistant and /or refractory to previous standard of care treatments.

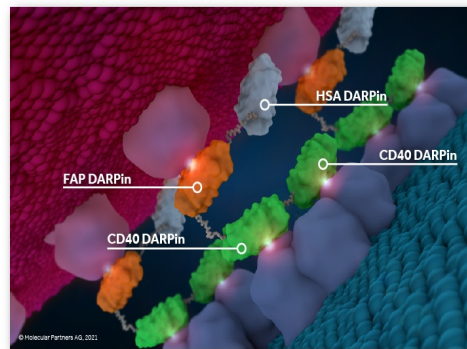
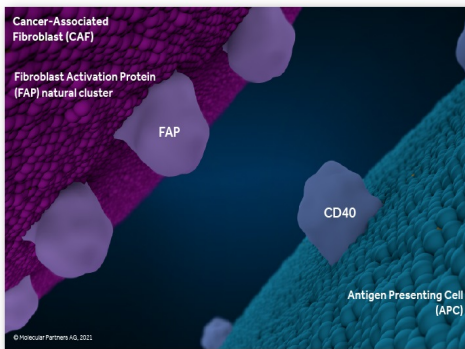
However, MP0317 and MP0533 both utilize novel mechanisms of action, which may result in greater research and development expenses, regulatory issues that could delay or prevent approval, or the discovery of unknown or unanticipated adverse effects. See “Risk Factors—Risks Related to the Development and Clinical Testing of Our Product Candidates—Some of our product candidates utilize a novel mechanism of action which may result in greater research and development expenses, regulatory issues that could delay or prevent approval, or discovery of unknown or unanticipated adverse effects.”

### MP0317: DARPin Product Candidate Targeting FAP x CD40

- Designed to activate CD40 only in FAP-high tumor tissue.
- Localized activation by FAP targeting underpins the therapeutic benefits while expanding the range of immune cell activation.
- Designed to reinforce the effect of other immune stimulating therapies.
- Shown *in vitro* to repolarize M2 macrophages and revert T-cell suppression.
- Positive interim Phase 1 clinical trial data presented at SITC in the fourth quarter of 2022.



### Mechanism of Action

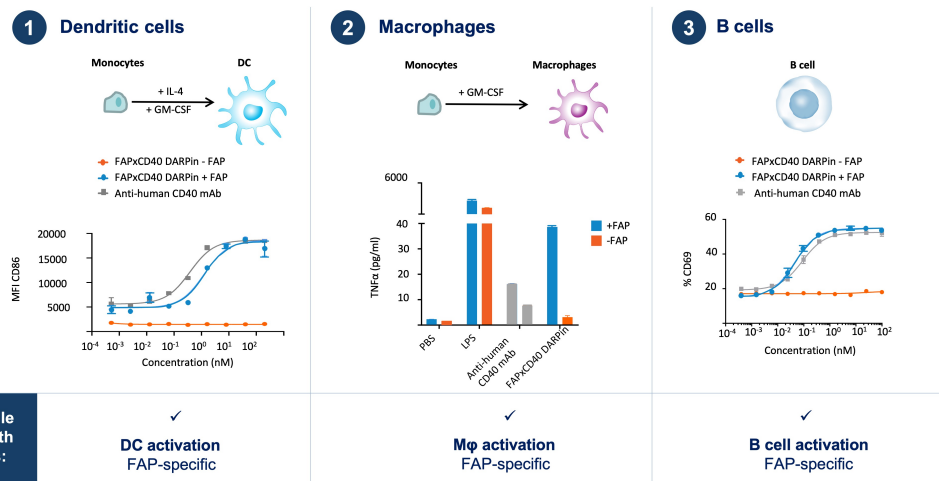


The tumor-localized immune agonist MP0317 is one of our product candidates currently being developed in our oncology pipeline. MP0317 comprises a localizer to FAP and immune stimulator binding to CD40. FAP is found in the tumor stroma in high density and its binding is intended to create a cluster of CD40 on immune cells enabling immune activation. MP0317 is designed to simultaneously engage FAP and CD40 to create tightly bound clusters around tumors, which are necessary to induce CD40-mediated local immune activation. CD40 plays a critical role in antigen presentation and the monocyte maturation process, and therefore, indirectly, T-cell activation. One of the main functions of CD40 signaling is to enhance antigen-presentation to T-cells by activating dendritic cells, or DCs. CD40 engagement on the surface of DCs promotes cytokine and chemokine production, induces expression of costimulatory molecules, and facilitates the cross-presentation of antigens. This step increases the interaction of DCs with T-cells by upregulating surface proteins such as CD54 and CD86, thereby activating the surface proteins.

Agonist anti-CD40 antibody treatments have been associated with mild to moderate toxicity in the clinic, which we believe is related to on-target but off tumor effects causing CRS and liver toxicity.

Aiming to avoid CD40-related toxicity, we developed MP0317 to work as a locally activated CD40 engager, designed to only activate the immune system when both FAP and CD40 are simultaneously engaged. We expect this localizing mechanism to reduce the likelihood of extra-tumoral systemic side effects and allow an increase of the therapeutic index.

In April 2021, we presented new data at the 2021 AACR virtual annual meeting, showing further supportive evidence of MP0317's unique therapeutic potential in an *ex vivo* model system. The results demonstrated an MP0317-dependent repolarization of macrophage phenotypes and reveal a release of T-cells from macrophage-mediated suppression. The preclinical study has additionally demonstrated FAP-dependent activation of CD40-expressing B-cell and myeloid cell populations in dissociated human tumors.

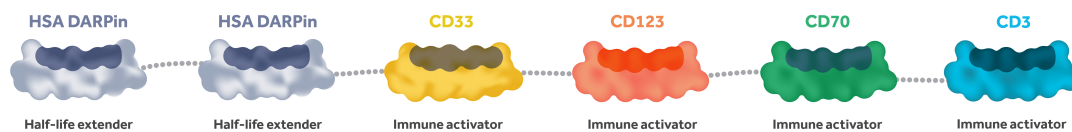


In November 2021, we announced the first patient had been dosed in our Phase 1 clinical trial evaluating the safety and tolerability of MP0317.

The open-label dose escalation study is designed to assess the safety and tolerability as well as pharmacokinetics and pharmacodynamics of MP0317 as a monotherapy in patients with solid tumors known to express fibroblast activation protein (FAP) and CD40. A total of up to 30 patients are expected to be enrolled across six dosing cohorts and up to 15 patients will be enrolled in a dose expansion cohort. In addition to evaluating monotherapy dynamics, the study will gather a wide variety of biomarker data to support the establishment of combination therapies with MP0317 in specific indications.

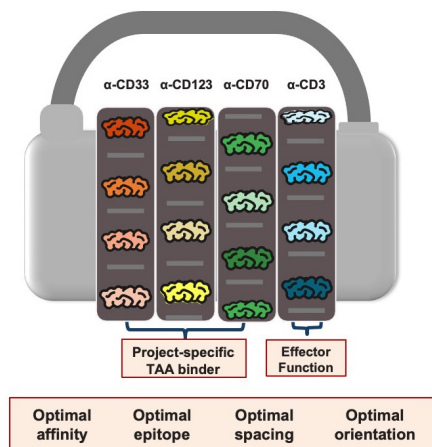
Our team presented positive interim results from the ongoing Phase 1 trial of for the treatment of solid tumors at the 37th Society for Immunotherapy of Cancer (SITC) Annual Meeting in November 2022. These data demonstrated the first clinical observation of tumor localized CD40 activation provided by MP0317, which was also observed to be safe and well-tolerated. There was no dose-limiting CD40-related systemic toxicities observed to-date as well as no signs of inflammatory cytokine release. We are continuing this ongoing dose escalation Phase 1 clinical trial, with patient recruitment in the dose escalation portion of the trial expected to be completed in the first half of 2023. Our team expects the final data set to inform the therapeutic dose for evaluation in a potential Phase 1b/2 trial in combination with relevant cancer treatment.

**MP0533: DARPin Product Candidate Targeting CD3, CD70, CD123 and CD33 for the Treatment of AML**



MP0533 is another DARPin product candidate designed to engage CD3 on T-cells and target AML cells by the tumor-associated antigens, or TAAs, CD70, CD123 and CD33.

The unmet medical need in AML remains high. Despite the achievement of remission for a majority of patients, up to 70% of adults and 30% of children will not survive beyond five years after initial clinical response due to relapsing disease. Further, the treatment of relapsed/refractory AML, or r/r AML, is therapeutically challenging due to high relapse rates with current standard of care treatments and the aggressive nature of the disease. Currently, a variety of highly potent mono-targeting TCE and CAR-T therapies have entered clinical development, but those therapies are often accompanied by dose limiting toxicities, such as cytokine release syndrome, or CRS, and myelotoxicities, preventing dose escalation to induce robust anti-tumor efficacy. More selective therapies addressing the growing number of subclasses and rationally designed target combinations are needed to allow for extended dose escalation with a more acceptable safety profile and to achieve more durable responses.



In AML, leukemic stem cells, or LSCs, produce all the leukemic cells in the patient and therefore a lasting cure for this disease is dependent on eradication of these cells. However, LSCs are relatively resistant to standard therapies. For example, these cells are less sensitive to killing by daunorubicin and cytarabine, two commonly used chemotherapeutic agents. This is partially due to increased expression by LSCs of multidrug resistance genes, and also to their quiescent state, which reduces the effects of cytotoxic agents that target rapidly replicating cells. It is therefore essential to primarily target LSCs to achieve durable disease control.



Some cancer antigens are also present on many healthy cells, but at a lower concentration, and as such it is difficult to select any single target to sufficiently differentiate between cancer cells and healthy tissue. To overcome this limitation and increase specificity, we leveraged our unique DARPin platform to generate a multi-specific T-cell engager (TCE) DARPin molecule, targeting CD33, CD70 and CD123, by a fine-tuned and tailored avidity-driven affinity to these TAAs, in conjunction with our CD3-binding DARPin molecule.

In avidity-driven selectivity, the presence of two or more binding targets on the cell, and the molecular interaction with these targets increases the effective concentration of the binder and the resulting binding strength. This dependency of binding strength on the presence of more than one cancer antigen conveys a far superior selectivity to these multi-specific binders. This approach is a concept that is well known in the scientific community but has so far been limited by the availability of an optimal therapeutic platform to address the associated technical challenges. In order to find the right target combination, the optimal affinity to increase tumor specificity via avidity, as well as the best molecular architecture, we took advantage of our unique modular DARPin platform and screened thousands of combinations of multi-specific DARPin molecules, binding simultaneously to the three different TAAs — CD33, CD70 and CD123. Furthermore, we combined our three DARPin binders with our CD3-binding TCE DARPin into our candidate, MP0533.

Our approach allows for the design of multi-specific TCEs which are designed to simultaneously target CD33, CD70 and CD123, three well-known AML antigens that are co-expressed on approximately 50% of AML cells and of which at least two are expressed on approximately 70% of AML cells. To further optimize our molecules, we have devised a concentration dependent MOA utilizing moderate affinity binders rather than high affinity ones. When such a DARPin encounters a cell expressing only one antigen, we believe there should only be a transient interaction and the DARPin should quickly disengage the target with limited cytotoxic effect. However, when there are two or three targets, the mechanism of avidity-driven selectivity is activated.

In preclinical tests against AML cells, we observed MP0533 delivered highly potent and specific activity and the potential for a reduced effect on healthy normal cells. As well as its increased selectivity, MP0533's ability to target three TAAs simultaneously gives it additional potential to counteract target escape mechanisms expected due to tumor heterogeneity. In addition, this mechanism is designed to capture a larger population of AML patients due to its ability to engage with any two of these targets simultaneously, while maintaining specificity.

In preclinical studies, MP0533's targeting of three different AML antigens with potentially optimized affinity and geometry demonstrated substantial avidity gain and an increased selectivity window. The avidity gain resulted in strongly enhanced *in vitro* potency as shown by activation of both CD8+ and CD4+ T-cells and subsequent killing of AML tumor cells. Bioactivity was in the range of established TCE benchmark formats such as BiTE and DART and compared to reference constructs where TAA-specific DARPin binders were replaced by non-binding-DARPin modules. We generated selectivity data by comparing our multi-specific DARPin constructs on MOLM-13 AML cell lines where the respective TAAs have been knocked out individually or in combination. The tumor specificity, and resulting potential for a better safety profile, of our DARPin construct has been confirmed in an *ex vivo* blood assay testing potential CRS liabilities. In this assay, our multi-specific DARPin construct induced profoundly less cytokine release as compared to benchmark molecules indicating an improved therapeutic window.

In December 2021, we announced a research collaboration with the University of Bern, to advance the development of MP0533, into the clinic. The collaboration aims to leverage our DARPin technology and the University of Bern group's expertise in AML, and specifically in LSCs.

In an oral presentation at the 64th American Society of Hematology (ASH) Annual Meeting in December 2022, we presented preclinical results showing MP0533, can induce preferential killing of cells expressing two or three tumor-associated antigens, or TAAs compared to cells expressing a single TAA.

MP0533 was demonstrated to activate T cells and destroy AML cells in samples from newly diagnosed and previously treated AML patients with different TAA expressions. Humanized mouse models showed MP0533's ability to activate intra-tumoral T-cells and control tumor growth. The research also showed that MP0533 was able to directly target and kill LSCs, while sparing a variety of healthy cells including hematopoietic stem cells. This targeted feature of MP0533 was further supported by several other parameters including a lower level of cytokine release relative to benchmark mono-targeted T-cell engagers, both *in vitro* in a whole blood assay and *in vivo* in the humanized mouse AML models.

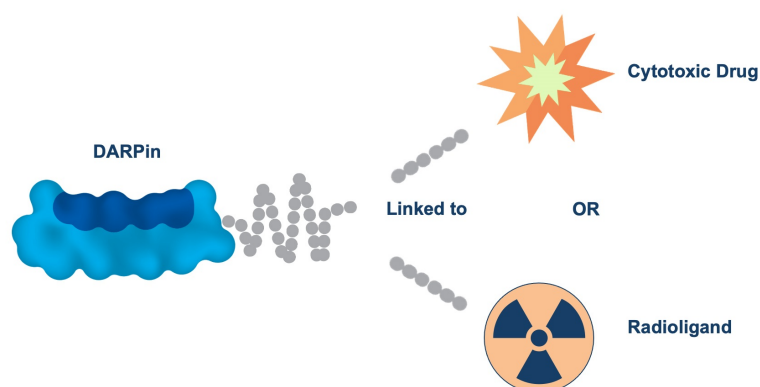
In January 2023, the first patient was dosed in our Phase 1 clinical trial of MP0533. Interim preliminary clinical results from this trial are expected to be reported by the fourth quarter of 2023.

***MP0310: DARPIn Molecule Targeting 4-1BB x FAP***

MP0310 is a dual-targeted compound, targeting both FAP and 4-1BB, that has the potential to activate T-cells and other immune cells, specifically in the tumor microenvironment, aiming to avoid systemic side effects associated with 4-1BB activation.

In April 2022, Amgen, our collaboration partner for MP0310 (AMG 506), informed us of its decision to return global rights of MP0310 to us following a strategic pipeline review.

## Our Radio DARPin Therapy Platform



We are developing DARPin-based radiotherapeutic candidates, both proprietary as well as in collaboration with Novartis. In 2022, we progressed our Radio DARPin Therapy (RDT) Platform, selecting tumor-associated protein Delta-like ligand 3, or DLL3, as the first target of our in-house RDT program. Expression of DLL3 is low in healthy tissue but significantly increased in certain tumor types, providing an opportunity for selective targeting through the high-affinity and specificity offered by DARPins.

In December 2021, we announced a new collaboration with Novartis in the form of a license and collaboration agreement to develop, manufacture and commercialize DARPin-based radiotherapeutics. By harnessing the power of radioactive atoms, or radionuclides, and applying it to cancers through targeted radioligand therapy, DARPin-based radiotherapeutics have the potential to selectively deliver molecularly targeted radiation to tumor cells anywhere in the body, while sparing healthy tissue. DARPins have significant potential to enable robust, tumor-specific delivery of radionuclides owing to their small size in combination with high specificity and affinity.

The collaboration will combine our industry-leading ability to rapidly generate high-affinity DARPins and the radioligand therapies, or RLT, capabilities and expertise of Novartis. Under the terms of the agreement, we will collaborate with Novartis to discover DARPin-based radiotherapeutic candidates that target specific tumor associated antigens.

Novartis will be responsible for all clinical development and commercialization activities. Under the terms of the agreement, we received a \$20 million upfront payment from Novartis in January 2022, and are entitled to total potential development, regulatory and commercialization milestone payments of up to \$560 million based on future achievements, and up to low double-digit percent of royalties to the extent that sales occur.

We believe DARPins' attributes along with their small size and platform optimizations to minimize kidney accumulation make DARPins ideal delivery vectors for therapeutic radionuclides to efficiently target cancer cells with minimal systemic side effects.

We plan to present our research of Radio DARPin Therapy candidates and their potential differentiation as tumor targeting moieties in scientific conferences in 2023.

## Our Virology Program

In 2020 we launched the first product candidate from our virology program, ensovibep (MP0420), which targets the SARS-CoV-2 virus. Our rapid candidate design and assessment process allowed us to quickly

substantiate the potential of an antiviral DARPin approach and its differentiation compared to other therapeutic modalities. Based on the potential of DARPin therapeutics as antivirals, we are actively assessing other global viral threats with high unmet need as potential targets for new product candidates in our virology program.

### COVID-19 Product Candidate: Ensovibep (MP0420)

Ensovibep is a first-in-class, multi-specific DARPin therapeutic candidate, designed to bind three different epitopes on the receptor-binding domain, or RBD, of the SARS-CoV-2 spike protein simultaneously.



In January 2022, Novartis exercised its option to in-license ensovibep and is now solely responsible for further development, manufacturing, and commercialization activities. Upon exercise of the option, Molecular Partners received a payment of CHF 150 million, which was in addition to the upfront cash payment of CHF 20 million and CHF 40 million worth of ordinary shares that Novartis acquired in 2020.

The primary analysis from Phase 2 of the EMPATHY clinical trial was presented at the 2022 European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in April 2022. Key preclinical data documenting the unique design and mechanism of action of ensovibep were published in Nature Biotechnology in July 2022.

Ensovibep was submitted in February 2022 for Emergency Use Authorization or EUA following the successful global EMPATHY clinical study. Later, the U.S. Food and Drug Administration, or FDA asked that Phase 3 data be provided for their review.

The clinical development of ensovibep was halted in 2022 due to a lack of neutralization activity against omicron subvariants.

### Other Programs

#### Abicipar

Abicipar is a DARPin therapeutic candidate designed to inhibit vascular endothelial growth factor (VEGF). It is at the registrational stage as an investigational candidate for the treatment of neovascular (wet) age-related macular degeneration (nAMD). Abicipar is also an investigational candidate for diabetic macular edema, or DME. Abicipar is designed to remain in the eye longer than current treatments and consequently offers the potential for less frequent dosing.

Molecular Partners regained global development and commercial rights to abicipar for the treatment of neovascular age-related macular degeneration (nAMD) and Diabetic Macular Edema (DME). The Company has reported two positive Phase 3 clinical trials of abicipar, CEDAR and SEQUOIA, which supported the non-inferior efficacy of its quarterly dosing regimen with 50 % fewer injections than ranibizumab.

We are currently evaluating potential business development opportunities for abicipar.

## Intellectual Property

Our success depends in part on our ability to obtain, maintain, enforce and defend patents and other intellectual property and proprietary protection for our product candidates and technology, to preserve the confidentiality of our trade secrets, to operate without infringing, misappropriating or otherwise violating patents and other proprietary rights of others, and to prevent others from infringing, misappropriating or otherwise violating our patent and other proprietary rights. We seek to protect our proprietary position by, among other methods, filing patent applications covering our proprietary technology, improvements thereof, product candidates, and other inventions in Europe, the United States, and Japan, as well as in other relevant jurisdictions that are important to the development of our business, including Australia, Canada, South Korea and China. To protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection, we rely on trade secrets, know-how, confidential information and continuing technological innovation. We also rely on in-licensing opportunities to develop and maintain our proprietary position. We may further rely on statutory market exclusivity and patent term extensions that may be available for our product candidates once they achieve regulatory approval.

We maintain three categories of patent protection for, respectively, our DARPin technology platform, key single-binding domain DARPin proteins binding to specific targets and our DARPin product candidates. The first category of protection covers our DARPin technology platform:

- In an effort to stay a leader in the field of repeat protein technology, we have continued to work on improving the basic ankyrin repeat protein technology and have filed patent applications covering these improvements. Furthermore, we have enhanced our efforts to innovate in the ankyrin repeat protein field, including by developing new molecular designs, by generating ankyrin repeat proteins with novel modes of action, and by applying the ankyrin repeat protein technology to new disease areas and new target classes. We have translated this enhanced innovation into the generation of new intellectual property and have expanded our patent portfolio in the last couple of years. Taken together, we have made progress in protecting improvements of the DARPin base technology and innovative new aspects and applications of the DARPin technology in newly filed patent applications. However, we can provide no assurances that any such patent applications will be issued as patents.
- One example of a patent family that we own in this category is based on international patent application WO 2012/069655, relating to DARPin binding proteins comprising certain improved N-terminal capping modules. As of December 31, 2022, we owned three issued U.S. patents, nine issued foreign patents (i.e. patents granted in jurisdictions other than the U.S.) and one pending foreign patent application in this family. Any issued patents in this family are expected to expire in 2031. The disclosed improvement of the DARPin platform is included in our DARPin product candidates MP0250, MP0274, MP0310, MP0317, MP0420 (ensovibep), MP0423 and MP0533.
- Other patent applications falling in this category have been filed and are currently being prosecuted.

A second category of protection covers our key single-binding domain DARPin proteins binding to specific targets. These single domain DARPin binding proteins can be used in multiple DARPin product candidates. Our patent applications and corresponding patents directed to key single domain DARPin binding proteins currently include:

- One example of a patent family that we own in this category is based on international patent application WO 2010/060748, relating to single domain DARPin binding proteins with specificity for vascular endothelial growth factor A, or VEGF-A. As of December 31, 2022, we owned one issued U.S. patent and 31 issued foreign patents in this family. Any issued patents in this family are expected to expire in 2029, with the exception of one U.S. patent that received patent term adjustment and is

expected to expire in 2031. VEGF-specific DARPin binding proteins are used in our DARPin product candidates abicipar and MP0250.

- Another example of a patent family in this category is based on international patent application WO 2014/191574, relating to single domain DARPin binding proteins with specificity for hepatocyte growth factor, or HGF. As of December 31, 2022, we owned one issued U.S. patent and seven issued foreign patents in this family. Any issued patents in this patent family are expected to expire in 2034. An HGF-specific DARPin binding protein is used in our DARPin product candidate MP0250.
- Another example of a patent family in this category is based on international patent application WO 2012/069654, relating to single domain DARPin binding proteins with specificity for human serum albumin, or HSA. As of December 31, 2022, we owned two issued U.S. patents, 21 issued foreign patents and seven pending foreign patent applications in this family. Any issued patents in this family are expected to expire in 2031. HSA-specific DARPin binding proteins are used in our DARPin product candidates MP0250, MP0274, MP0310, MP0317, MP0420 (ensovibep), MP0423 and MP0533.
- Another example of a patent family in this category is based on international patent application WO 2014/083208, relating to DARPin product candidates comprising two different DARPin binding proteins that bind to specific, but distinct, sites on HER2. As of December 31, 2022, we owned one issued U.S. patent, 13 issued foreign patents and three pending foreign patent applications in this family. Any issued patents in this patent family are expected to expire in 2033. Such a DARPin molecule comprising two different HER2-specific DARPin binding proteins is used in our product candidate MP0274.
- Another example of a patent family in this category is based on international patent application WO 2020/245173, relating to single domain DARPin binding proteins with specificity for fibroblast activation protein, or FAP. As of December 31, 2022, we owned one pending U.S. patent application and 12 pending foreign patent applications in this family. Any issued patents in this family are expected to expire in 2040. FAP-specific DARPin binding proteins are used in our DARPin product candidates MP0310 and MP0317.
- Another example of a patent family in this category is based on international patent application WO 2020/245175, relating to single domain DARPin binding proteins with specificity for 4-1BB. As of December 31, 2022, we owned one pending U.S. patent application and six pending foreign patent applications in this family. Any issued patents in this family are expected to expire in 2040. 4-1BB-specific DARPin binding proteins are used in our DARPin product candidate MP0310.
- Another example of a patent family in this category is based on international patent application WO 2020/245171, relating to improved single domain DARPin binding proteins with specificity for HSA. As of December 31, 2022, we owned one pending U.S. patent application and 13 pending foreign patent applications in this family. Any issued patents in this family are expected to expire in 2040. Disclosed HSA-specific DARPin binding proteins are used in our DARPin product candidates MP0310, MP0317 and MP0533.
- Other patent applications falling in this category have been filed and are currently being prosecuted.

A third category of protection covers the composition of matter of certain of our DARPin product candidates (e.g., the specific combination and structure of DARPin binding proteins and additional elements that constitute the DARPin product candidate) as well as other product-specific inventions (e.g.

formulation, manufacturing process or dosing schedule). Our patent applications and corresponding patents directed to our DARPin product candidates currently include:

- One example of a patent family that we own in this category is based on international patent application WO 2011/135067, relating to abicipar. As of December 31, 2022, we owned four issued U.S. patents, one pending U.S. patent application, 63 issued foreign patents and five pending foreign patent applications in this family. Any issued patents in this family are expected to expire in 2031, not considering any patent term extensions that may be available in various jurisdictions if abicipar obtains regulatory approval there.
- Another example of patent family in this category is based on international patent application WO 2016/156596, relating to MP0250. As of December 31, 2022, we owned three issued U.S. patents, 11 issued foreign patents and 17 pending foreign patent applications in this family. Any patent that has been or may be granted in this patent family is expected to expire in 2036, not considering any patent term extensions that may be available in various jurisdictions if MP0250 obtains regulatory approval there.
- Another example of a patent family in this category is based on international patent application WO 2018/054971, relating to MP0274. As of December 31, 2022, we owned one issued U.S. patent, 11 issued foreign patents and 12 pending foreign patent applications in this family. Any patent that has been or may be granted in this patent family is expected to expire in 2037, not considering any patent term extensions that may be available in various jurisdictions if MP0274 obtains regulatory approval there.
- Another example of a patent family in this category is based on international patent application WO 2020/245746, relating to MP0310. As of December 31, 2022, we owned one pending U.S. patent application and 22 pending foreign patent applications in this family. Any patents that may be granted in this patent family are expected to expire in 2040, not considering any patent term extensions that may be available in various jurisdictions if MP0310 obtains regulatory approval there.
- Other patent applications falling in this category have been filed, including patent applications relating to abicipar, MP0317, ensovibep, MP0423 and MP0533.

The actual protection afforded by a patent may vary on a product-by-product basis and from country to country and can depend upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

The term of an individual patent depends upon the legal term for patents in the countries in which they are granted. In most jurisdictions, including the United States and countries that are members of the European Patent Convention, the patent term is generally 20 years from the earliest effective filing date of a non-provisional patent application in the applicable country. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO in granting a patent, or may be shortened if a patent is terminally disclaimed over a co-owned patent or patent application having an earlier expiration date or over a non-commonly owned patent or patent application having an earlier expiration date that was filed as a result of activities undertaken within the scope of a joint research agreement. In addition, patent term provisions are available in the United States, the member states of the European Union and certain other jurisdictions to extend the term of a patent that covers an approved drug to recapture a portion of the term effectively lost as a result of the regulatory review period. However, in the United States, the restoration period cannot be longer than five years, the total patent term including the restoration period must not exceed 14 years following FDA approval, only one patent applicable to each regulatory review period may be extended

and only those claims covering the approved drug, a method for using it or a method of manufacturing it may be extended. In the future, if and when our product candidates, including abicipar, MP0250, MP0274, MP0310, MP0317, ensovibep, MP0423 and MP0533, receive approval by the FDA, EMA or any other relevant jurisdiction's regulatory authorities, we expect, where possible, to apply for patent term extensions on issued patents covering those products, depending upon the length of the clinical trials for each product candidate and other factors. The expiration dates referred to above are without regard to potential patent term extensions that may be available to us and without regard to potential patent term adjustments or terminal disclaimers that may become applicable.

Notwithstanding our efforts, we cannot be sure that patents will be granted with respect to any patent applications we have licensed or filed or may license or file in the future, and we cannot be sure that any patents we have licensed or that have been granted to us, or any patents that may be licensed or granted to us in the future, will not be challenged, invalidated, rendered unenforceable or circumvented or that such patents will be commercially useful in protecting our technologies or product candidates.

We may rely, in some circumstances, on trade secrets and know-how to protect our technology. However, trade secrets and know-how can be difficult to protect. We seek to protect our proprietary technology and processes, in part, through confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors and commercial partners. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

We own registrations for certain trademarks, including "Molecular Partners", in Switzerland, the European Union, the United States and Japan. Further, we intend to build up a trademark portfolio for our technologies and product candidates as potential branding and commercialization approaches.

For more information regarding the risks related to our intellectual property, please see "Risk Factors—Risks Related to Intellectual Property."

## **License and Collaboration Agreements**

### **License and Collaboration Agreement with Novartis in the Area of DARPIN Conjugated Radioligand Therapies**

On December 14, 2021, we entered into a license and collaboration agreement with Novartis to develop DARPIn-conjugated radioligand therapeutic candidates for oncology, or the Novartis Radioligand Agreement. Under the agreement, both parties will collaborate on the discovery and optimization of the therapeutic candidates. We are primarily responsible for the generation of DARPins for tumor-specific delivery of radioligands. We are able to invoice Novartis for our employee-related expenses associated with the research activities. Novartis is responsible for all clinical development and commercialization activities. In January 2022, Novartis paid us an upfront fee of \$20 million (CHF 18.6 million). Additionally, we are eligible to receive milestone payments of up to \$560 million, relating to development, regulatory and commercialization activities. We are also entitled to receive tiered royalties based on commercial sale levels from mid-single digit to low double-digit percentages of royalties on net sales of licensed products for a specified period beginning with the first commercial sale of a licensed product in a given country of sale and expiring on the latest of (a) the expiration of the last valid claim covering such product, (b) ten years after such sale and (c) expiration of the regulatory exclusivity.

### **Option and Equity Rights Agreement with Novartis for Ensovibep**

In October 2020, we entered into an agreement with Novartis, granting Novartis the exclusive option to in-license global rights in relation to MP0420 (ensovibep), or the Option and Equity Rights Agreement. Under the terms of the agreement, we in 2020 received an upfront, non-refundable fee of CHF 20 million



for the technology transfer and manufacturing of MP0420. We are eligible to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply for MP0420, which is required to be manufactured by Sandoz, a division of the Novartis Group.

As of December 31, 2021, the entire CHF 20 million had been utilized for the manufacturing of commercial supply for MP0420.

### **Ensovibep License Agreement**

In January 2022, following positive Phase 2 clinical trial results, Novartis exercised its option for ensovibep, triggering a milestone payment of CHF 150 million due to us, which was received in 2022. Relatedly, we were eligible to invoice Novartis CHF 13.1 million for other items related to ensovibep.

Following the exercise of such option, we entered into a license agreement, or the Ensovibep License Agreement, with Novartis under which we granted Novartis a sublicensable worldwide license to research, develop, manufacture, commercialize and otherwise use ensovibep and products comprising the compound in all indications.

We are eligible to receive a 22% royalty on future commercial sales. We agreed to forgo royalties in lower income countries, and are aligned with Novartis' plans to ensure affordability based on countries' needs and capabilities. Novartis is responsible for all further development and commercialization activities of ensovibep.

In January 2023 Novartis informed us that it has submitted a request to withdraw the Emergency Use Authorization (EUA) application from the FDA for ensovibep. Ensovibep is not presently in clinical development. The EUA application for ensovibep was withdrawn effective January 25, 2023

### **Reservation agreement with the Swiss Federal Office of Public Health / Bundesamt für Gesundheit**

On August 11, 2020, we announced the reservation by the Federal Office of Public Health, or FOPH, of a defined number of initial doses of our anti-COVID-19 candidate, MP0420. Under the terms of the agreement, we received a reservation fee of CHF 7.0 million.

In December 2021, we and the FOPH entered into an amendment to extend the term of the reservation agreement by six months. The amendment also allowed the agreement to be assigned to Novartis upon its exercise of the option under the Option and Equity Rights Agreement.

### **License and Collaboration Agreement with Amgen**

In December 2018, we entered into a license and collaboration agreement with Amgen for the clinical development and commercialization of MP0310 / AMG 506, or the Amgen Collaboration Agreement.

Under the agreement we received a non-refundable upfront payment of \$50 million and we granted to Amgen an exclusive worldwide, royalty-bearing, sublicensable license under our patents and know-how relating to MP0310 / AMG206 to develop and commercialize MP0310 / AMG506. We were primarily responsible for performing certain clinical development, manufacturing and regulatory activities in the first clinical phase.

On April 26, 2022 we announced that Amgen had informed us of its decision to return the global rights of MP0310 following a strategic pipeline review.

### **Government Regulation and Product Approval**

As a biopharmaceutical company that operates in the United States, we are subject to extensive regulation. Government authorities in the United States (at the federal, state and local level) and in other

countries extensively regulate, among other things, the research, development, testing, manufacturing, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of biopharmaceutical products such as those we are developing. Our product candidates must be approved by the FDA before they may be legally marketed in the United States and by the appropriate foreign regulatory agency before they may be legally marketed in foreign countries. Generally, our activities in other countries will be subject to regulation that is similar in nature and scope as that imposed in the United States, although there can be important differences. Additionally, some significant aspects of regulation in Europe are addressed in a centralized way, but country-specific regulation remains essential in many respects. The process for obtaining regulatory marketing approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources.

### ***U.S. Product Development Process***

In the United States, the FDA regulates pharmaceutical and biological products under the Federal Food, Drug and Cosmetic Act, or the FDCA, the Public Health Service Act, or the PHSA, and their implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include, among other actions, refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us. The process required by the FDA before a biological product may be marketed in the United States generally involves the following:

- completion of nonclinical laboratory tests and animal studies according to good laboratory practices, or GLPs, and applicable requirements for the humane use of laboratory animals or other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by an independent Institutional Review Board, or IRB, or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practices, or GCPs, and any additional requirements for the protection of human research patients and their health information, to establish the safety and efficacy of the proposed biological product for its intended use;
- submission to the FDA of a Biologics Licensing Application, or BLA, for marketing approval that includes substantial evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA Advisory Committee review, if applicable;

- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with cGMP, to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity;
- potential FDA audit of the nonclinical study and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval or licensure of the BLA.

Before testing any biological product candidate, including our product candidates, in humans, the product candidate enters the preclinical testing stage. Preclinical tests, also referred to as nonclinical studies, include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the product candidate. The conduct of the preclinical tests must comply with federal regulations and requirements including GLPs. The clinical trial sponsor must submit the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a biological product candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, trials may not recommence without FDA authorization and then only under terms authorized by the FDA. Accordingly, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such trials.

Clinical trials involve the administration of the biological product candidate to patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical trial will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations comprising the GCP requirements, including the requirement that all research patients provide informed consent. Further, each clinical trial must be reviewed and approved by an independent IRB at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- *Phase 1.* The biological product is initially introduced into healthy human subjects and tested for safety. In the case of some products for severe or life-threatening diseases, especially when the

product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.

- *Phase 2.* The biological product is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.
- *Phase 3.* Clinical trials are undertaken to further evaluate dosage, clinical efficacy, potency, and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk to benefit ratio of the product and provide an adequate basis for product labeling.

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up. During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA and the investigators for serious and unexpected adverse events, any findings from other studies, tests in laboratory animals or *in vitro* testing that suggest a significant risk for human patients, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA or the sponsor or its data safety monitoring board may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk, including risks inferred from other unrelated immunotherapy trials. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the biological product has been associated with unexpected serious harm to patients.

Concurrently with clinical trials, companies usually complete additional studies and must also develop additional information about the physical characteristics of the biological product as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHSA emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product candidate does not undergo unacceptable deterioration over its shelf life.

### ***U.S. Review and Approval Processes***

After the completion of clinical trials of a biological product, FDA approval of a BLA must be obtained before commercial marketing of the biological product. The BLA submission must include results of product development, laboratory and animal studies, human trials, information on the manufacture and composition of the product, proposed labeling and other relevant information. The testing and approval processes require substantial time and effort and there can be no assurance that the FDA will accept the BLA for filing and, even if filed, that any approval will be granted on a timely basis, if at all.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a significant user fee. The FDA adjusts the PDUFA user fees on an annual basis. PDUFA also imposes an annual program fee for biological products. Fee waivers or reductions are available in certain

circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

Within 60 days following submission of the application, the FDA reviews a BLA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA. The FDA reviews the BLA to determine, among other things, whether the proposed product is safe, potent, and/or effective for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, safety, strength, quality, potency and purity. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. During the biological product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to assure the safe use of the biological product. A REMS is a safety strategy to manage a known or potential serious risk associated with a medicine and to enable patients to have continued access to such medicines by managing their safe use, and could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS. The FDA will not approve a BLA without a REMS, if required.

Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND trial requirements and GCP requirements. To assure cGMP and GCP compliance, an applicant must incur significant expenditure of time, money and effort in the areas of training, record keeping, production, and quality control.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. If the agency decides not to approve the BLA in its present form, the FDA will issue a complete response letter that describes all of the specific deficiencies in the BLA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included

in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a risk management plan, or otherwise limit the scope of any approval. In addition, the FDA may require post marketing clinical trials, sometimes referred to as Phase 4 clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

In addition, under the Pediatric Research Equity Act, or PREA, a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any product for an indication for which orphan designation has been granted. However, if only one indication for a product has orphan designation, a pediatric assessment may still be required for any applications to market that same product for the non-orphan indication or indications.

### ***Post-Approval Requirements***

Any products for which we receive FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, and complying with FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting products for uses or in patient populations that are not described in the product's approved uses (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although a physician may prescribe a legally available product for an off-label use, if the physician deems such product to be appropriate in his/her professional medical judgment, a manufacturer may not market or promote off-label uses. Violations, including actual or alleged promotion of products for unapproved or off-label uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the FDA or comparable foreign bodies. Any actual or alleged failure to comply with labeling and promotion requirements may result in fines, warning letters, mandates to corrective information to healthcare practitioners, injunctions, or civil or criminal penalties.

In addition, quality control and manufacturing procedures must continue to conform to applicable manufacturing requirements after approval to ensure the long-term stability of the product. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Manufacturers and other entities involved in the manufacture and distribution of approved products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. In addition, changes to the manufacturing process are strictly regulated, and depending on the significance of the change, may require prior FDA approval before being implemented. Other types of changes to the approved product, such as adding new indications and claims, are also subject to further FDA review and approval. Discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved BLA, including, among other things, recall or withdrawal of the product from the market. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product;

- fines, warning letters, untitled letters, or clinical holds;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product approvals;
- adverse publicity, FDA mandated corrective advertising or communications with doctors;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA also may require post-marketing testing, known as Phase 4 testing, and surveillance to monitor the effects of an approved product. Newly discovered or developed safety or effectiveness data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our products under development.

### ***U.S. Marketing Exclusivity***

The Biologics Price Competition and Innovation Act, or BPCIA, amended the PHSA to authorize the FDA to approve similar versions of innovative biologics, commonly known as biosimilars. A competitor seeking approval of a biosimilar must file an application to establish its molecule as highly similar to an approved innovator biologic, among other requirements. The BPCIA, however, bars the FDA from approving biosimilar applications referencing that biologic for 12 years after an innovator biological product receives initial marketing approval. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing that applicant's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of its product. Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

### ***U.S. Healthcare Laws***

A biopharmaceutical company's operations may be directly, or indirectly through relationships with healthcare providers, healthcare institutions, patients, customers and third-party payors, subject to various federal and state healthcare laws and regulations. These laws impact, among other things, sales, marketing and education programs and may constrain business and financial arrangements and relationships with third-party payors, healthcare professionals and healthcare institutions who participate in a biopharmaceutical company's clinical research programs, healthcare professionals and others who recommend, purchase, or provide a biopharmaceutical company's approved drug products, and other parties through which it markets, sells and distributes its approved drug products. In addition, a biopharmaceutical company may be subject to patient data privacy and security regulation by both the federal government and the states in which it conducts its business. The laws that may affect a biopharmaceutical company's ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, individuals or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, lease, order or recommendation of, any

good, facility, item or service, for which payment may be made, in whole or in part, under federal and state healthcare programs such as Medicare and Medicaid;

- the federal civil and criminal false claims laws, including, without limitation, the civil False Claims Act (which can be enforced through "qui tam," or whistleblower actions, by private citizens on behalf of the federal government), and the federal civil monetary penalties law, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, to the federal government, claims for payment or approval that are false or fraudulent or for knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, and as amended again by the Final HIPAA Omnibus Rule, published in January 2013, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization on certain health plans, healthcare clearinghouses and healthcare providers, known as covered entities, as well as their business associates that perform certain services involving the use, disclosure or transmission of individually identifiable health information for or on behalf of a covered entity, and their covered subcontractors;
- the Federal Food, Drug, and Cosmetic Act which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the federal physician payment transparency legislation commonly referred to as the Physician Payments Sunshine Act, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies (with certain exceptions) that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the Centers for Medicare & Medicaid, or CMS, information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain other health care professionals (such as physicians assistants and nurse practitioners), and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- analogous state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws that require the registration of pharmaceutical sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.



It is possible that governmental authorities will conclude that a biopharmaceutical company's business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If a biopharmaceutical company's operations are found to be in violation of any of these laws or any other governmental regulations that may apply to it, it may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm and the curtailment or restructuring of operations.

The risk of being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. For example, the definition of "remuneration" under the federal Anti-Kickback Statute has been interpreted to include anything of value. Further, courts have found that if "one purpose" of remuneration is to induce referrals, the federal Anti-Kickback Statute is violated.

Additionally, recent healthcare reform legislation has strengthened federal and state healthcare fraud and abuse laws. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, amends the intent requirement of the federal Anti-Kickback Statute and criminal healthcare fraud statutes to clarify that liability under these statutes does not require a person or entity to have actual knowledge of the statutes or a specific intent to violate them in order to have committed a violation. Moreover, the ACA provides that the government may assert that a claim that includes items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act. Because of the breadth of these laws and the narrowness of the statutory exceptions and regulatory safe harbors available, it is possible that some of a biopharmaceutical company's business activities could be subject to challenge under one or more of such laws.

### ***U.S. Healthcare Reform***

In the United States, there have been a number of legislative and regulatory changes at the federal and state levels which seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the ACA became law. The ACA is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the ACA of importance to biopharmaceutical companies are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain specified branded prescription drugs and biologic products, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price," or AMP, for calculating and reporting Medicaid drug rebates on outpatient

prescription drug prices and extending rebate liability to prescriptions for individuals enrolled in Medicare Advantage plans;

- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for products that are inhaled, infused, instilled, implanted or injected;
- expanding the types of entities eligible for the 340B drug discount program;
- establishing the Medicare Part D coverage gap discount program, which requires manufacturers to now provide a 70% point-of-sale-discount off the negotiated price of applicable products to eligible beneficiaries during their coverage gap period as a condition for the manufacturers' outpatient products to be covered under Medicare Part D;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research; and
- establishment of the Center for Medicare and Medicaid Innovation within CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription product spending.

There have been executive, judicial and Congressional challenges to certain aspects of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been signed into law. The Tax Cuts and Jobs Act of 2017, or the Tax Act, included a provision, which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated “Cadillac” tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. On June 17, 2021, the U.S. Supreme Court dismissed a challenge on procedural grounds that argue the Affordable Care Act is unconstitutional in its entirety because the “individual mandate” was repealed by Congress. Further, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or IRA, into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. The IRA also eliminates the “donut hole” under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost and creating a new manufacturer discount program. It is possible that the ACA will be subject to judicial or Congressional challenges in the future. It is unclear how any such challenges and the healthcare reform measures of the Biden administration will impact the ACA.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, on August 2, 2011, the Budget Control Act of 2011, among other things, includes aggregate reductions of Medicare payments to providers of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute will remain in effect through 2031 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Additionally, on March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug’s average manufacturer price, for single source and innovator multiple source drugs, beginning on January 1, 2024.

Further, there has also been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products. Specifically, there have been several recent Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for drugs. At the federal level in July 2021, the Biden administration released an executive order, “Promoting Competition in the American Economy,” with multiple provisions aimed at prescription drugs. In response to Biden’s executive order, on September 9, 2021, the U.S. Department of Health and Human Services, or HHS, released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and sets out a variety of potential legislative policies that Congress could pursue as well as potential administrative actions HHS can take to advance these principles. In addition, the IRA, among other things (i) directs HHS to negotiate the price of certain high-expenditure, single-source drugs and biologics covered under Medicare and (ii) imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation. These provisions will take effect progressively starting in fiscal year 2023, although they may be subject to legal challenges. Further, the Biden administration released an additional executive order on October 14, 2022, directing HHS to report on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries.

At the state level, legislatures are increasingly passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs.

### ***Clinical Trials in the European Union***

Clinical trials of medicinal products in the European Union must be conducted in accordance with European Union and national regulations and the international council for harmonization, or ICH, guidelines on GCP. Additional GCP guidelines from the EC, focusing in particular on traceability, apply to clinical trials of advanced therapy medicinal products. The sponsor must take out a clinical trial insurance policy, and in most European Union countries, the sponsor is liable to provide “no fault” compensation to any study subject injured in the clinical trial.

Prior to commencing a clinical trial, the sponsor must obtain a clinical trial authorization from the competent authority, and a positive opinion from an independent ethics committee. The application for a clinical trial authorization must include, among other things, a copy of the trial protocol and an investigational medicinal product dossier containing information about the manufacture and quality of the medicinal product under investigation. Previously, in the European Union, pursuant to the EU Clinical Trials Directive 2001/20/EC, a CTA had to be submitted to each country’s national regulatory authority in which the clinical trial was to take place, together with an independent ethics committee, much like the FDA and IRB, respectively. Although the Directive had sought to harmonize the EU clinical trials regulatory framework, EU Member States transposed and applied the provisions of the Directive differently, leading to significant variation in the regulatory regimes of the member states. In 2014, a new Clinical Trials Regulation 536/2014, replacing the current Directive, was adopted. The new Regulation is directly applicable in all EU Member States (without national implementation) and entered into application on 31 January 2022. The new Regulation seeks to simplify and streamline the approval of clinical trials in the European Union. Pursuant to the Regulation, the sponsor shall submit a single CTA via the EMA’s Clinical Trials Information System, or CTIS, which will cover all regulatory and ethics assessments from the member states concerned.

Any submissions made from January 31, 2023 onwards must be made through CTIS and all trials authorized pursuant to the Directive that are still ongoing on January 31, 2025 must be made through CTIS. Once the CTA is approved in accordance with a member state's requirements, clinical trial development may proceed. Approval and monitoring of clinical trials in the European Union is, as it was under the Directive, the responsibility of individual member states, but compared to the position prior to the applicability of the Clinical Trials Regulation there is likely to be more collaboration, information-sharing, and decision-making between member states. The new Regulation also aims to streamline and simplify the rules on safety reporting and introduces enhanced transparency requirements, such as mandatory submission of a summary of the clinical trial results to a new E.U. Database. The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki. Medicines used in clinical trials must be manufactured in accordance with cGMP.

During the development of a medicinal product the EMA and national medicines regulators within the European Union provide the opportunity for dialogue and guidance on the development program. At the EMA level, this is usually done in the form of scientific advice, which is given by the Scientific Advice Working Party of the Committee for Medicinal Products for Human Use. A fee is incurred with each scientific advice procedure. Advice from the EMA is typically provided based on questions concerning, for example, quality (chemistry, manufacturing and controls testing), nonclinical testing and clinical studies, and pharmacovigilance plans and risk-management programs.

### ***Marketing Authorizations in the European Union***

In order to market a new medicinal product in the European Union, a company must submit a marketing authorization application, or MAA, to either the EMA using the centralized procedure, or competent authorities in European Union Member States using the other procedures (decentralized procedure, national procedure, or mutual recognition procedure). A marketing authorization, or MA may only be granted to an applicant established in the European Union, or Norway, Iceland, and Liechtenstein, who are members of the European Economic Area, or European Economic Area. Medicinal products can only be commercialized after obtaining an MA pursuant to one of the three processes outlined below:

- the Centralized MA, which is issued by the European Commission through the Centralized Procedure, based on the scientific opinion of the Committee for Medicinal Products for Human Use of the EMA, and which is valid throughout the entire territory of the European Union/European Economic Area. The Centralized Procedure is mandatory for certain types of products, such as (i) biotechnology medicinal products such as genetic engineering, (ii) orphan medicinal products, (iii) medicinal products containing a new active substance indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune and viral diseases and (iv) advanced-therapy medicines, such as gene therapy, somatic cell therapy or tissue-engineered medicines. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the European Union/European Economic Area, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the European Union.
- Decentralized Procedure MAs are available for products not falling within the mandatory scope of the Centralized Procedure. An identical dossier is submitted to the competent authorities of each of the Member States in which the MA is sought, one of which is selected by the applicant as the Reference Member State, or RMS, to lead the evaluation of the regulatory submission. The competent authority of the RMS prepares a draft assessment report, a draft summary of the product characteristics, or SmPC, and a draft of the labeling and package leaflet as distilled from the preliminary evaluation,

which are sent to the other Member States (referred to as the Concerned Member States) for their approval. If the Concerned Member States raise no objections, based on a potential serious risk to public health, to the assessment, SmPC, labeling, or packaging proposed by the RMS, the RMS records the agreement, closes the procedure and informs the applicant accordingly. Each Member State concerned by the procedure is required to adopt a national decision to grant a national MA in conformity with the approved assessment report, SmPC and the labeling and package leaflet as approved. Where a product has already been authorized for marketing in a Member State of the European Economic Area, the granted national MA can be used for mutual recognition in other Member States through the Mutual Recognition Procedure, or MRP, resulting in progressive national approval of the product in the European Union/European Economic Area.

- National MAs, which are issued by a single competent authority of the Member States of the European Economic Area and only covers their respective territory, are also available for products not falling within the mandatory scope of the Centralized Procedure. Once a product has been authorized for marketing in a Member State of the European Economic Area through the National Procedure, this National MA can also be recognized in other Member States through the Mutual Recognition Procedure.

Under the procedures described above, before granting the MA, the EMA or the competent authority(ies) of the member state(s) of the European Economic Area prepare an assessment of the risk-benefit balance of the product against the scientific criteria concerning its quality, safety and efficacy.

### ***Data Exclusivity in the European Union***

Under Regulation (EC) No 726/2004/EC and Directive 2001/83/EC (each as amended), the European Union has adopted a harmonized approach to data and market protection or exclusivity (known as the 8 + 2 + 1 formula). The data exclusivity period begins to run on the date when the first MA is granted in the European Union. It confers on the MA holder of the reference medicinal product eight years of data exclusivity and ten years of market exclusivity. A reference medicinal product is defined to mean a medicinal product authorized based on a full dossier consisting of pharmaceutical and preclinical testing results and clinical trial data, such as a medicinal product containing a new active substance. The ten-year market protection can be extended cumulatively to a maximum period of eleven years if during the first eight years of those ten years of protection period, the MA holder obtains an authorization for one or more new therapeutic indications that are deemed to bring a significant clinical benefit compared to existing therapies.

The exclusivity period means that an applicant for a generic medicinal product is not permitted to rely on preclinical pharmacological, toxicological, and clinical data contained in the file of the reference medicinal product of the originator until the first eight years of data exclusivity have expired. Thereafter, a generic product application may be submitted and generic companies may rely on the preclinical and clinical data relating to the reference medicinal product to support approval of the generic product. However, a generic product cannot market until ten years have elapsed from the initial authorization of the reference medicinal product or eleven years if the protection period is extended, based on the formula of 8+2+1.

In addition to the above, where an application is made for a new indication for a well-established substance, a non-cumulative period of one year of data exclusivity may be granted, provided that significant preclinical or clinical studies were carried out in relation to the new indication. Finally, where a change of classification of a medicinal product has been authorized on the basis of significant preclinical tests or clinical trials, the competent authority shall not refer to the results of those tests or

trials when examining an application by another applicant for or holder of marketing authorization for a change of classification of the same substance for one year after the initial change was authorized.

The 8 + 2 + 1 exclusivity scheme applies to products that have been authorized in the European Union by the European Commission through the Centralized Procedure or the competent authorities of the Member States of the European Economic Area nationally, including through the Decentralized and Mutual Recognition procedures.

For a medicinal product which has received orphan designation under Regulation 141/2000, it will, benefit from a period of ten years of orphan market exclusivity which essentially constitutes a period of market monopoly. During this period of orphan market exclusivity, no European Union regulatory authority is permitted to accept or approve an application for marketing authorization for a similar medicinal product or an extension application for the same therapeutic indication. This period can be extended cumulatively to a total of twelve years if the marketing authorization holder or applicant complies with the requirements for an agreed pediatric investigation plan pursuant to Regulation 1901/2006.

#### ***Post Authorization Obligations in the European Union***

The holder of a Centralized MA or National MA is subject to various obligations under the applicable European Union laws, such as pharmacovigilance obligations, requiring it to, among other things, report and maintain detailed records of adverse reactions, and to submit periodic safety update reports, or PSURs, to the competent authorities. All new marketing authorization applications must include a risk management plan, or RMP, describing the risk management system that the company will put in place and documenting measures to prevent or minimize the risks associated with the product. The regulatory authorities may also impose specific obligations as a condition of the marketing authorization. Such risk-minimization measures or post-authorization obligations may include additional safety monitoring, more frequent submission of PSURs, or the conduct of additional clinical trials or post-authorization safety studies. RMPs and PSURs are routinely available to third parties requesting access, subject to limited redactions. All advertising and promotional activities for the product must be consistent with the approved summary of product characteristics, and therefore all off-label promotion is prohibited. Direct-to-consumer advertising of prescription medicines is also prohibited in the European Union. The holder must also ensure that the manufacturing and batch release of its product is in compliance with the applicable requirements. The MA holder is further obligated to ensure that the advertising and promotion of its products complies with applicable European Union laws and industry code of practice as implemented in the domestic laws of the Member States of the European Union/European Economic Area. The advertising and promotional rules are enforced nationally by the European Union/European Economic Area Member States.

#### ***Pediatric Development in the European Union***

In the European Union, companies developing a new medicinal product must agree to a Pediatric Investigation Plan, or PIP, with the EMA and must conduct pediatric clinical trials in accordance with that PIP, unless a deferral or waiver applies, (e.g., because the relevant disease or condition occurs only in adults). The marketing authorization application for the product must include the results of pediatric clinical trials conducted in accordance with the PIP, unless a waiver applies, or a deferral has been granted, in which case the pediatric clinical trials must be completed at a later date. Products that are granted a marketing authorization on the basis of the pediatric clinical trials conducted in accordance with the PIP are eligible for a six month extension of the protection under a supplementary protection certificate (if any is in effect at the time of approval) or, in the case of orphan medicinal products, a two

year extension of the orphan market exclusivity. This pediatric reward is subject to specific conditions and is not automatically available when data in compliance with the PIP are developed and submitted.

### ***Pricing and Reimbursement in the European Union***

Governments influence the price of medicinal products in the European Union through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other European Union Member States allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on healthcare costs in general, particularly prescription medicines, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products.

### ***Brexit and the Regulatory Framework in the United Kingdom***

Following the result of a referendum in 2016, the United Kingdom officially withdrew from the European Union on January 31, 2020, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the United Kingdom and the European Union, the United Kingdom was subject to a transition period until December 31, 2020, during which European Union rules continued to apply. A trade and cooperation agreement, or the Trade and Cooperation Agreement, which outlines the future trading relationship between the United Kingdom and the European Union was agreed in December 2020 and formally entered into force on May 1, 2021.

Great Britain is no longer covered by the European Union's procedures for the grant of marketing authorizations (Northern Ireland is covered by the centralized authorization procedure and can be covered under the decentralized or mutual recognition procedures). Various national procedures are now available to place a drug on the market in the United Kingdom, Great Britain, or Northern Ireland, with the main national procedure having a maximum timeframe of 150 days (excluding time taken to provide any further information or data required). The data exclusivity periods in the United Kingdom are currently in line with those in the European Union, but the Trade and Cooperation Agreement provides that the periods for both data and market exclusivity are to be determined by domestic law, and so there could be divergence in the future.

Orphan designation in Great Britain following Brexit is, unlike in the European Union, not available pre-marketing authorization. Applications for orphan designation are made at the same time as an application for a marketing authorization. The criteria to be granted an orphan drug designation are essentially identical to those in the European Union, but based on the prevalence of the condition in Great Britain. It is therefore possible that conditions that were or would have been designated as orphan conditions in Great Britain prior to the end of the Transition Period are or would no longer be and that conditions that were not or would not have been designated as orphan conditions in the European Union will be designated as such in Great Britain.

The European Union's regulatory environment for clinical trials has been harmonized as part of the Clinical Trials Regulation, which entered into application on January 31, 2022. The MHRA has opened a consultation on proposed revisions to United Kingdom clinical trials legislation, but it is currently unclear as to what extent the United Kingdom will seek to align its regulations with the European Union.

## Coverage and Reimbursement

The availability of coverage and adequate reimbursement by third-party payors, including governmental healthcare programs such as Medicare and Medicaid, private health insurers and managed care organizations, is essential for most patients to be able to afford drug products. Achieving acceptable levels of coverage and reimbursement for drug products by third-party payors affects a biopharmaceutical company's ability to successfully commercialize, and attract collaboration partners to invest in, the development its drug products. Even if coverage is obtained from a third-party payor for a given drug product, the resulting reimbursement rates may not be adequate or may require co-payments that patients find unacceptably high. There is no guarantee that coverage and reimbursement will be provided for a given drug product, and any reimbursement that may become available can be decreased or eliminated in the future.

Third-party payors are increasingly challenging prices charged for drug products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drug products when an equivalent generic drug product or a less expensive therapy is available. It is possible that a third-party payor may consider a drug product and other therapies as substitutable and only offer to reimburse patients for the less expensive drug product or therapy. Even if a drug product shows improved efficacy or improved convenience of administration, pricing of existing drug products may limit the amount that can be charged for a new drug product. Third-party payors may deny or revoke the reimbursement status of a given drug product or establish prices for new or existing marketed drug products at levels that are too low to enable a biopharmaceutical company to realize an appropriate return on its investment in drug product development.

There is significant uncertainty related to third-party payor coverage and reimbursement of newly approved drug products. In the United States, third-party payors play an important role in determining the extent to which new drugs products will be covered. The Medicare and Medicaid programs increasingly are used as models for how private payors and other governmental payors develop their coverage and reimbursement policies for drug products. Some third-party payors may require pre-approval of coverage for new or innovative devices or drug products before they will reimburse health care providers who use such therapies.

Obtaining and maintaining reimbursement status is time-consuming and costly. No uniform policy for coverage and reimbursement for drug products exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that requires the provision of scientific and clinical support for the use of a drug product to each payor separately. Furthermore, rules and regulations regarding reimbursement change frequently and, in some cases, upon short notice.

In addition, companion diagnostic tests require coverage and reimbursement separate and apart from the coverage and reimbursement for their companion pharmaceutical or biological products. Similar challenges to obtaining coverage and reimbursement, applicable to pharmaceutical or biological products, will apply to companion diagnostics. Additionally, if any companion diagnostic provider is unable to obtain reimbursement or is inadequately reimbursed, that may limit the availability of such companion diagnostic, which would negatively impact prescriptions for our product candidates, if approved.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations. Increasing emphasis on cost-containment initiatives in Europe, Canada and other countries puts pressure on the pricing and usage of drug products. In many countries, the prices of drug products are subject to varying price control mechanisms as part of national health



systems. Other countries allow companies to fix their own prices for drug products, but monitor and control company profits.

The delivery of healthcare in the European Union, including the establishment and operation of health services and the pricing and reimbursement of drug products, is almost exclusively a matter for national, rather than European Union, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of drug products in that context. In general, however, the healthcare budgetary constraints in most European Union member states have resulted in restrictions on the pricing and reimbursement of drug products by relevant health service providers.

Increasing efforts by governmental and third-party payors in the European Union, the United States and abroad to cap or reduce healthcare costs can cause such organizations to limit coverage and reimbursement for drug products. Additionally, a trend toward managed healthcare, and the influence of health maintenance organizations, have increased pricing pressure on the sale of drug products. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense.

## **Competition**

We compete in a highly innovative industry characterized by a rapidly growing understanding of disease biology, evolving technologies and strong intellectual property barriers to entry. While we believe that our DARPin platform and product candidates, strategic collaborations and scientific expertise may provide us with competitive advantages, our business may be impacted competitively from many different sources. We compete with a wide range of pharmaceutical companies, biotechnology companies, academic institutions and other research organizations for novel therapeutic antibody targets, new technologies for optimizing antibodies, talent, financial resources, intellectual property rights and collaboration opportunities. Many of our competitors and potential competitors have substantially greater scientific, research and product development capabilities, and greater financial, manufacturing, marketing and sales and human resources than we do. In addition, there is intense competition for establishing clinical trial sites and recruiting and registering patients for clinical trials. Many specialized biotechnology companies have formed collaborations with large, established companies to support the research, development and commercialization of products that may be competitive with ours. Accordingly, our competitors may be more successful than we may be in developing, commercializing and achieving widespread market acceptance.

Regarding ensovibep and MP0423, our COVID-19 antiviral product candidates, there are a number of preventative vaccines in development for COVID-19, with three receiving an Emergency Use Authorization to date. However, as, in our view, vaccine coverage and efficacy will be less than 100%, we believe there will remain a need for therapeutic intervention for COVID-19 patients. There are hundreds of clinical trials examining various methods of treating COVID-19. To date, only a small number of these trials have resulted in data positive enough for regulators to approve therapeutics on either an emergency use or permanent basis. Therapeutics receiving Emergency Use Authorization for the treatment of COVID-19 patients include Paxlovid from Pfizer, Inc., baricitinib (in combination with remdesivir), and bamlanivimab from Eli Lilly, and remdesivir from Gilead Sciences, Inc.

Competition in the oncology space is intense, with several common methods of treatment for patients with cancer, including surgery, radiation and drug therapy, and approved drugs that are well established therapies widely accepted by physicians, patients and third party payers. In addition, companies focused on immunotherapies, such as checkpoint inhibitors, seek to differentiate their oncology products either by identifying novel immune checkpoint targets or by combining established immune checkpoint inhibitors.

If approved, MP0317 would compete with agents that are currently in development including monoclonal antibodies, or mAbs, and other small molecule approaches.

We face competition from segments of the pharmaceutical, biotechnology and other related markets with respect to our CD3 and peptide-MHC, or pMHC, programs. Any product candidates that we successfully develop and commercialize from these platforms may compete with existing products and new products that may become available in the future. There is intense competition in the field from multiple different treatment modalities and new approaches are continually emerging from different competitors, including Adaptimmune Therapeutics plc, TCR<sup>2</sup> Therapeutics, Immatics N.V., Immunocore Holdings plc and Harpoon Therapeutics Inc.

Competition in the ophthalmology space is intense, with currently approved anti-vascular endothelial growth factors, or VEGFs, such as Lucentis, Beovu and Eylea, as well as Avastin, which is widely prescribed off-label, are well established therapies and are widely accepted by physicians, patients and third-party payers as the standard of care for the treatment of nAMD. There are several other companies with marketed products or products in development for the treatment of nAMD, including Novartis, Roche, Bayer, Kodiak Sciences, REGENXBIO and Adverum Biotechnologies.

If approved for the treatment of nAMD, abicipar is expected to compete with both approved anti-VEGF monotherapies, anti-platelet-derived growth factor, or PDGF therapies that are currently in development for combination therapy and multispecific drugs targeting both VEGF and PDGF. In addition, we may face competition from a number of product candidates currently in development.

If approved for treatment of DME, abicipar is expected to compete with currently approved therapies including steroids, laser therapy and anti-VEGF agents. Anti-VEGF drugs currently approved for DME include Lucentis, Eylea, Macugen, as well as Avastin, which is used off-label.

Our commercial opportunity could be reduced or eliminated if our competitors' products prove to be safer and more tolerable, more effective, more convenient to dose, less expensive, faster to approve, or more effectively marketed and reimbursed than any of our product candidates that may gain regulatory approval. In addition, the level of generic competition and the availability of reimbursement from government and other third-party payers will impact the commercial viability of our programs.

### **Manufacturing**

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of our DARPin product candidates. We utilize third-party contract manufacturers for the manufacture of drug substances and products for human use. Since we rely on third-party contract manufacturers to produce our proprietary product candidates, we have recruited personnel with experience to manage the third-party contract manufacturers that will produce our proprietary product candidates in clinical or commercial quantities.

We design and develop the manufacturing process for the mono-DARPin proteins and multi-DARPin product candidates that are included in our DARPin product candidates, whether or not they are partnered. For purposes of our and our partner's DARPin preclinical studies, we supply high quality gram scale DARPin material that we produce in our own facilities. We currently operate both a five- and ten-liter fermenter, which provides us with sufficient capacity to produce the quantities needed for DARPin preclinical studies.

### **Employees**

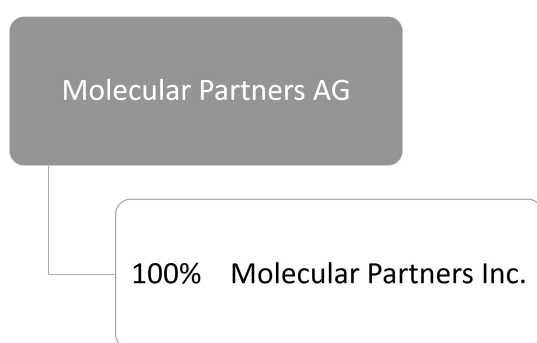
As of December 31, 2022, we had 175 full-time equivalent employees (December 31, 2021: 163 full-time equivalents). None of our employees are represented by collective bargaining agreements. We believe

that we maintain good relations with our employees. At each date shown, we had the following number of full-time equivalent employees, broken out by department. The majority of our employees are based in Zurich, Switzerland. Two of our employees are based in the United States of America.

Full-time equivalent employees	At December 31, 2022	At December 31, 2021
<b>Function</b>		
Research and development	142.7	134.4
Selling, general and administrative	32.6	28.8
<b>Total</b>	<b>175.3</b>	<b>163.2</b>

### C. Organizational Structure.

The following diagram illustrates our corporate structure:



### D. Property, Plants and Equipment.

We lease our principal executive office and laboratory space, animal facility and other facilities, consisting of an aggregate of 3,200 square meters, in Zurich-Schlieren, Switzerland. The leases for our principal executive office and laboratory space expire on December 31, 2026. We also have an office in Massachusetts for our U.S. subsidiary, Molecular Partners Inc. consisting of 19 square meters.

We believe our current facilities are sufficient to meet our short-term needs. If we need to add new facilities or expand existing facilities as we add employees, we believe that suitable additional space will be available to accommodate any such expansion of our operations.

### Item 4A. Unresolved Staff Comments.

Not applicable.

### Item 5. Operating and Financial Review and Prospects.

#### Overview

We are a clinical-stage biopharmaceutical company pioneering designed ankyrin repeat proteins or DARPin candidates to treat serious diseases, with a current focus on oncology and virology. Our DARPin

platform, which is built using designed DARPins, allows us to generate candidates with multiple mechanisms of action to address complex biological problems.

DARPins are a novel class of drugs with broad therapeutic applications that may overcome many of the limitations of conventional protein and antibody-based therapeutics. Our DARPin candidates have been extensively tested in preclinical studies and clinical trials, including in approximately 2,500 patients since our founding, and have been observed to be highly active and generally well-tolerated.

We were founded in 2004 by the inventors of our DARPin platform. Our senior management, which includes two of our company's co-founders, have significant prior experience in oncology, research, drug development and finance. Members of our team have served as senior executives at other well-established companies including argenx, Bavarian Nordic, Celgene, Roche, Novartis and Tesaro. Additionally, our board of directors includes current and former senior executives of AbbVie (Allergan), Biogen, Novartis, Novo Holdings Advisory Group, Roche and Takeda (Millennium Pharmaceuticals, Shire).

We have research collaboration agreements with Novartis as well as other third party collaborators.

Our operations to date have focused upon organizing and staffing our company, business planning, raising capital, developing our DARPin platform and conducting research and preclinical studies and clinical trials. We do not have any products approved for sale.

For the year ended December 31, 2022, we incurred a positive net result, attributable to shareholders of CHF 117.9 million whereas for the years ended December 31, 2021 and 2020, we incurred negative net results, attributable to shareholders of CHF 63.8 million and CHF 62.8 million, respectively. As of December 31, 2022, we had cumulative losses of CHF 127.8 million.

There is no assurance that such positive net results similar to the year ended December 31, 2022 will be achieved or maintained in future periods, as the Company plans to continue to invest into research and development activities as they are fundamental to executing its strategic objectives.

From inception through December 31, 2022, we have received a total of CHF 446.2 million in funding from our major partnership agreements. From inception through December 31, 2022, we have obtained a total of CHF 322.5 million in eight equity financing rounds, net of cost of capital increases. Since November 2014, we have been listed on the SIX Swiss Exchange, or SIX, under the symbol "MOLN." Since June 16, 2021, we have also been listed on the Nasdaq Global Select Market, under the symbol "MOLN." As of December 31, 2022, we had cash and cash equivalents plus short-term time deposits of CHF 249.1 million.

### **Macroeconomic Considerations**

Unfavorable conditions in the economy both in the United States and abroad may negatively affect the growth of our business and our results of operations. For example, macroeconomic events, including the COVID-19 pandemic, rising inflation, the U.S. Federal Reserve and other foreign financial regulatory agencies raising interest rates and the Russia-Ukraine war, have led to economic uncertainty globally. The effect of macroeconomic conditions may not be fully reflected in our results of operations until future periods. If, however, economic uncertainty increases or the global economy worsens, our business, financial condition and results of operations may be harmed. For further discussion of the potential impacts of macroeconomic events on our business, financial condition, and operating results, see the section titled "Risk Factors."

## **Licensing and Collaboration Agreements**

### **License and Collaboration Agreement with Novartis in the Area of DARPIN-Conjugated Radioligand Therapies ("Novartis Radioligand Agreement")**

On December 14, 2021, we entered into the Novartis Radioligand Agreement with Novartis to develop DARPIn-conjugated radioligand therapeutic candidates for oncology.

In January 2022, we received a non-refundable upfront payment of \$20 million (CHF 18.6 million) from Novartis. In addition, we are eligible to receive milestone payments of up to \$560 million relating to development, regulatory and commercialization activities. We are also entitled to receive tiered royalties based on commercial sale levels from mid-single digit to low double-digit percentages of net sales of licensed products for a specified period beginning with the first commercial sale of a licensed product in a given country of sale and expiring on the latest of (a) the expiration of the last valid claim covering such product, (b) ten years after such sale, and (c) expiration of regulatory exclusivity. See "Item 4.B-Business Overview of License and Collaboration Agreements."

### **Option and Equity Rights Agreement with Novartis for Ensovibep (the "Option and Equity Rights Agreement")**

In October 2020, we entered into an agreement with Novartis, granting Novartis the exclusive option to in-license global rights in relation to MP0420 (ensovibep). Under the terms of the Option and Equity Rights Agreement, in 2020 we received an upfront, non-refundable fee of CHF 20 million for the technology transfer and manufacturing of MP0420.

We are eligible to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply for MP0420, which is required to be manufactured by Sandoz, a division of the Novartis Group. All such amounts paid for manufacturing performed by the Novartis Group is considered to be a consideration payable to a customer. See "Item 4.B-Business Overview of License and Collaboration Agreements."

### **Ensovibep License Agreement**

In January 2022, following positive Phase 2 clinical trial results, Novartis exercised its option for ensovibep, triggering a milestone payment of CHF 150 million due to us, which was received in 2022. Relatedly, we were eligible to invoice Novartis CHF 13.1 million for other items related to ensovibep.

Following the exercise of such option, we entered into the Ensovibep License Agreement, with Novartis under which we granted Novartis a sublicensable worldwide license to research, develop, manufacture, commercialize and otherwise use ensovibep and products comprising the compound in all indications.

We are eligible to receive a 22% royalty on future commercial sales. We agreed to forgo royalties in lower income countries, and are aligned with Novartis' plans to ensure affordability based on countries' needs and capabilities. Novartis is responsible for all further development and commercialization activities of ensovibep. See "Item 4.B-Business Overview of License and Collaboration Agreements."

### **Reservation Agreement with the Swiss Federal Office of Public Health / Bundesamt für Gesundheit ("FOPH")**

On August 11, 2020, we announced the reservation by the FOPH of a defined number of initial doses of our anti-COVID-19 candidate, MP0420. Under the terms of the agreement, we received a reservation fee of CHF 7.0 million.

In December 2021, we and the FOPH entered into an amendment to extend the term of the reservation by six months. The amendment also allowed the agreement to be assigned to Novartis upon its exercise of the option under the Option and Equity Rights Agreement. Following the exercise of the option by Novartis in January 2022 and the subsequent assignment of the agreement to Novartis, we recognized the CHF 7.0 million contract liability as revenue in 2022.

### **License and Collaboration Agreement with Amgen (the "Amgen Collaboration Agreement")**

In December 2018, we entered into the Amgen Collaboration Agreement for the clinical development and commercialization of MP0310 / AMG 506.

Under the agreement, we granted to Amgen an exclusive worldwide, royalty-bearing, sublicensable license under our patents and know-how relating to MP0310 / AMG 506 to develop and commercialize MP0310 / AMG 506. In April 2022, Amgen informed us of its decision to return the global rights of MP0310 to us following a strategic pipeline review.

### **Royalties and License Fees**

Until October 2021, we held an exclusive perpetual license from the University of Zurich on patent applications and patents relating to the DARPIn base technology. We terminated the applicable license agreement with effect as of October 2021 as the main patents under this agreement expired in September 2021. For the years ended December 31, 2021 and 2020 the minimum amounts of CHF 50,000 were payable by us.

We currently now only hold a non-exclusive perpetual license from the University of Zurich on patent applications and patents relating to Phage Display technology. The amount we are required to pay is CHF 10,000 per annum.

In May 2020, we entered into a research collaboration agreement with the University of Utrecht regarding the development of our COVID-19 program. Under this agreement, we paid a fee of CHF 250,000 to the University of Utrecht in December 2020. An additional fee of CHF 250,000 was accrued as per December 31, 2021 and payable under this agreement. With Novartis exercising its option under the Option and Equity Rights Agreement, the University of Utrecht was owed a further CHF 1.0 million that was expensed and paid during 2022.

## **Components of Results of Operations**

### **Revenues**

As described above, we have entered into partnerships pursuant to which we generally have been and will be entitled to upfront fees and milestone payments upon the achievement of pre-determined development, regulatory and sales events. Our revenue to date has primarily consisted of amounts received under our collaboration agreements, including upfront fees, option exercise fees, milestone payments and sponsored research payments. In addition, under the collaboration agreements, we will generally be entitled to royalty payments on the net sales of products ultimately developed and commercialized under our partnerships. For any of our proprietary product candidates that we have not yet licensed, we may decide to retain all or a portion of the commercialization rights. To date, we have not generated any revenue from commercial product sales.

Our revenue may vary substantially from quarter to quarter and year to year, depending on the structure and timing of milestone events, as well as the development and marketing strategies of commercialization partners from whom we will be entitled to receive royalty and other payments. We believe that period-to-

period comparisons of our results of operations are therefore not meaningful and should not be relied on or to be indicative of our future performance.

### ***Operating expenses***

Our operating expenses consist primarily of costs associated with research, preclinical studies and clinical testing, personnel-related costs and, to a lesser extent, royalty and license fees, facility expenses, professional fees for legal, tax, audit and strategic purposes, administrative expenses and depreciation of property, plant and equipment.

We expect our operating expenses to increase as compared to prior periods in connection with our ongoing activities, particularly as we continue the development of our proprietary product candidates, expand our proprietary product pipeline and invest in our DARPin platform. Our operating expenses may vary substantially from period to period mainly driven by the timing of enrollment of patients in clinical trials and other research and development activities. Following our listing on the Nasdaq Global Select Market in June 2021, we have and expect to continue to incur additional costs associated with operating as a public company in the United States.

### ***Research and development expenses***

Research and development expenses consist primarily of compensation and other expenses related to:

- Research and development personnel;
- Preclinical studies and clinical trials of our product candidates, including the costs of manufacturing the product candidates;
- Research and services under our partnership agreements; and
- Attributable facility expenses, including depreciation and amortization of equipment and any intangible research and development assets.

From inception through December 31, 2022, we cumulatively have spent a cash amount of approximately CHF 431 million on research and development activities which we classify as research and development expense for financial reporting purposes.

At this time, we cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our product candidates. This is due to numerous risks and uncertainties associated with developing product candidates, including the uncertainty of:

- the scope, rate of progress, results and cost of our clinical trials, preclinical studies and other related activities;
- the cost of manufacturing clinical supplies and establishing commercial supplies of our product candidates and any products that we may develop;
- the number and characteristics of product candidates that we pursue;
- the cost, timing, and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities; and
- the terms and timing of any collaborative, licensing and other arrangements that we may establish, including any required milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of any of our current or future product candidates could mean a significant change in the costs and timing associated with the development of such product candidates.

At this time, due to the inherently unpredictable nature of preclinical and clinical development and given the early stage of many of our programs and/or product candidates, we generally do not track our internal research and development expenses on a program-by-program basis as they primarily relate to personnel, research and consumable costs, which are deployed across multiple projects under development. A portion of our research and development costs are external costs, which we do track on a program-by-program basis following the program's nomination to the development candidate stage. Included in table below are our external research and development expenses as well as external clinical and regulatory costs, presented by our most significant programs:

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2020</b>
	<b>in CHF thousands</b>	<b>in CHF thousands</b>	<b>in CHF thousands</b>
<b>External research and development expense</b>			
MP0250	144	856	6,210
MP0274	402	946	1,487
MP0310	2,085	2,353	2,364
MP0317	2,967	2,863	3,789
MP0533	6,647	2,211	—
MP0420 / MP0423	1,258	13,224	8,442
Other research and development expense	5,037	4,248	4,968
<b>Total</b>	<b>18,540</b>	<b>26,701</b>	<b>27,260</b>

We charge all research and development expenses, including internal patent filing and patent maintenance costs, to research and development expenses when incurred, as the criteria for capitalization are currently not met.

#### *Selling, general and administrative expenses*

Our selling, general and administrative costs principally consist of salaries and related benefits, including share-based compensation, for personnel in our executive, finance and other administrative functions. Other selling, general and administrative costs include facility-related costs and professional services fees for auditing, tax and general legal services, as well as expenses associated with the requirements of being a listed public company listed both in Switzerland on the SIX and in the United States on Nasdaq.

#### *Financial income and financial expenses*

Financial income consists primarily of interest earned on our cash and cash equivalents and short-term time deposits as well as realized and unrealized gains of foreign exchange. The financial expenses are driven by realized and unrealized foreign exchange losses and negative interest on certain cash balances.



## ***Income taxes and taxation***

### *Income taxes*

We have operating entities in two jurisdictions. In Switzerland, due to losses incurred to-date, we have not paid any income taxes since inception. For our U.S. based activities, we have paid the required tax amounts of both federal and state taxes, which are not material to our financial results.

### *Deferred taxes*

We are entitled under Swiss laws to carry forward any losses incurred for a period of seven years and can offset our losses carried forward against future taxes. As of December 31, 2022, in Switzerland, we had tax loss carry-forwards totaling CHF 88.2 million. No deferred tax assets have been recognized for these tax loss carry-forwards because as of December 31, 2022 it was not probable that such loss carry-forwards can be utilized in the foreseeable future. In addition, no deferred tax assets were recognized on other deductible temporary differences (e.g. pension liabilities) due to the significant tax losses carried forward.

Based upon the 2022 received payments from Novartis, we are reporting an operating profit as well as positive cash flows from operations for the year ended December 31, 2022. There is no assurance that such positive metrics will be achieved or maintained in future periods, as we plan to continue to invest into research and development activities as they are fundamental to executing Molecular Partners' strategic objectives.

## A. Operating Results

### Analysis of Results of Operations

#### Comparison of Operations for the Years Ended December 31, 2022, 2021 and 2020

The following table sets forth summaries of our statements of income for the years ended December 31, 2022, 2021 and 2020 (in thousands CHF):

	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020
	in CHF thousands	in CHF thousands	in CHF thousands
Revenues and other income			
Revenues from research and development collaborations	189,556	9,330	9,344
Other income	44	424	—
<b>Total revenues and other income</b>	<b>189,600</b>	<b>9,754</b>	<b>9,344</b>
Operating expenses			
Research and development expenses	(50,749)	(55,718)	(56,075)
Selling, general and administrative expenses	(22,238)	(17,454)	(11,595)
<b>Total operating expenses</b>	<b>(72,987)</b>	<b>(73,172)</b>	<b>(67,670)</b>
<b>Operating result</b>	<b>116,613</b>	<b>(63,418)</b>	<b>(58,326)</b>
Financial income	1,859	191	367
Financial expenses	(619)	(556)	(4,816)
<b>Result before income taxes</b>	<b>117,853</b>	<b>(63,783)</b>	<b>(62,775)</b>
Income taxes	—	(2)	11
<b>Net result, attributable to shareholders</b>	<b>117,853</b>	<b>(63,785)</b>	<b>(62,764)</b>

#### Revenues and other income

In the year ended December 31, 2022, we recognized total revenues and other income of CHF 189.6 million, an increase of CHF 179.8 million compared to the previous year. Revenues in 2022 were primarily driven by the funds received from Novartis following its exercise of the option under the Ensovibep License Agreement. In addition, we recorded revenue derived from the Novartis Radioligand Agreement. The revenue in 2021 and 2020 related largely to the Amgen Collaboration Agreement. In 2022 and 2021 we also recorded other income related to agency fees that were invoiced to Novartis.

#### Operating expenses (including depreciation and amortization)

In 2022 total operating expenses remained largely similar, decreasing by CHF 0.2 million to CHF 73.0 million (2021: CHF 73.2 million, 2020: CHF 67.7 million). These costs included CHF 6.2 million in non-cash effective share-based compensation and pension costs as well as CHF 2.4 million in depreciation. The two major expense categories were consistently personnel expenses of CHF 39.9 million (55% of total operating expenses) and research consumables and project costs totaling CHF 17.2 million (24% of total operating expenses).

### ***Research and development expenses***

Total research and development expenses in 2022 were CHF 50.7 million (2021: CHF 55.7 million, 2020: CHF 56.1 million). We charge all research and development expenses, including internal patent filing and patent maintenance costs, to the income statement when incurred. While the research and development expenses for the years ended December 31, 2021 and 2020 increased due to the development of MP0420, these expenses were reduced in the year ended December 31, 2022, following the exercise of the option under the Ensovibep License Agreement.

### ***Selling, general and administrative expenses***

Total SG&A expenses in 2022 increased by CHF 4.8 million (+28%) to CHF 22.3 million (2021: CHF 17.5 million, 2020: CHF 11.6 million), mainly reflecting the first full 12 month period of D&O insurance cost and professional services costs associated with our June 2021 listing on the NASDAQ as well as growth in personnel costs for the administrative functions.

### ***Financial income / financial expense***

In 2022, we recorded a net financial gain of CHF 1.2 million, mainly driven by interest income and exchange gains on the cash positions held in foreign currencies, whereas in 2021 there was a net financial loss of CHF 0.4 million mainly driven by interest expense (2020: net financial loss of CHF 4.4 million). Financial income / expense in all three years are primarily driven by foreign exchange results on the cash positions held in foreign currencies.

### ***Income taxes***

The Swiss legal entity of the Company did not have to pay nor accrue any income taxes in the reporting period as the 2022 taxable income in the period was fully offset by the utilization of accumulated tax losses. Including the net operating profit of 2022, the remaining tax losses of CHF 88.2 million may be used as tax loss carryforwards to offset future taxable income over a period of seven years. No deferred tax assets have been recognized for these tax loss carryforwards, because at December 31, 2022, it was unlikely that such loss carryforwards could be utilized in the foreseeable future.

Future taxable income in Switzerland will be subject to federal, cantonal and communal income taxes. The applicable income tax rate in Switzerland for the year ended December 31, 2022 was 19.4%.

## **B. Liquidity and Capital Resources**

From inception through December 31, 2022, we have raised an aggregate of CHF 322.5 million of net proceeds from the sale of our ordinary shares to founders and investors and collected cash under our partnership agreements in an aggregate of CHF 446.2 million. Our primary uses of cash is to fund our ongoing research and development activities and other operating expenses. We currently have no ongoing material financing commitments, such as lines of credit or guarantees.

As of December 31, 2022, we had CHF 249.1 million in cash and cash equivalents and short-term time deposits. In June 2021, we completed our initial public offering in the U.S. raising approximately \$55.9 million in net proceeds. In January 2022, we received from Novartis CHF 150 million related to its exercise of its option as well as the \$20 million (CHF 18.6 million) from the license and collaboration agreement with Novartis signed in December 2021. We are investing our cash in risk-free money market instruments in line with our treasury guidelines to accommodate our financial needs over time.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, continue or initiate clinical trials of, and seek marketing approval for,

our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to program sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of current or future collaborators. Furthermore, following our June 2021 listing on the Nasdaq Global Select Market, we have and will continue to incur additional costs associated with operating as a public company in the United States. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

**Comparison of cash and cash equivalents and short-term time deposits as of December 31, 2022, 2021 and 2020 and cash flows for the years ended December 31, 2022, 2021 and 2020.**

	<b>As of and for the year ended December 31, 2022</b>	<b>As of and for the year ended December 31, 2021</b>	<b>As of and for the year ended December 31, 2020</b>
	<b>in CHF thousands</b>	<b>in CHF thousands</b>	<b>in CHF thousands</b>
Cash and cash equivalents	87,946	71,813	133,721
Short-term time deposits	161,198	61,000	40,000
<b>Total</b>	<b>249,144</b>	<b>132,813</b>	<b>173,721</b>
Net cash from (used in) operating activities	118,566	(90,953)	(28,983)
Net cash used in investing activities	(101,121)	(22,237)	(21,746)
Net cash (used in) from financing activities	(1,570)	50,581	113,202
Exchange gain (loss) on cash positions	258	701	(4,464)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>16,133</b>	<b>(61,907)</b>	<b>58,009</b>

The short-term time deposits denominated in CHF at December 31, 2022 contained six positions with three Swiss banks, the short-term time deposits denominated in USD contained three positions with three Swiss banks and the short-term time deposits denominated in EUR contained one position with one Swiss bank. The short-term time deposits in CHF at December 31, 2021 contained one position with one Swiss bank and the short-term time deposits denominated in USD contained three positions with two Swiss banks.

*Net cash from (used in) operating activities*

During the year ended December 31, 2022, operating activities generated CHF 118.6 million of cash, primarily as a result of the positive net result attributable to shareholders of CHF 117.8 million driven by the option exercise by Novartis.

During the year ended December 31, 2021, operating activities used CHF 91.0 million of cash, primarily as a result of the negative net result attributable to shareholders of CHF 63.8 million together with a reduction in contract liability and an increase in trade and other receivables following the Novartis license and collaboration agreement signed in December 2021.

During the year ended December 31, 2020, operating activities used CHF 29.0 million of cash, primarily as a result of the negative net result attributable to shareholders of CHF 62.8 million partially offset by an

increase in contract liability of CHF 17.6 million, non-cash share based compensation costs of CHF 2.9 million, and CHF 4.8 million of financial expenses.

#### *Net cash used in investing activities*

During the years ended December 31, 2022, 2021 and 2020, cash used in investing activities primarily related to movements in investments in short-term time deposits of CHF 100.2 million, CHF 21.0 million and CHF 20.6 million, respectively.

During the years ended December 31, 2022, 2021 and 2020, we recorded a cash outflow for the acquisition of property, plant and equipment and intangible assets of CHF 1.4 million, CHF 1.3 million and CHF 1.7 million, respectively.

#### *Net cash from (used in) financing activities*

During the year ended December 31, 2022, net cash used in financing activities was CHF 1.6 million, driven primarily by payments of our lease liabilities and the investment related to the creation of treasury shares.

During the year ended December 31, 2021, net cash from financing activities was CHF 50.6 million, primarily related to the proceeds from issuance of new shares, net of transaction costs, following our initial public offering of ADSs in the U.S. in June 2021.

During the year ended December 31, 2020, net cash from financing activities was CHF 113.2 million, primarily related to the proceeds from issuance of new shares, net of transaction costs, that were issued following a financing round completed in July 2020, and as a result of the Option and Equity Rights agreement concluded with Novartis in October 2020.

#### **Funding requirements**

We believe that our existing cash and cash equivalents and short-term time deposits as of December 31, 2022, will be sufficient to fund our operating expenses and capital expenditure requirements into 2026. However, our present and future funding requirements may change and will depend on many factors, including, among other things:

- timelines for preclinical and clinical development programs;
- change in product development plans needed to address any set-backs in our research and development activities;
- scope, prioritization and number of clinical trials and research and development activities;
- rate of progress and cost of the clinical trials, and other research and development activities;
- terms and timing of any collaborative, licensing and other arrangements that may be established;
- costs and timing of preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights;
- the need or decision to acquire or license complementary compounds, technologies or complementary businesses or companies;
- regulatory approval, manufacturing or commercialization of our product candidates for which we receive marketing approval through partners;
- costs, timing and outcome of regulatory review of our product candidates;

- costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- changes in regulatory policies or laws that affect our operations; and
- competing medical treatment and market developments.

We expect our operating expenses to increase over the next several years as we expand our research and development activities. Until such time as we can generate significant revenue from product sales or royalties, if ever, we expect to finance our operations through a combination of public or private equity and debt financings or other sources, including payments upon achievement of certain development, regulatory and sales milestone events and royalty payments under our existing partnership agreements, and future collaborations with other third parties. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our shareholders' ownership interest may be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect the rights of our shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

### **C. Research and Development**

For a discussion of our research and development activities, see “Item 4.B-Business Overview” and “Item 5.A-Operating Results.”

### **D. Trend Information**

For a discussion of trends, see “Item 5.A-Operating Results” and “Item 5.B-Liquidity and Capital Resources.”

### **E. Critical Accounting Estimates**

Not applicable.

## **Item 6. Directors, Senior Management and Employees.**

### **A. Directors and Senior Management.**

The following table sets forth information regarding our executive officers, also referred to as members of the Management Board, and directors as of December 31, 2022. Unless otherwise stated, the business address for our directors and executive officers is c/o Molecular Partners AG, Wagistrasse 14, 8952 Schlieren, Switzerland.

Name	Age	Position
<b>Executive Officers</b>		
Dr. Patrick Amstutz	47	Chief Executive Officer and Director
Andreas Emmenegger	56	Chief Financial Officer
Renate Gloggner	52	EVP People and Community
Dr. Nicolas Leupin	49	Chief Medical Officer
Dr. Michael Tobias Stumpp	50	EVP Projects
Alexander Z✓rcher	47	Chief Operating Officer
<b>Non-Employee Directors</b>		
William M. Burns	75	Chairman of the Board
Dr. Agnete Fredriksen	45	Director
Dr. Dominik Höchli	55	Director
Steven H. Holtzman	68	Director
Sandip Kapadia	52	Director
Dr. Vito Palombella	60	Director
Dr. Michael Vasconcelles	59	Director

### **Executive Officers**

**Dr. Patrick Amstutz, Ph.D.**, one of our founders, has served as our Chief Executive Officer since November 2016, as an executive director since 2017 and as a member of the Company's management team since its inception in 2004. Previously, he served as our Chief Operating Officer from 2014 to 2016 and as our Chief Business Officer from 2006 to 2014. Since 2017, Dr. Amstutz has served as Vice-President of the Board of the Swiss Biotech Association. Dr. Amstutz holds a Master of Science from the ETH Zurich and a Ph.D. in molecular biology from the University of Zurich. Our board of directors believes that Dr. Amstutz's leadership of our company since its inception as well as his scientific background provide him with the qualifications and skills to serve as a director.

**Andreas Emmenegger** served as our Chief Financial Officer since February 2007 until December 31, 2022. Prior to joining Molecular Partners, he was the Chief Financial Officer of Glycart Biotechnology AG where he had a leading role in the CHF 235 million trade sale to F. Hoffmann-La Roche AG in 2005. Mr. Emmenegger was Head of Strategic Alliance Finance (Genentech) for Roche Headquarters, Basel, Switzerland. He has more than 20 years of experience as a chief financial officer of several public and private multinational companies, 15 years of which have been in the biotechnology industry. He led our SIX Swiss Exchange initial public offering in 2014 and our Nasdaq initial public offering in 2021. In addition, Mr. Emmenegger has more than 10 years of international industry experience in banking, capital markets, mergers and acquisitions and human resources. Since 2016, he has been a member of the board of directors of the Luzerner Kantonalbank, Switzerland, a publicly listed bank. Mr. Emmenegger holds a degree in finance, economics and business administration as well as an Executive MBA degree from IESE Business School, Barcelona.

**Renate Gloggner** has served as EVP People and Community and a Member of the Management Board of Molecular Partners since July 2022. She joined the Company in October 2021. Prior to joining Molecular Partners, Renate held European and International Human Resource leadership positions at two US companies, Global Blood Therapeutics and Tesaro Bio. In both companies, she built strong teams with an engaging culture in the European headquarter as well as in several European countries, allowing these teams to successfully gain market access and launch products. Renate began her career in biotech at

Biogen and Amgen working in a variety of HR roles in the international headquarter as well as in country roles. She holds an MBA from the University of Bern, Switzerland and an executive coaching degree from the University of the West of England, Bristol.

**Dr. Nicolas Leupin, M.D., Ph.D.**, has served as our Chief Medical Officer since September 2019. Dr. Leupin is a medical oncologist with a successful track record in drug development, most recently as Chief Medical Officer of argenx from 2016 to 2019, a clinical-stage biotechnology company developing antibody-based therapies for treatment of severe autoimmune diseases and cancer. In that role he led the company's global clinical strategy and execution, successfully supporting the company's transformation into a late-stage clinical company, and was responsible for translating preclinical hypotheses into innovative proof-of concept clinical trials. Prior to argenx, Dr. Leupin held roles of increasing responsibility at Celgene, where he supported the clinical development of several drug candidates in lymphoma and multiple myeloma, resulting in regulatory filings in Europe and the United States.

**Dr. Michael Tobias Stumpp, Ph.D.**, one of our founders, has served as EVP Projects and a Member of the Management Board of Molecular Partners. Michael is a co-founder of Molecular Partners and was part of the team that invented the DARPin technology. Michael previously served as Chief Scientific Officer of Molecular Partners, in which capacity he oversaw development of the DARPin pipeline. He started his scientific career at the ETH Zurich and then progressed to the Imperial College London and the Tokyo Institute of Technology. Michael has published his research in many international, peer-reviewed scientific journals and presented his findings at numerous congresses.

**Alexander Zvrcher** has served as Chief Operating Officer and a Member of the Management Board of Molecular Partners. Prior to this role, he served as SVP of Development, where he oversaw project and portfolio management, manufacturing, pharmacology, and quality assurance activities. Alexander has also previously been VP Operations and Director of CMC. He has more than 17 years of industry experience, with prior work in drug development as Director of Drug Product Development at Cytos Biotechnology and Head of R&D Operations at Spirig Pharma. Alexander holds a M.Sc. degree in biology from the University of Basel, as well as certificates in business and project management from the University of Zurich.

#### **Non-Employee Directors**

**William M. Burns** has served as Chairman of our board of directors since April 2018 and a director since October 2017. His professional career has been spent in the Life Sciences sector. His career in Roche took him to CEO of the Pharma Division and to the Boards of Genentech and Chugai. From 2010 to 2014 he also served as a Non-Executive Director of F Hoffmann La Roche. He is currently chair of Vestergaard sarl, vice chair of Mesoblast in Australia and is a Trustee of the Institute of Cancer Research in London. He also serves on a Cancer Advisory board to the Universities of Aachen/Bonn/Cologne and Dusseldorf. Mr. Burns holds an honors degree in economics from the University of Strathclyde, Glasgow, Scotland. Our board of directors believes that Mr. Burns' experience with the healthcare and pharmaceutical industries and his broad management experience provide him with the qualifications and skills to serve as a director.

**Dr. Agnete Fredriksen** has served as a director since April 2021. Dr. Fredriksen has served as a co-founder and chief scientific officer of Nykode Therapeutics AS (formerly Vaccibody AS) from 2007 to 2017, as president and chief scientific officer from 2017 to June 2021, and as chief innovation and strategy officer since June 1, 2021. Nykode Therapeutics is a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases. Prior to founding Vaccibody Dr. Fredriksen previously held researcher roles at Affitech AS, a private technology transfer company, and Medinnova AS, a technology transfer company. Dr. Fredriksen is the



author of numerous scientific papers in the field of immunology, immunotherapy and vaccines, and has been awarded several patents in the field of immunotherapy. She holds an MSc and a Ph.D. from the Institute of Immunology, Oslo University Hospital, Rikshospitalet in Oslo, Norway. Our board of directors believes that Dr. Fredriksen's experience in immunotherapy and vaccine development, as well as her medical and scientific background, provide her with the qualifications and skills to serve as a director.

**Dr. Dominik Höchli** has served as a director since April 2021. He has more than 20 years of experience as a marketing and medical affairs executive. Since spring 2021 he is the CEO of Catapult Therapeutics, a clinical stage biotech company in the Netherlands. Previously he worked at AbbVie as Vice President, Head of Global Medical Affairs and member of the R&D and the Commercial leadership team. He led global product launches for major blockbuster products, including HUMIRA, Mavret, Venetoclax and Skyrizi, and his leadership experience ranges from smaller country organizations to large global functions. He began his corporate career at McKinsey & Co. Dr. Höchli is a Swiss national and obtained his medical degree (M.D.) from the University of Bern in Switzerland. Our board of directors believes that Dr. Höchli's over 20 years of experience as a marketing and medical affairs executive, as well as his broad business experience provide him with the qualifications and skills to serve as a director.

**Steven H. Holtzman** has served as a director since May 2014. He has served as chair of the board of directors of, and strategic business advisor to, CAMP4 Therapeutics Corporation, a private biopharmaceutical company, since October 2019, executive chair of the board of directors of, and a strategic business advisor to, Qihan Biotech, a private biopharmaceutical company, since April 2019, and as a founder, a strategic business advisor, and a member and the lead independent director of the board of directors of Shoreline Bio, a private biopharmaceutical company, since June 2020. From July 2016 to January 2020, Mr. Holtzman was the first President and Chief Executive Officer and a member of the board of directors of Decibel Therapeutics, Inc., a public biopharmaceutical company. From January 2011 to March 2016, he served as the Executive Vice President of Corporate Development at Biogen, Inc., a public biopharmaceutical company. From 2001 to 2010, he served as a founder, chair of the board of directors, and Chief Executive Officer of Infinity Pharmaceuticals, Inc., a public biopharmaceutical company. Additionally, Mr. Holtzman was Chief Business Officer of Millennium Pharmaceuticals, Inc., a public biopharmaceutical company, from May 1994 to June 2001, and a founder, member of the board of directors, and Executive Vice President of DNX Corporation, a public biopharmaceutical company, from August 1986 to March 1994. He is a trustee of The Berklee College of Music and a Senior Fellow at the Belfer Center for Science and International Affairs at the Harvard Kennedy School. He received his B.A. in Philosophy from Michigan State University and his B.Phil. in Philosophy from Corpus Christi College, Oxford University, which he attended as a Rhodes Scholar. Our board of directors believes that Mr. Holtzman's experience in the biotechnology industry and his broad management experience provide him with the qualifications and skills to serve as a director.

**Sandip Kapadia** has served as a director since April 2020. Mr. Kapadia brings over 25 years of science industry experience and has served as the Chief Financial Officer (CFO) for Harmony Biosciences since March 2021. Previously Mr. Kapadia was CFO for Intercept Pharmaceuticals. Before Intercept, Mr. Kapadia served in various leadership capacities within finance for more than 19 years at Novartis International AG and Novartis affiliates in the United Kingdom, Netherlands, Switzerland and the US. Mr. Kapadia received a B.S. in Accounting from Montclair State University and an M.B.A. from Rutgers University, and is also a US Certified Public Accountant. Mr. Kapadia currently serves on the boards of directors of VectivBio Holding AG and Passage Bio. We believe that Mr. Kapadia is qualified to serve on our board of directors due to his leadership experience in the biopharmaceutical industry and finance expertise. Our board of directors believes that Mr. Kapadia's over 25 years of experience in the life science industry and his broad finance and management experience provide him with the qualifications and skills to serve as a director.

**Dr. Vito J. Palombella, Ph.D.**, has served as a director since April 2020. Vito J. Palombella, Ph.D., has over 25 years of scientific leadership and experience advancing first-in-class therapeutic programs, as well as a successful track record of building drug discovery and development organizations. Currently, Dr. Palombella is the chief scientific officer of Surface Oncology, where he has led the company's drug discovery and translational research efforts since 2016. Prior to joining Surface Oncology, Dr. Palombella was executive vice president and chief scientific officer from 2010 to 2016, and vice president, biology/research, from 2004 to 2010, at Infinity Pharmaceuticals, Inc., where he was responsible for drug discovery and preclinical development. Prior to that, he was director of molecular biology and protein chemistry at Syntonix Pharmaceuticals, and senior director of cell and molecular biology at Millennium Pharmaceuticals and held a number of positions at LeukoSite and ProScript. Dr. Palombella was involved in the discovery and development of bortezomib (Velcade®), a proteasome inhibitor, and duvelisib (Copiktra®), a PI3K-d/g inhibitor, both for cancer therapy. Dr. Palombella earned his bachelor's degree in microbiology from Rutgers University and a master's degree and doctorate degree in viral oncology and immunology from the New York University Medical Center and completed his post-doctoral training at Harvard University. Our board of directors believes that Dr. Palombella's over 25 years of scientific leadership and experience, as well as his medical and scientific background, provide him with the qualifications and skills to serve as a director.

**Dr. Michael Vasconcelles, M.D.**, is currently Executive Vice President, Research, Development, and Medical Affairs at Immunogen. He was most recently the chief medical officer and Head of the Medical and Scientific Organization at Flatiron Health, a healthcare technology and services company focused on creating digital solutions to accelerate cancer research and improving patient care. Prior to joining Flatiron Health in 2019, Dr. Vasconcelles served as the Chief Medical Officer of Unum Therapeutics Inc. (Unum) from 2015-2019. A Cambridge, MA-based cell and gene therapy company, Prior to Unum, Dr. Vasconcelles spent several years at Takeda/Millennium, where he was Senior Vice President, Head of the Oncology Therapy Area Unit and member of the R&D Executive Team, accountable for strategic and operational oversight of the oncology research and development portfolio globally. Prior to Takeda/Millennium, Dr. Vasconcelles was Group Vice President and the Global Therapeutic Area Head, Transplant and Oncology, at Genzyme Corporation, where he was responsible for clinical development of the transplant and oncology portfolio and a member of the Transplant and Oncology Business Unit Management Team. Following Sanofi's acquisition of Genzyme, Dr. Vasconcelles joined Sanofi Oncology as Head, Personalized Medicine and Companion Diagnostics. From 1996 -2021, Dr. Vasconcelles was a faculty member of the Harvard Medical School and an associate physician at Brigham and Women's Hospital and Dana-Farber Cancer Institute. He received both his B.A. and M.D. from Northwestern University. Our board of directors believes that Dr. Vasconcelles' extensive experience in the life sciences industry and clinical development programs, as well as his medical and scientific background, provide him with the qualifications and skills to serve as a director.

The table below provides certain highlights of the composition of our board members and nominees. Each of the categories listed in the below table has the meaning as it is used in Nasdaq Rule 5605(f).

Board Diversity Matrix				
Country of Principal Executive Offices:	Switzerland			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	8			
	Female	Male	Non- Binary	Did Not Disclose Gender
<b>Part I: Gender Identity</b>				
Directors	1	7	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	2			
LGBTQ+	1			
Did Not Disclose Demographic Background	0			

#### Family Relationships

There are no family relationships among any of our executive officers or directors.

#### B. Compensation.

##### Compensation of Executive Officers and Directors

The aggregate compensation paid by us to our executive officers and directors, including share-based compensation, for the year ended December 31, 2022, was CHF 5,814,000. Out of this amount a total of CHF 296,000 related to pension benefits.

##### *Director Compensation*

As required by the "Say on Pay" rules, our articles of association set out the principles for the elements of the compensation of the members of our board of directors. The compensation of the members of our board of directors may consist of fixed and variable compensation. The total compensation takes into account the position and level of responsibility of the respective member of the board of directors, including board and committee chairmanship and membership and a travel fee. Members of our board of directors are paid for their service over one year starting with their election at the ordinary shareholders' meeting and ending with the subsequent ordinary shareholders' meeting. Our shareholders at the 2021

annual general meeting held on April 21, 2021, set the maximum aggregate amount of compensation for the board of directors for their term of office until the 2022 general meeting at CHF 1,091,400. Our shareholders at the 2022 annual general meeting held on April 13, 2022, set the maximum aggregate amount of compensation for the board of directors for their term of office until the 2022 general meeting at CHF 1,091,400.

For the year ended December 31, 2022, the compensation of the members of our board of directors consisted of fixed compensation only. Compensation of the members of our board of directors for the year ended December 31, 2022 consisted of a fixed cash fee and restricted share units, or RSUs. The following table sets out information regarding the compensation earned by our directors for service on our board of directors during the year ended December 31, 2022. Dr. Amstutz, our Chief Executive Officer and a member of our board of directors, does not receive any additional compensation for his service as a director.

Name	Fees Earned	RSUs	Total <sup>(1)</sup>
in CHF thousands			
William M. Burns	125	170	295
Steven H. Holtzman	48	85	133
Sandip Kapadia	45	85	130
Vito J. Palombella	40	85	125
Michael Vasconcelles	48	85	133
Dr. Agnete Fredriksen	28	85	113
Dr. Dominik Höchli	28	85	113
Dr. Patrick Amstutz <sup>(2)</sup>	0	0	0

- (1) The total compensation awarded to the members of the board of directors shown in this table does not include the payments of TCHF 14 we made in 2022 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2022 in 2025, we will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the RSUs 2022 expected to vest in 2025 will amount to TCHF 26.
- (2) For our Chief Executive Officer’s compensation other than in connection with his service on our board of directors, please refer to “— Executive Compensation.”

As of December 31, 2022, all members of our board of directors were non-executives, except for Dr. Amstutz. None of the members of our board of directors has any significant business connections with the Company or was a member of the Management Board of the Company, except for Dr. Amstutz, who has been a member of the Management Board since the Company’s inception in 2004.

Except as described in the section of this Annual Report on Form 20-F entitled “Related Party Transactions—Agreements with Our Directors and Executive Officers”, there are no arrangements or understandings between us and any of our directors providing for benefits upon termination of their service as our directors.

### ***Executive Compensation***

The compensation of the Management Board, also referred to herein as our executive officers, may consist of fixed and variable compensation. Fixed compensation comprises the base salary and the

corresponding pension contributions. Variable compensation comprises short-term and long-term variable compensation elements:

- the short-term variable compensation, paid as a cash bonus, is determined exclusively by the achievement of pre-defined annual corporate goals; and
- the long-term variable compensation, granted as Performance Share Units, or PSUs, is determined based on (i) the achievement of annual corporate goals, (ii) the achievement of long-term value-driving milestones outside of such corporate goals and (iii) the development of the share price of the Company.

The following table sets out information regarding compensation earned by members of the Management Board during the year ended December 31, 2022.

Name and principal position	Salary	Bonus <sup>(1)</sup>	Equity Awards	Non-Equity Incentive Plan Compensation	All Other Compensation <sup>(2)(3)</sup>	Total <sup>(4)</sup>
in CHF thousands						
Dr. Patrick Amstutz <i>Chief Executive Officer, Director and Co- Founder</i>	383	179	385	0	58	1,005
Total Management Board	1,982	787	1,679	0	296	4,744

(1) Represents amounts earned in 2022.

(2) Represents pension contributions.

(3) All other compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 173 we made in 2022 to cover the mandatory employer social security contribution on the base salary and on the bonus. In addition, upon vesting of the PSUs 2022 in 2025, we will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the PSUs 2022 expected to vest in 2025 will amount to approximately TCHF 97 (assuming 100% target achievement and full vesting of the PSUs).

(4) The total compensation awarded to members of the Management Board shown in this table does not include the items mentioned in the foregoing note (3).

### ***Executive Compensation Arrangements***

For a discussion of our employment arrangements with our executive officers, see the section of this Annual Report on Form 20-F entitled “Related Party Transactions—Agreements with Our Directors and Executive Officers—Employment Arrangements.” Except for the arrangements described in the section of this Annual Report on Form 20-F entitled “Related Party Transactions—Agreements with Our Directors and Executive Officers—Employment Arrangements,” there are no arrangements or understanding between us and any of our other executive officers providing for benefits upon termination of their employment, other than as required by applicable law.

### ***Limitations on Liability and Indemnification Matters***

Under Swiss corporate law, an indemnification of a director or member of the executive management in relation to potential personal liability is not effective to the extent the director or member of the executive management intentionally or negligently violated his or her corporate duties towards the company (certain views advocate that at least a grossly negligent violation is required to exclude the indemnification). Most violations of corporate law are regarded as violations of duties towards the company rather than towards the shareholders. In addition, indemnification of controlling persons is not permitted under Swiss corporate law, including shareholders of the company.

Nevertheless, the articles of association of a Swiss corporation may set forth that the company shall indemnify and hold harmless to the extent permitted by the law, the directors and executive managers out of assets of the company against threatened, pending or completed actions. However, our articles of association do not provide for such an indemnification provision.

Within the same limitations, articles of association of a Swiss corporation may also provide that the directors shall be entitled to the reimbursement of all expenses incurred in the interests of the corporation. Our articles of association contain such a provision.

In addition, a corporation may enter into and pay for directors' and officers' liability insurance which typically covers negligent acts as well.

We extended liability insurance for our directors and officers, including insurance coverage for liability under the Securities Act. We believe that this insurance is necessary to attract qualified directors and executive officers.

### **Equity Incentives**

We believe that our ability to grant incentive awards is a valuable and necessary compensation tool that allows us to attract and retain the best available personnel for positions of substantial responsibility, provides additional incentives to directors, executive officers, and employees and promotes the success of our business. Historically, we have granted several different equity incentive instruments to our directors, employees and other service providers, including:

- Restricted Share Units, or RSUs, granted to our directors;
- Performance Share Units, or PSUs, granted to our executive officers and employees; and
- share options granted to employees, directors and selected advisors.

Our articles of association authorize the board of directors to issue one or more participation plans and/or policies. An amendment or renewal of the relevant provision in our articles of association must be approved by an absolute majority of the votes represented at the general meeting of shareholders. Once our board of directors' authority is approved by our shareholders, the maximum aggregate amounts of the variable compensation elements actually granted to the directors and executive officers must be approved by an absolute majority of the votes represented at the general meeting of shareholders and shall continue for the duration of the current financial year. Compensation may be paid out prior to approval by the general meeting of shareholders subject to subsequent approval. If the general meeting of shareholders does not approve a proposal of the board of directors, the board of directors must newly determine the maximum aggregate amount or maximum partial amounts taking into account all relevant factors and submit such amounts for approval to the same general meeting of shareholders, to an extraordinary general meeting of shareholders or to the next ordinary general meeting of shareholders.

## **Share Options**

Prior to our initial public offering on SIX Swiss Exchange on November 5, 2014, which we refer to as our Swiss IPO, our board of directors established three share option plans: (i) the Employee Share Option Plan 2007, or ESOP 2007, (ii) the Employee Share Option Plan 2009, or ESOP 2009, and (iii) the Employee Share Option Plan 2014, or ESOP 2014, with similar features as the ESOP 2009, but no longer providing for accelerated vesting of options in the event of our Swiss IPO. Each option entitles its holder to purchase one of our shares at the pre-defined exercise price. The number of options granted to each participant was determined by the board of directors based on a participant's position and level of responsibility. As a rule, the options vested quarterly over a four-year period. At the end of the option term, the unexercised options expire without value.

As of December 31, 2022, no options were outstanding under the ESOP 2007, and an aggregate of 282,105 options were outstanding under the ESOP 2009 and ESOP 2014, together. As of December 31, 2022, all of the outstanding options were fully vested.

Following our Swiss IPO, no further grants were made under any of the ESOP 2007, ESOP 2009 or ESOP 2014, and we do not intend to make any further grants under any of these plans in the future. For additional information, see Note 18 to our consolidated financial statements as of and for the year ended December 31, 2022 included elsewhere in this Annual Report on Form 20-F.

### **Restricted Share Units (RSUs)**

Under the LTI Plans, described in “—*Long-Term Incentive Plans*” below, members of our board of directors are eligible to be granted RSUs. RSUs are contingent rights to receive a certain number of our shares at the end of a three-year blocking period. RSUs vest over a one-year period from their date of grant, following the lapse of which they are no longer subject to forfeiture if a member of our board resigns. The number of shares to be received is not variable, *i.e.*, the number of shares does not depend on the achievement of certain pre-defined performance metrics. In certain circumstances, including a change of control, a full or partial early vesting of the RSUs may occur.

As of December 31, 2022, 96,001 RSUs were outstanding.

### **Performance Share Units (PSUs)**

Under the LTI Plans, described in “—*Long-Term Incentive Plans*” below, executive officers and employees are eligible to be granted PSUs. PSUs are contingent rights to receive a variable number of our shares either in aggregate at the end of a three-year cliff-vesting period or in annual installments over a three-year vesting period. The number of PSUs granted to a plan participant is calculated by dividing the CHF amount approved for the respective individual by the fair value of each PSU at the grant date based on the average share price in the two months preceding the grant date. While the PSUs are designed to allow the beneficiaries to participate in the long-term share price development, the number of shares to be earned in relation to a PSU depends on (i) the achievement of annual corporate goals for the respective year, (ii) the achievement of long-term value-driving milestones outside of such corporate goals during such year and (iii) the development of the share price of the Company. In accordance with these parameters, the number of shares to be issued based on the PSUs can be between zero and 120% of the number of PSUs granted. Even after the determination of goal achievement, participants may lose their entitlements in full or in part depending on certain conditions relating to their employment. In certain circumstances, including a change of control, a full or partial accelerated vesting of the PSUs may occur.

As of December 31, 2022, 604,800 PSUs were outstanding.

### **Long-Term Incentive Plans**

Our long-term incentive plans established in March of 2015, March of 2016, March of 2017, March of 2018, March of 2019, March of 2020, March of 2021 and March of 2022, respectively, which we collectively refer to as the LTI Plans, are rolled out annually. This allows our board of directors to review and adjust the terms and targets of the LTI Plans on an annual basis. Employees generally receive the grants on April 1 of each calendar year. With respect to members of the Management Board, the annual grants are usually made on April 1 subject to approval of the ordinary shareholders' meeting at which the necessary amounts for variable compensation are approved by the shareholders. With respect to members of our board of directors, the annual grants are made following the ordinary shareholders' meeting, at which the necessary amounts for variable compensation are approved by the shareholders.

### **C. Board Practices.**

We currently have eight directors, four of whom are citizens or residents of the United States.

Our articles of association provide that our board of directors shall consist of a minimum of three members and maximum of eleven members. All directors (including the chairperson of the board of directors) are appointed to and removed from the board of directors exclusively by shareholders' resolution for a maximum term of office of one year, extending until completion of the next annual shareholders' meeting. Directors may be re-elected at any time. In the event the office of the chairperson is vacant, the board of directors shall appoint a new chairperson from its members for the remaining term of office. The board of directors may elect a vice-chairperson from its members each year immediately following the annual shareholders' meeting for a term ending at the closing of the following annual shareholders' meeting. The board of directors shall further appoint the secretary, who need not be a member of the board of directors. The secretary shall be entitled to participate in the deliberations and discussions of the board of directors, but shall not vote, unless he or she is a member of the board of directors.

The following table sets forth the names of our directors, the year of their initial appointment as directors and the expiration dates of their current term:

<b>Name</b>	<b>Current Position</b>	<b>Year of Initial Appointment</b>	<b>Term Expiration Year<sup>(1)</sup></b>
William M. Burns	Chairman of the Board	2017	2023
Dr. Patrick Amstutz	Chief Executive Officer, Director and Co-Founder	2017	2023
Steven H. Holtzman	Director	2014	2023
Sandip Kapadia	Director	2020	2023
Dr. Vito Palombella	Director	2020	2023
Dr. Michael Vasconcelles	Director	2020	2023
Dr. Agnete Fredriksen	Director	2021	2023
Dr. Dominik Höchli	Director	2021	2023

(1) At the end of the general meeting of shareholders during the year in which their term office expires, in each case as indicated.



## **Director Independence**

As a foreign private issuer, under Nasdaq rule 560(a)(2), we are not required to have independent directors on our board of directors, except to the extent that our audit committee is required to consist of independent directors, subject to certain phase-in schedules.

Nevertheless, our board of directors has undertaken a review of the independence of the directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from, and provided by, each director concerning such director's background, employment and affiliations, including family relationships, our board of directors determined that William M. Burns, Agnete Fredriksen, Dominik Höchli, Steven H. Holtzman, Sandip Kapadia, Vito J. Palombella and Michael Vasconcelles are "independent directors" as defined under applicable Nasdaq rules and the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1933, as amended, or the Exchange Act. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances that our board of directors deemed relevant in determining the director's independence, including the number of ordinary shares beneficially owned by the director and his or her affiliated entities (if any).

## **Role of the Board in Risk Oversight**

Our board of directors is primarily responsible for the oversight of our risk management activities and has delegated to the Audit and Finance Committee the responsibility to assist our board of directors in this task. The Audit and Finance Committee also monitors the issues relating to the preparation and supervision of accounting and financial information. The Audit and Finance Committee, among other things, monitors the effectiveness of the internal control and risk management systems with regard to the procedures relating to the preparation and processing of accounting and financial information, without undermining the independence of the board of directors. While our board of directors oversees our risk management, our management is responsible for day-to-day risk management processes. Our board of directors expects our management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the board of directors. We believe this division of responsibilities is the most effective approach for addressing the risks we face.

## **Corporate Governance Practices**

The Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the SEC, requires foreign private issuers, including our company, to comply with various corporate governance practices. In addition, Nasdaq rules provide that foreign private issuers may follow home country practice in lieu of the Nasdaq corporate governance standards, subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws. However, if the laws of a foreign private issuer's home country require that any such matter be approved by the board of directors or the shareholders, the audit committee's responsibilities or powers with respect to such matter may instead be advisory. Under Swiss law, the audit committee may only have an advisory role and appointment of our statutory auditors, in particular, must be decided by the shareholders at our annual meeting.

Because we are a foreign private issuer, our members of our board of directors, executive board members and senior management are not subject to short-swing profit and insider trading reporting obligations under Section 16 of the Exchange Act. They are, however, subject to the obligations to report changes in share ownership under Section 13 of the Exchange Act and related SEC rules.

## **Board Committees**

On January 1, 2023, Swiss ordinance against excessive compensation in listed stock corporations, known as the “Say on Pay” rule, was incorporated in the Swiss Code of Obligations. Pursuant to Swiss corporate law, companies listed on the SIX Swiss Exchange are required to establish a compensation committee. Our board of directors has established an Audit and Finance Committee, a Nomination and Compensation Committee and a Research and Development Committee, which operate pursuant to our articles of association, the charter of the Audit and Finance Committee, the charter of the Nomination and Compensation Committee and the charter of the Research and Development Committee. The composition and functioning of all of our committees is designed to comply with all applicable requirements of Swiss law, the Exchange Act, Nasdaq and SEC rules and regulations.

### ***Audit and Finance Committee***

Our Audit and Finance Committee assists our board of directors in its oversight of our corporate accounting and financial reporting by making an independent assessment of the quality of the external auditors, our financial statements and our internal controls. Sandip Kapadia, Dr. Dominik Höchli and Steven Holtzman currently serve on our Audit and Finance Committee. Mr. Kapadia is chairperson of our Audit and Finance Committee. Our board of directors has determined that each of Mr. Kapadia, Dr. Höchli and Mr. Holtzman is independent within the meaning of the applicable Nasdaq listing rules and the independence requirements contemplated by Rule 10A-3 under the Exchange Act. Our board of directors has further determined that Mr. Kapadia is an “audit committee financial expert” as defined by SEC rules and regulations and that each of the members of the Audit and Finance Committee qualifies as financially sophisticated under the applicable exchange listing rules. The principal duties and responsibilities of our Audit and Finance Committee include (1) analyzing economic and financial information and (2) ensuring the accuracy and honesty of our company’s financial statements, as well as the quality of the information provided.

Our board of directors has specifically assigned the following duties to the Audit and Finance Committee:

- assessing the quality and effectiveness of the external audit;
- assessing the quality of the internal control system, including risk management and the efficiency and state of compliance and monitoring with applicable norms within the Company;
- reviewing the stand-alone Swiss statutory and consolidated financial statements as well as all reporting prepared by the external auditor;
- deciding whether the year-end stand-alone Swiss statutory and consolidated financial statements be recommended to the board of directors for presentation to the general shareholders’ meeting;
- assessing the performance and the fees charged by the external auditors and ascertain their independence;
- annually review written disclosures from the external auditors delineating all relationships between the external auditors and the Company and take appropriate action to oversee the independence of the external auditors;
- reviewing the scope of the prospective external audit, the estimated fees thereof and any other matters pertaining to such audit;
- approve the annual engagement letter of external auditor, including the scope of the audit and the fees and terms for the planned audit works

- pre-approve all audit review or attest services and permitted non-audit services by the external auditors
- taking notice of all comments from the external auditors on accounting procedures and systems of control;
- reviewing with the external auditors and/or the CFO/CEO any questions, comments or suggestions they may have regarding the internal control, risk management, accounting practices and procedures of the Company and its subsidiaries;
- discussing with the management any legal matters that may have a material impact on the Company's financial statements and any material reports or inquiries from regulatory or governmental agencies which could materially impact the Company's contingent liabilities and risks;
- reviewing with management and the external auditors, as appropriate, the Company's MD&A disclosures;
- annually reviewing and discussing with management the management's report in relation to internal controls over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- reviewing and approving in advance any transaction that could be within the scope of a related party transaction;
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- supporting the board of directors with regard to the financial planning as well as the principles of accounting and financial control;
- evaluating management's principles and proposals for, and formulate recommendations to the board of directors in regard to financial planning (capital structure, management of resources, inter-company financing), dividend policy and capital market relations;
- reviewing proposed concepts of financial objectives such as costs of capital, enhancement of shareholders' value, Company and divisional objectives, project objectives (capital expenditures and M&A); and
- reviewing finance policy and operations in treasury, controlling, insurance, taxes and investment and acquisitions.

#### ***Nomination and Compensation Committee***

Our Nomination and Compensation Committee assists our board of directors in establishing and reviewing the compensation strategy and guidelines as well as in preparing the compensation plans and proposals to the general meeting of shareholders regarding the compensation of the board of directors and executive officers. William M. Burns, Steven H. Holtzman and Dr. Michael Vasconcelles currently serve on the Nomination and Compensation Committee. Mr. Burns is the chairperson of our Nomination and Compensation Committee. We are subject to the Swiss ordinance against excessive compensation in listed stock corporations, known as the "Say on Pay" rule. As a result of the Say on Pay rule, the members of the Nomination and Compensation Committee must be elected by our shareholders and the aggregate compensation of our board of directors and executive officers must also be approved by our shareholders.

The principal duties and responsibilities of our Nomination and Compensation Committee include:

- reviewing and making recommendations regarding the compensation strategy and guidelines of the Company;
- reviewing and making recommendations regarding the compensation of the members of the board of directors and the executive management;
- reviewing and making recommendations regarding compensation plans (cash and/or equity-based plans), and where appropriate or required, make recommendations to adopt, amend and terminate such plans;
- administering the compensation plans;
- reviewing and making recommendations regarding any employment agreements (including any benefits) for members of the executive management;
- reviewing and making recommendations regarding the proposals of the board of directors for the aggregate amount of the compensation of the board of directors and of the executive management to be submitted to the annual general shareholders' meeting for approval;
- ensuring that any reporting obligation with respect to compensation matters, specifically any necessary disclosures in the annual report and/or compensation report, are met;
- reviewing considerations relating to the composition of the board of directors, including the size and the criteria for membership on the board of directors;
- evaluating candidates to the board of directors and making recommendations to the board of directors in this respect; and
- evaluating candidates to the Management Board and making recommendations to the board of directors in this respect.

#### ***Research and Development Committee***

The Research and Development Committee (i) provides strategic advice and brings recommendations to the Management Board and the board of directors regarding current and planned research and development programs, (ii) provides strategic advice to the board of directors regarding emerging science and technology issues and trends, and (iii) conducts a review of the effectiveness and competitiveness of our research and development function. Dr. Michael Vasconcelles, Dr. Agnete Fredriksen and Dr. Vito Palombella currently serve on the Research and Development Committee. Dr. Vasconcelles is the chairperson of the Research and Development Committee.

#### **Code of Conduct**

We have adopted a Code of Conduct which is applicable to all of our employees, executive officers and directors. The Code of Conduct is available on our website at [www.molecularpartners.com](http://www.molecularpartners.com). The Audit and Finance Committee of our board of directors is responsible for overseeing the Code of Conduct and is required to approve any waivers of the Code of Conduct for employees, executive officers and directors. We expect that any amendments to the Code of Conduct will be disclosed on our website.

#### D. Employees.

As of December 31, 2022, we had 175 full-time equivalent employees (December 31, 2021: 163 full-time equivalents). None of our employees are represented by collective bargaining agreements. We believe that we maintain good relations with our employees. At each date shown, we had the following number of full time employees, broken out by department. The majority of our employees are based in Zurich, Switzerland. Two of our employees are based in the United States of America.

Full-time equivalent employees	At December 31, 2022	At December 31, 2021
<b>Function</b>		
Research and development	142.7	134.4
Selling, general and administrative	32.6	28.8
<b>Total</b>	<b>175.3</b>	<b>163.2</b>

#### E. Share Ownership.

The following table shows the number of ordinary shares, options, RSUs and PSUs held by the individual members of the board of directors and the Management Board, as of December 31, 2022.

Name	Shares	Options	RSUs	PSUs
William M. Burns	18,222	—	25,194	—
Steven H. Holtzman	11,212	20,000	12,598	—
Sandip Kapadia	—	—	12,598	—
Vito J. Palombella	—	—	12,598	—
Michael Vasconcelles	—	—	12,598	—
Dr. Agnete Fredriksen	—	—	7,817	—
Dr. Dominik Höchli	—	—	7,817	—
Dr. Patrick Amstutz	695,920	70,080	—	51,540
Dr. Michael Tobias Stumpp	757,044	36,070	—	33,359
Andreas Emmenegger	238,485	36,070	—	24,052
Dr. Nicolas Leupin	16,800	—	—	39,073
Renate Gloggner	3,912	—	—	21,137
Alexander Zürcher	19,079	13,040	—	26,396

#### Item 7. Major Shareholders and Related Party Transactions

##### A. Major shareholders.

The following table and accompanying footnotes set forth, as of December 31, 2022, information regarding beneficial ownership of our ordinary shares by:

- each person, or group of affiliated persons, known by us to beneficially own more than 3% of our ordinary shares;
- each of our executive officers;
- each of our directors; and

- all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting power or investment power with respect to that security, including ordinary shares that vest within 60 days of December 31, 2022 and options and warrants that are currently exercisable or exercisable within 60 days of December 31, 2022. Shares issuable under PSUs or RSUs that vest within 60 days of December 31, 2022 and shares subject to options currently exercisable or exercisable within 60 days of December 31, 2022 are deemed to be outstanding for computing the percentage ownership of the person holding these free shares, options and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

Except as indicated in the footnotes below, we believe, based on the information furnished or otherwise known to us, that the persons named in the table below have sole voting and investment power with respect to all shares shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act or applicable Swiss law.

Our calculation of the percentage of beneficial ownership is based on 35,792,648 of our ordinary shares registered with the commercial register of the canton of Zurich as of December 31, 2022 and includes 3,500,000 treasury shares indirectly held through our wholly-owned subsidiary Molecular Partners Inc.

Except as otherwise indicated in the following table, addresses of the directors, executive officers and named beneficial owners are in care of Molecular Partners AG, Wagistrasse 14, 8952 Schlieren, Switzerland.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percentage
<b>Principal Shareholders</b>		
Entities affiliated with Biotechnology Value Fund, L.P. <sup>(2)(3)</sup>	4,510,072	12.60 %
Oleg Nodelman (EcoR1 Capital Funds) <sup>(1)(4)</sup>	2,049,188	5.73 %
Hansjorg Wyss Revocable Trust <sup>(1)(5)</sup>	2,041,347	5.70 %
Entities affiliated with Suvretta Capital Management, LLC <sup>(1)(2)(6)</sup>	1,750,000	4.89 %
Novartis Pharma AG <sup>(1)(7)</sup>	1,739,130	4.86 %
UBS Fund Management (Switzerland) AG <sup>(1)(2)(8)</sup>	995,989	2.78 %
<b>Directors and Executive Officers</b>		
Dr. Patrick Amstutz <sup>(9)</sup>	766,000	2.14 %
Andreas Emmenegger <sup>(11)</sup>	274,555	0.77 %
Renate Gloggnier <sup>(14)</sup>	3,912	0.01 %
Dr. Nicolas Leupin <sup>(15)</sup>	16,800	0.05 %
Dr. Michael Tobias Stumpp <sup>(10)</sup>	793,114	2.22 %
William M. Burns <sup>(12)</sup>	18,222	0.05 %
Dr. Agnete Fredriksen	—	— %
Dr. Dominik Höchli	—	— %
Steven H. Holtzman <sup>(13)</sup>	31,212	0.09 %
Sandip Kapadia	—	— %
Dr. Vito Palombella	—	— %
Dr. Michael Vasconcelles	—	— %
Alexander Z✓rcher <sup>(16)</sup>	32,119	0.09 %
All current directors and executive officers as a group (13 individuals) <sup>(17)</sup>	1,935,934	5.41 %

(1) Number of voting rights carried by shares as reported by our shareholders in notifications filed with SIX Swiss Exchange.

(2) The information reported is in part derived from reports filed with the SEC pursuant to the Exchange Act.

(3) Based on a Schedule 13G/A filed with the SEC on February 14, 2023, the shares provided in the table above consist of 443,221 ADSs and 4,066,851 ordinary shares of the Company held by Biotechnology Value Fund, L.P. ("BVF"), Biotechnology Value Fund II, L.P. ("BVF2"), Biotechnology Value Trading Fund OS, L.P. ("Trading Fund OS") and a managed account for BVF Partners L.P. (the "Partners Managed Account," and collectively, the "BVF Funds"). BVF GP LLC is the general partner of BVF and may be deemed to beneficially own the shares beneficially owned by BVF. BVF II GP LLC is the general partner of BVF2 and may be deemed to beneficially own the shares beneficially owned by BVF2. BVF Partners OS Ltd. is the general partner of Trading Fund OS and may be deemed to beneficially own the shares beneficially owned by Trading Fund OS. BVF GP

- Holdings LLC, as the sole member of BVF GP LLC and BVF II GP LLC, may be deemed to beneficially own the shares beneficially owned by BVF and BVF2. BVF Partners L.P. ("Partners"), as the investment manager of BVF, BVF2 and Trading Fund OS, and the sole member of BVF Partners OS Ltd, may be deemed to beneficially own the shares held by BVF, BVF2, Trading Fund OS and the Partners Managed Account. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the shares beneficially owned by Partners. Mark Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the shares beneficially owned by BVF Inc. Each of Partners, BVF Inc. and Mark Lampert disclaims beneficial ownership of the shares beneficially owned by BVF, BVF2, Trading Fund OS, and the Partners Managed Account. The address for the BVF Funds is 44 Montgomery St., 40th Floor, San Francisco, California 94104. According to a Schedule 13G/A filed with the SEC on February 14, 2023, Mark N. Lampert (Biotechnology Value Funds) held 4,510,072 shares (corresponding to 12.60% of voting rights), consisting of 443,221 ADSs and 4,066,851 ordinary shares.
- (4) Shares of the Company are held by EcoR1 Capital Fund Qualified, L.P. (5.393689%) and EcoR1 Capital Fund, L.P. (0.331476%). Oleg Nodelmann is the beneficial owner and may exercise voting power over the shares. The address of EcoR1 Capital Fund Qualified, L.P. is 357 Tehama Street #3, San Francisco, CA 94103, USA and the address of EcoR1 Capital Fund, L.P. is 357 Tehama Street #3, San Francisco, CA 94103, USA.
  - (5) Shares of the Company are held by Hansjoerg Wyss Revocable Trust dated December 16, 1994. Hansjoerg Wyss is the beneficial owner, who may exercise voting power over the shares. As of January 10, 2023 Hansjoerg Wyss Revocable Trust sold its shareholdings in the Company.
  - (6) Includes 400,000 ADSs purchased in the Company's initial public offering of ADSs in the U.S. Shares of the Company are held by Suvretta Master Fund, Ltd., Averill Master Fund, Ltd., Vitruvius US Equity and Suvretta Long Master Fund, Ltd. Suvretta Capital Management, LLC is the beneficial owner and may exercise voting power over the shares. Aaron Cowen may also be deemed to have shared dispositive power and voting power with respect to the shares by virtue of his role at Suvretta Capital Management, LLC. The address for Suvretta Capital Management, LLC is 540 Madison Avenue, 7th Floor, New York, New York 10022.
  - (7) Shares of the Company are held by Novartis Pharma AG. Novartis Pharma AG is a direct wholly-owned subsidiary of Novartis AG, which is the beneficial owner and may exercise voting power over the shares. The address of Novartis AG is Lichtstrasse 35, 4056 Basel, Switzerland.
  - (8) Shares of the Company are held by UBS Fund Management (Switzerland) AG. UBS Fund Management (Switzerland) AG is a direct wholly-owned subsidiary of UBS Group AG, which is the beneficial owner and may exercise voting power over the shares.
  - (9) Consists of 695,920 ordinary shares and 70,080 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.
  - (10) Consists of 757,044 ordinary shares and 36,070 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.
  - (11) Consists of 238,485 ordinary shares and 36,070 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.
  - (12) Consists of 18,222 ordinary shares.
  - (13) Consists of 11,212 ordinary shares and 20,000 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.
  - (14) Consists of 3,912 ordinary shares.
  - (15) Consists of 16,800 ordinary shares.
  - (16) Consists of 19,079 ordinary shares and 13,040 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.
  - (17) Consists of 1,760,674 ordinary shares and 175,260 ordinary shares issuable upon exercise of options that are exercisable within 60 days of December 31, 2022.



In June 2021, we completed our initial public offering in the U.S. and listed our ADSs on the Nasdaq Global Select Market. In the initial public offering, we issued and sold 3,000,000 ADSs representing 3,000,000 ordinary shares. Upon the completion of our initial public offering, 32,157,793 ordinary shares were outstanding (including shares in the form of ADSs). While none of our existing shareholders sold ordinary shares in the offering, the percentage ownership held by certain shareholders decreased as a result of the issuance of the ADSs sold by us in the offering.

To our knowledge, other than as provided in the table above, our other filings with the SEC and this Annual Report on Form 20-F, the significant changes in the percentage ownership held by our principal shareholders since January 1, 2019 are as a result of the transactions described in the final prospectus related to our initial public offering dated June 15, 2021, filed with the SEC on June 16, 2021 pursuant to Rule 424(b), under the heading “Related Party Transactions-Agreements with Shareholders” and the dilution resulting from our initial public offering of ADSs in the U.S.

As of December 31, 2022, our issued share capital as recorded in the commercial register of the Canton of Zurich was CHF3,579,264.80, consisting of 35,792,648 ordinary shares with a nominal value of CHF 0.10 each. All shares rank *pari passu* with each other and no preferred shares exist.

As of December 31, 2022, to the best of our knowledge and assuming that all of our ordinary shares represented by ADSs are held by residents of the United States, we estimate that 27% of our issued ordinary shares (including ordinary shares underlying ADSs) as identified in publicly available filings were held in the United States by approximately 20 holders of record. The actual number of holders is potentially greater than these numbers of record holders, and includes beneficial owners whose ordinary shares or ADSs are held in street name by brokers and other nominees. This number of holders of record also does not include holders whose shares may be held in trust by other entities.

## **B. Related Party Transactions.**

Since January 1, 2022, we have engaged in the following transactions with our directors, executive officers and holders of more than 3% of our outstanding voting securities and their affiliates, which we refer to as our related parties.

### **Agreements with Our Directors and Executive Officers**

#### ***Employment Arrangements***

We have entered into customary employment agreements with all of our executive officers. These agreements provide for a base salary and annual incentive bonus opportunity, as well as participation in our equity incentive plans. These agreements generally require advance notice of termination of six months.

#### ***Indemnification Agreements***

We have entered into indemnification agreements with each of our directors and executive officers. See the section of this Annual Report on Form 20-F entitled “Item 6.B - Compensation—Compensation of Executive Officers—Limitations on Liability and Indemnification Matters.”

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## **Agreements with Shareholders**

See “Item 4.B - Business Overview—License and Collaboration Agreements” for information regarding the Novartis Option Agreement, the Ensovibep License Agreement and the Novartis Radioligand Agreement with Novartis.

## **Related Party Transactions Policy**

We have adopted a related person transaction policy that sets forth our procedures for the identification, review, consideration and approval or ratification of related person transactions. For purposes of our policy only, a related person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are, were or will be participants in which the amount involved exceeds \$120,000 or which is unusual in its nature or conditions. Transactions involving compensation for services provided to us as an employee, consultant or director are not covered by this policy. A related person is any enterprise that controls, is controlled by or is under common control with the Company, or in which the Company has significant influence or which has significant influence over the Company; an individual owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual’s family; key management personnel, including directors and senior management and close members of such individuals’ families; and any enterprise in which a substantial interest in the voting power of the Company is owned, directly or indirectly, by any person described in the foregoing list or over which such a person is able to exercise significant influence, including enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

Under the policy, any proposed transaction that has been identified as a related person transaction may be consummated or materially amended only following approved by our Audit and Finance Committee, or, if Audit and Finance Committee approval would be inappropriate, another independent body of our board of directors. Any transaction that was not a related person transaction when originally consummated or any transaction that was not initially identified as a related person transaction prior to consummation shall be submitted for review and ratification by our Audit and Finance Committee. The presentation of such related party transactions shall include a description of, among other things, the parties thereto, the interests, direct and indirect, of the related persons, the purpose and material facts of the transaction,, the benefits to the Company of the transaction and whether the transaction is on terms that are comparable to the terms available to or from, as the case may be, an unrelated third- party or to or from employees generally, and management’s recommendation with respect to the transaction. The Audit and Finance Committee shall approve only those related person transactions that, in light of known circumstances, are in, or are not inconsistent with, the best interests of the Company and its shareholders, as the Audit and Finance Committee determines in the good faith.

In addition, while related party transaction policies are generally not required by statutory Swiss law, our articles of association provide for the following rules in connection with transactions with members of the board of directors and the executive management:

- We may enter into mandate or other agreements with the members of our board of directors regarding their compensation as directors for a fixed term or for an indefinite term. The duration and termination are subject to term of office and the law.
- We may enter into employment agreements with the members of the executive management for a fixed term or for an indefinite term. The duration of fixed term agreements may not exceed one year. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period of a maximum of one year.

- We may enter into non-competition agreements with members of the executive management for the period after the termination of the employment agreement. The duration of any such non-competition undertaking by a member of the executive management shall not exceed two years, and the consideration paid for a non-competition undertaking shall not exceed the sum of the total annual compensation of the respective member of the executive management last paid.
- Loans to members of the board of directors and the executive management may be granted, provided they are at standard market rates and the aggregate amount of the loan extended to the member of the board of directors or executive management does not exceed 200% of the total annual compensation of the respective member of the executive management last paid or payable for the first time.
- Subject to the approval by the meeting of shareholders, we may grant to members of our board of directors or the executive management post-retirement benefits beyond the occupational benefit scheme, if such post-retirement benefits do not exceed 100% of the total annual compensation of the respective member last paid. In case of capital settlements, the value is determined by recognized actuarial methods.

### **C. Interests of Experts and Counsel.**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information.**

#### **Consolidated Financial Statements**

Our consolidated financial statements are appended at the end of this Annual Report, starting at page F-1, and incorporated herein by reference.

#### **Dividend Distribution Policy**

We have never declared or paid any dividends on our ordinary shares and we do not anticipate paying dividends on our equity securities in the foreseeable future. Instead, we intend to retain any earnings for use in the operation and expansion of our business, including for continued advancement of our proprietary DARPin product candidates, investment in research and development, building up our late-stage clinical development and, eventually, commercialization abilities. As a result, investors in our ordinary shares or ADSs will benefit in the foreseeable future only if the ordinary shares or ADSs appreciate in value.

In order for us to declare and pay dividends, the distribution must be approved by shareholders holding an absolute majority of the ordinary shares represented at the general meeting of shareholders. Our board of directors may propose distributions in the form of a common dividend or in the form of a distribution of cash or property that is based upon a reduction of our share capital recorded in the commercial register.

Common dividends may be paid only if we have sufficient distributable profits from previous years (*Gewinnvortrag*) or freely distributable reserves to allow the distribution of a dividend, in each case, as presented on our annual statutory standalone balance sheet prepared in accordance with Swiss company law after deduction of allocated statutory reserves and reserves required by our articles of association (*Statuten*). Our auditor must confirm that a proposal made by the board of directors to shareholders regarding the appropriation of our available earnings conforms to the requirements of the Swiss Code of

Obligations of March 30, 1911, as amended, the CO, and our articles of association. In order for us to pay dividends to our shareholders out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*), a shareholders' meeting must approve by the absolute majority of votes represented the reclassification of such reserves from capital contributions to freely distributable reserves (*frei verfügbare Reserven*) (to the extent permissible by the CO). Furthermore, dividends can be paid out of reserves from capital reserves only if the same amount is paid out of the annual profit or ordinary reserves. Dividends and distributions against reserves from capital contributions are usually due and payable after the shareholders' resolution relating to the allocation of profit and distribution against reserves from capital contributions (if applicable) has been passed at the shareholders' meeting or at a later date as determined by the shareholders' dividend resolution. Under Swiss law, the statute of limitations with respect to dividend payments is five years. Dividends not collected within five years after their due date accrue to us and will be allocated to our general reserves. Dividends paid on ordinary shares are subject to Swiss federal withholding tax, except if paid out of reserves from capital contributions. See "Swiss Tax Implications for U.S. Holders—Swiss Tax Considerations—Swiss Federal Withholding Tax" for a summary of certain Swiss tax consequences regarding dividends and other distributions distributed to holders of our ordinary shares. As of December 31, 2022, we had reserves from capital contributions in an aggregate amount of CHF 327,226,982, of which CHF 179,226,982 were legal capital reserves and CHF 148,000,000 were free reserves.

A distribution of cash or property that is based on a reduction of our share capital requires a special audit report confirming that the claims of our creditors remain fully covered by our assets despite the reduction in the share capital recorded in the commercial register. Upon approval by the general meeting of the shareholders of the capital reduction, our board of directors must give public notice of the capital reduction in the Swiss Official Gazette of Commerce three times and notify our creditors that they may request, within two months of the third publication, satisfaction of or security for their claims. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss federal withholding tax. See "Swiss Tax Implications for U.S. Holders—Swiss Tax Considerations—Swiss Federal Withholding Tax" for a summary of certain Swiss tax consequences regarding distributions paid on the ordinary shares that are based upon a capital reduction. For a description of share capital reductions under the revised Swiss corporate law that entered into force in 2023, see "Item 10.B. Memorandum and Articles of Association Swiss Corporate Law Reform."

Dividend distributions, if any in the future, will be declared and paid in Swiss francs and converted into U.S. dollars with respect to our ADSs.

Our board of directors determines the date on which the dividend entitlement starts. Dividends are usually due and payable shortly after the shareholders have passed the resolution approving the payment, but shareholders may also resolve at the ordinary general meeting of shareholders to pay dividends in quarterly or other installments.

### **Legal Proceedings**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

On July 12, 2022, a putative class action complaint was filed in the U.S. District Court for the Southern District of New York against the Company, its directors, and certain of its executive officers. The complaint alleges that the defendants violated federal securities laws by, among other things, making misrepresentations and omissions regarding its product candidates ensovibep and MP0310. The complaint seeks unspecified compensatory damages, as well as an award of reasonable attorneys' fees and other

costs, on behalf of persons and/or entities which purchased (a) the Company's American Depositary Shares (ADSs) pursuant to certain offering documents issued in connection with the Company's initial public offering of ADSs; and/or (b) our securities between June 16, 2021 and April 26, 2022 inclusive. A motion to appoint a lead plaintiff and counsel was filed on September 12, 2022 and is still pending. The matter remains in its early stages. The Company disputes these claims and intends to defend itself accordingly. The Company expresses no assurances as to the ultimate outcome of this matter.

**B. Significant Changes.**

A discussion of significant changes in our business can be found under "Item 4. Information on the Company - 4.B. Business Overview."

**Item 9. The Offer and Listing.**

**A. Offer and Listing Details.**

Our ADSs have been listed on the Nasdaq Global Select Market under the symbol "MOLN" since June 16, 2021. Prior to June 16, 2021, there was no public trading market for ADSs. Our ordinary shares have been listed on the SIX Swiss Exchange, or SIX, under the symbol "MOLN" since November 5, 2014. Prior to November 5, 2014, there was no public trading market for ordinary shares.

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

Our ADSs have been listed on the Nasdaq Global Select Market under the symbol "MOLN" since June 16, 2021, and our ordinary shares have been listed on SIX under the symbol "MOLN" since November 5, 2014.

**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**Item 10. Additional Information.**

**A. Share Capital.**

Not applicable.

## **B. Memorandum and Articles of Association.**

Subject to the specifications mentioned below, the information set forth in our Registration Statement on Form F-1 (File No. 333-255447) as filed with the SEC on June 14, 2021 and declared effective by the SEC on June 15, 2021, under the headings “Description of Share Capital and Articles of Association – The Company,” “Description of Share Capital and Articles of Association – General Meeting of Shareholders,” “Description of Share Capital and Articles of Association – Voting Rights,” “Description of Share Capital and Articles of Association – Dividends and Other Distributions,” “Description of Share Capital and Articles of Association – Transfer of Shares,” “Description of Share Capital and Articles of Association – Inspection of Books and Records,” “Description of Share Capital and Articles of Association – Compulsory Acquisitions; Appraisal Rights,” “Description of Share Capital and Articles of Association – Board of Directors,” “Description of Share Capital and Articles of Association – Conflict of Interest, Management Transactions” “Description of Share Capital and Articles of Association – Principles of the Compensation of the Board of Directors and the Executive Management,” “Comparison of Swiss Law and Delaware Law” and “Enforcement of Judgments” is incorporated herein by reference.

### ***Swiss Corporate Law Reform***

On January 1, 2023, legislation that modernized certain aspects of Swiss corporate law (the Swiss corporate law reform (*Aktienrechtsrevision*)) entered into force. Most relevantly, the legislative reform addressed, among other topics, (i) the modernization and increased flexibility for a stock corporation's capital base, (ii) the strengthening of shareholder rights and the protection of minorities, (iii) certain changes to financial distress/restructuring measures, (iv) corporate governance and executive compensation matters (amongst others, the incorporation of the ordinance against excessive compensation in listed stock corporations (OaEC) into the Swiss Code of Obligations (CO), and (v) certain socio-political topics (*e.g.*, gender representation and disclosure requirements for companies active in the raw materials sector, which, subject to transitional periods, entered into force on January 1, 2021). The Swiss corporate law reform is subject to certain transitional periods as provided for therein. In particular, Swiss stock corporations registered with the Commercial Register on January 1, 2023, are required to amend their articles of association and organizational regulations in line with the new legislation within a transitional period of two years (*i.e.*, until January 1, 2025). Accordingly, we intend to propose certain amendments to our articles of association at the next annual general meeting of shareholders. Until such amendments have been adopted and approved by the general meeting of shareholders, our current articles of association remain in full force and effect. In light of these reforms, certain information (x) set out below and (y) incorporated by reference herein in the above-referenced sections of our Registration Statement on Form F-1 (File No. 333-255447) as filed with the SEC on June 14, 2021 and declared effective by the SEC on June 15, 2021, will be subject to the changes and modifications pursuant to this new legislation.

### ***Share Capital***

As of each of December 31, 2022, our issued share capital as recorded in the commercial register of the Canton of Zurich was CHF 3,579,264.80, consisting of 35,792,648 ordinary shares with a nominal value of CHF 0.10 each. As of March 1, 2023, our issued share capital as recorded in the commercial register of the Canton of Zurich was CHF 3,604,470.60, consisting of 36,044,706 ordinary shares with a nominal value of CHF 0.10 each.

Under our articles of association, in their current version dated January 19, 2023, our board of directors is authorized to increase the share capital at any time on or before April 13, 2024, by a maximum aggregate amount of CHF 457,316.20 through the issuance of not more than 4,573,162 shares, which would have to be fully paid-in, with a nominal value of CHF 0.10 each.

Increases in partial amounts are permitted. The board of directors has the power to determine the type of contributions, the issue price and the date on which the dividend entitlement starts.

The board of directors is also authorized to withdraw or limit pre-emptive rights as described above. This authorization is exclusively linked to the particular available authorized share capital set out in the respective article. If the period to increase the share capital lapses without having been used by the board of directors, the authorization to withdraw or to limit the pre-emptive rights lapses simultaneously with such capital.

From January 1, 2019 through December 31, 2022, the number of our issued ordinary shares as recorded in the commercial register of the Canton of Zurich underwent the following changes:

**2019**

Issued shares recorded on January 1, 2019	21,044,062
Reflecting in commercial register on January 22, 2019 of prior issuance of new shares with a nominal value of CHF 0.10 each issued (but not reflected) in the one-year period ended December 31, 2018 out of conditional share capital	184,531
Issued shares recorded on December 31, 2019	21,228,593

**2020**

Issued shares recorded on January 1, 2020	21,228,593
Reflecting in commercial register on January 20, 2020 of prior issuance of new shares with a nominal value of CHF 0.10 each issued (but not reflected) in the one-year period ended December 31, 2019 out of conditional share capital	372,599
Issuance in an accelerated bookbuilding transaction of new shares with a nominal value of CHF 0.10 each on July 8, 2020 out of authorized share capital immediately reflected in the commercial register on July 8, 2020	5,528,089
Issuance of new shares with a nominal value of CHF 0.10 each to Novartis Pharma AG on October 28, 2020 out of conditional share capital, immediately reflected in commercial register on October 28, 2020	1,739,130
Issued shares recorded on December 31, 2020	28,868,411

**2021**

Issued shares recorded on January 1, 2021	28,868,411
Reflecting in commercial register on January 20, 2021 of prior issuance of new shares with a nominal value of CHF 0.10 each issued (but not reflected) in the one-year period ended December 31, 2020 out of conditional share capital	278,581
Issued shares recorded on April 30, 2021	29,146,992
Issuance for our US IPO of new shares with a nominal value of CHF 0.10 each on June 16, 2021 out of authorized share capital immediately reflected in the commercial register on June 16, 2021	3,000,000
Issued shares recorded on December 31, 2021	32,146,992

**2022**

Issued shares recorded on January 1, 2022	32,146,992
Reflecting in commercial register on January 20, 2022 of prior issuance of new shares with a nominal value of CHF 0.10 each issued (but not reflected) in the one-year period ended December 31, 2021 out of conditional share capital	145,656
Issued shares recorded on March 1, 2022	32,292,648
Issuance of new shares for treasury shares fully owned by Molecular Partners, Inc. with a nominal value of CHF 0.10 each on August 24, 2022 out of authorized share capital immediately reflected in the commercial register on August 24, 2022	3,500,000
Issued shares recorded on August 24, 2022	35,792,648
Issued shares recorded on December 31, 2022	35,792,648

**2023**

Issued shares recorded on January 1, 2023	35,792,648
Reflecting in commercial register on January 19, 2023 of prior issuance of new shares with a nominal value of CHF 0.10 each issued (but not reflected) in the one-year period ended December 31, 2022 out of conditional share capital	252,058
Issued shares recorded on March 1, 2023	36,044,706



## History of Securities Issuances

From January 1, 2019 through December 31, 2022, the events set out above and further described below have changed our issued share capital and, in parallel, the number of our issued ordinary shares, in each case as recorded in the commercial register of the Canton of Zurich.

- On January 22, 2019, our share capital was increased by CHF 18,453.10 through the issuance of 184,531 new shares with a nominal value of CHF 0.10 each. These shares had been issued out of conditional share capital (but were not recorded in the commercial register until January 22, 2019) in the one-year period ended December 31, 2018, based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. Our articles of incorporation were amended accordingly to reflect the new share capital.
- On January 20, 2020, our share capital was increased by CHF 37,259.90 through the issuance of 372,599 new shares with a nominal value of CHF 0.10 each. These shares had been issued out of conditional share capital (but were not recorded in the commercial register until January 20, 2020) in the one-year period ended December 31, 2019, based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. Our articles of incorporation were amended accordingly to reflect the new share capital.
- On July 8, 2020, our share capital was increased by CHF 552,808.90 through the issuance of 5,528,089 new shares with a nominal value of CHF 0.10 each. These shares were issued out of authorized share capital based on the resolution of the general meeting of shareholders held on April 29, 2020 regarding an authorized share capital increase of up to CHF 565,986 through the issuance of up to 5,659,860 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each on or before April 29, 2022. The new shares were placed with institutional investors in an accelerated bookbuilding transaction, under withdrawal of statutory pre-emptive rights of existing shareholders. Our articles of incorporation were amended accordingly to reflect the new share capital.
- On October 28, 2020, our share capital was increased by CHF 173,913.00 through the issuance of 1,739,130 new shares with a nominal value of CHF 0.10 each. These shares were issued out of conditional share capital based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. The new shares were issued to Novartis Pharma AG in connection with an option and equity rights agreement providing for a collaboration to develop, manufacture and commercialize certain product candidates and/or therapies. Our articles of incorporation were amended accordingly to reflect the new share capital.
- On January 20, 2021, our share capital was increased by CHF 27,858.10 through the issuance of 278,581 new shares with a nominal value of CHF 0.10 each. These shares had been issued out of conditional share capital (but were not recorded in the commercial register until January 20, 2021) in the one-year period ended December 31, 2020, based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. Our articles of incorporation were amended accordingly to reflect the new share capital.

- On June 16, 2021, our share capital was increased by CHF 28,641.20 through the issuance of 3,000,000 new shares with a nominal value of CHF 0.10 each. These shares were issued out of authorized share capital based on the resolution of the general meeting of shareholders held on April 21, 2021 regarding an authorized share capital increase of up to CHF 728,675 through the issuance of up to 7,286,750 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each on or before April 21, 2023. These 3,000,000 new shares issued under withdrawal of statutory preemptive rights of existing shareholders, are underlying the 3,000,000 American Depositary Shares created within the framework of the IPO of the Company on the Nasdaq Global Selected Market that were placed with institutional investors. Our articles of incorporation were amended accordingly to reflect the new share capital.
- On January 20, 2022, our share capital was increased by CHF 14,565.60 through the issuance of 145,656 new shares with a nominal value of CHF 0.10 each. These shares had been issued out of conditional share capital (but were not recorded in the commercial register until January 20, 2022) in the one-year period ended December 31, 2021, based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. Our articles of incorporation were amended accordingly to reflect the new share capital.
- In August 2022, we issued 3,500,000 common shares at par value CHF 0.1 per share. The shares were fully subscribed for by Molecular Partners Inc., a fully owned subsidiary of the Company. As of December 31, 2022, all 3,500,000 common shares were held as treasury shares of the Company. The purpose of the share issuance was to replenish our pool of treasury shares that we can use in the future to raise funds, including in connection with our at-the-market sales program for American Depositary Shares established in July 2022.
- On January 19, 2023, our share capital was increased by CHF 25,205.80 through the issuance of 252,058 new shares with a nominal value of CHF 0.10 each. These shares had been issued out of conditional share capital (but were not recorded in the commercial register until January 19, 2023) in the one-year period ended December 31, 2022, based on the resolution of the general meeting of shareholders held on October 6, 2014 regarding a conditional capital increase of up to CHF 400,000 through the issuance of up to 4,000,000 registered shares with a nominal value of CHF 0.10 (to be fully paid in) each. Our articles of incorporation were amended accordingly to reflect the new share capital.

### ***Articles of Association***

Under our current articles of association, our board of directors is authorized to increase the share capital at any time on or before April 13, 2024, by a maximum aggregate amount of CHF 457,316 through the issuance of not more than 4,573,162 shares, which would have to be fully paid-in, with a nominal value of CHF 0.10 each.

Increases in partial amounts are permitted. The board of directors has the power to determine the type of contributions, the issue price and the date on which the dividend entitlement starts.

The board of directors is also authorized to withdraw or limit pre-emptive rights as described above. This authorization is exclusively linked to the particular available authorized share capital set out in the respective article. If the period to increase the share capital lapses without having been used by the board of directors, the authorization to withdraw or to limit the pre-emptive rights lapses simultaneously with such capital.

Our share capital may as of December 31, 2022 be increased by a (following the transactions set out in "*—History of Securities Issuances*", residual) maximum aggregate amount of CHF 136,296.30 through the issuance of not more than 1,362,963 ordinary shares, which would need to be fully paid-in, with a nominal value of CHF 0.10 each, through the direct or indirect issuance of shares, options or pre-emptive rights thereof granted to employees and members of our board of directors as well as to members of any advisory boards. Shares, options or pre-emptive rights thereof shall be issued in accordance with one or more participation plans and/or policies to be issued by our board of directors and in accordance with our articles of association.

In addition, our share capital may be increased by a (following the transactions set out in "*—History of Securities Issuances*", residual) maximum aggregate amount of CHF 226,087 through the issuance of up to 2,260,870 fully paid up shares with a nominal value of CHF 0.10 each through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations by us or any of our group companies.

### **C. Material Contracts.**

In addition to the contracts described elsewhere in this Annual Report, the following are summaries of each material contract to which we are a party for the two years preceding the date of this Annual Report.

#### **Underwriting Agreement**

In June 2021, we entered into an underwriting agreement with J.P. Morgan Securities LLC, SVB Leerink LLC and Cowen and Company, LLC, as representatives of the underwriters, with respect to the ADSs sold in our initial public offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

#### **Sales Agreement**

On July 1, 2022, we entered into the Sales Agreement with SVB Securities LLC to sell ordinary shares from time to time at our discretion under an "at the market", or ATM, program, with aggregate gross sales proceeds of up to \$100.0 million. The Sales Agreement provides that the commission payable to SVB Securities LLC, as sales agent, for sales of ordinary shares under the ATM program shall be up to 3.0% of the aggregate gross proceeds of any ordinary shares sold under the Sales Agreement. The Sales Agreement contains customary representations and warranties of the parties and indemnification and contribution provisions, including our agreement to indemnify SVB Securities LLC against certain liabilities, including liabilities under the Securities Act. We and SVB Securities LLC have the right, by giving written notice as specified in the Sales Agreement, to terminate the Sales Agreement.

As of March 8, 2023, we have not made any sales under the Sales Agreement.

For additional information on our material contracts, please see "Item 4. - Information on the Company," "Item 6. - Directors, Senior Management and Employees," and "Item 7.B. - Related Party Transactions" of this Annual Report.

### **D. Exchange Controls.**

There are no Swiss governmental laws, decrees or regulations that restrict, in a manner material to us, the export or import of capital, including any foreign exchange controls, or that generally affect the

remittance of dividends or other payments to non-residents or non-citizens of Switzerland who hold our ordinary shares.

## **E. Taxation.**

### ***Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax***

#### *Non-Resident Shareholders*

Holders of ADSs representing our shares who are not resident in Switzerland for tax purposes, and who, during the relevant taxation year, have not engaged in a trade or business carried on through a permanent establishment or fixed place of business situated in Switzerland for tax purposes (all such shareholders are hereinafter referred to as the Non-Resident Shareholders), will not be subject to any Swiss federal, cantonal and communal income tax on dividends and similar cash or in-kind distributions on ADSs representing our shares (including dividends on liquidation proceeds and stock dividends) (hereinafter referred to as the Dividends), distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) on shares underlying the ADSs, or capital gains realized on the sale or other disposition of ADSs (see, however, "Swiss Federal Withholding Tax" for a summary of Swiss federal withholding tax on Dividends).

#### *Resident Private Shareholders*

Swiss resident individuals who hold their ADSs as private assets (all such shareholders are hereinafter referred to as the Resident Private Shareholders) are required to include Dividends, but not distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) of the shares underlying the ADSs, in their personal income tax return and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant taxation period, including the Dividends, but not the distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*). Capital gains resulting from the sale or other dispositions of ADSs are not subject to Swiss federal, cantonal and communal income tax, and conversely, capital losses are not tax-deductible for Resident Private Shareholders. See "Domestic Commercial Shareholders" for a summary of the taxation treatment applicable to Swiss resident individuals, who, for income tax purposes, are classified as "professional securities dealers."

#### *Domestic Commercial Shareholders*

Corporate and individual shareholders who are resident in Switzerland for tax purposes and corporate and individual shareholder who are not resident in Switzerland, and who, in each case, hold their ADSs as part of a trade or business carried on in Switzerland, in the case of corporate and individual shareholders not resident in Switzerland, through a permanent establishment or fixed place of business situated, for tax purposes, in Switzerland, are required to recognize Dividends, distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) received on shares underlying the ADSs and capital gains or losses realized on the sale or other disposition of ADSs in their income statement for the relevant taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings for such taxation period. The same taxation treatment also applies to Swiss-resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealing, or leveraged investments in ADSs and other securities (the shareholders referred to in this section, the Domestic Commercial Shareholders). Domestic Commercial Shareholders who are corporate taxpayers may be eligible for dividend relief (*Beteiligungsabzug*) in

respect of Dividends and distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) if the shares underlying the ADSs held by them as part of a Swiss business have an aggregate market value of at least CHF 1 million.

### **Swiss Cantonal and Communal Private Wealth Tax and Capital Tax**

#### *Non-Resident Shareholders*

Non-Resident Shareholders are not subject to Swiss cantonal and communal private wealth tax or capital tax.

#### *Resident Private Shareholders and Domestic Commercial Shareholders*

Resident Private Shareholders and Domestic Commercial Shareholders who are individuals are required to report their ADSs as part of private wealth or their Swiss business assets, as the case may be, and will be subject to Swiss cantonal and communal private wealth tax on any net taxable wealth (including the ADSs), in the case of Domestic Commercial Shareholders to the extent the aggregate taxable wealth is allocated in Switzerland. Domestic Commercial Shareholders who are corporate taxpayers are subject to Swiss cantonal and communal capital tax on taxable capital to the extent the aggregate taxable capital is allocated to Switzerland.

### **Swiss Federal Withholding Tax**

Dividends that the Company pays on the shares underlying the ADSs are subject to Swiss Federal withholding tax (*Verrechnungssteuer*) at a rate of 35% on the gross amount of the Dividend. The Company is required to withhold the Swiss federal withholding tax from the Dividend and remit it to the Swiss Federal Tax Administration. Distributions based upon a capital reduction (*Nennwertrückzahlungen*) or paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*) are not subject to Swiss federal withholding tax.

The Swiss federal withholding tax on a Dividend will be refundable in full to a Resident Private Shareholder and to a Domestic Commercial Shareholder, who, in each case, inter alia, as a condition to refund, duly reports the Dividend in his or her individual income tax return as income or recognizes the Dividends in its income statement as earnings, as applicable.

A Non-Resident Shareholder may be entitled to a partial refund of the Swiss federal withholding tax on Dividend if the country of his or her residence for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the conditions of such treaty are met. Such shareholders should be aware that the procedures for claiming tax treaty benefits (and the time required for obtaining a refund) might be different from country to country. For example, a shareholder who is resident of the U.S. for the purposes of the bilateral treaty between the U.S. and Switzerland is eligible for a refund of the amount of the withholding tax in excess of the 15% treaty rate, provided such shareholder: (i) qualifies for benefits under this treaty and qualifies as beneficial owner of the Dividends; (ii) hold, directly or indirectly, less than 10% of the voting stock of the Company; (iii) does not qualify as a pension scheme or retirement arrangement for the purpose of the bilateral treaty; and (iv) does not conduct business through a permanent establishment or fixed base in Switzerland to which the ADSs are attributable. Such an eligible U.S. shareholder may apply for a refund of the amount of the withholding tax in excess of the 15% treaty rate. The applicable refund request form may be filed with the Swiss Federal Tax Administration following receipt of the dividend and the relevant deduction certificate, however no later than December 31 of the third year following the calendar year in which the dividend was payable.

### ***Swiss Federal Stamp Taxes***

Any dealings in the ADSs, where a bank or another securities dealer in Switzerland, as defined in the Swiss Federal Stamp Tax Act, acts as intermediary or is a party to the transaction, are, subject to certain exemptions provided for in the Swiss Federal Stamp Tax Act, subject to Swiss securities turnover tax at an aggregate tax rate of up to 0.15% of the consideration paid for such ADSs.

### ***International Automatic Exchange of Information in Tax Matters***

On November 19, 2014, Switzerland signed the Multilateral Competent Authority Agreement, which is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of automatic exchange of information, or the AEOI. The Federal Act on the International Automatic Exchange of Information in Tax Matters, or the AEOI Act, entered into force on January 1, 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of specialty (i.e., the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings) and adequate data protection.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland exchanges data in respect of financial assets, including the Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in an EU member state or in a treaty state.

### ***Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act***

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On October 8, 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

### ***Material U.S. Federal Income Tax Consequences for U.S. Holders***

The following discussion describes the material U.S. federal income tax consequences relating to the ownership and disposition of our ADSs by U.S. Holders (as defined below). This discussion applies to U.S. Holders that hold ADSs as capital assets (generally, property held for investment) within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based on the Code, U.S. Treasury Regulations promulgated thereunder, the income tax treaty between the United States and Switzerland, or the Treaty, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as certain financial institutions, insurance companies, broker-dealers and traders in securities or other persons that generally mark their securities to market for U.S. federal income tax purposes, tax-exempt entities, retirement plans, regulated investment

companies, real estate investment trusts, certain former citizens or residents of the United States, persons who hold ADSs as part of a “straddle,” “conversion transaction,” “synthetic security” or integrated investment, persons who received their ADSs as compensatory payments, persons that have a “functional currency” other than the U.S. dollar, persons that own directly, indirectly or through attribution 10% or more of the voting power or value of our ADSs, corporations that accumulate earnings to avoid U.S. federal income tax, S-corporations, partnerships (including entities or arrangements treated as partnerships for U.S. federal income tax purposes) and other pass-through entities, and investors in such pass-through entities, or persons who hold our ADSs in connection with a trade or business, permanent establishment or fixed place of business outside the United States, including a permanent establishment in Switzerland). This discussion relates only to U.S. federal income taxes and does not address any other taxes, including but not limited to, U.S. state or local or non-U.S. tax consequences or any U.S. federal estate, gift or alternative minimum tax consequences, or the special tax accounting rules under Section 451(b) of the Code.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of ADSs that is, for U.S. federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (3) an estate the income of which is subject to U.S. federal income tax regardless of its source or (4) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions or (y) that has elected under applicable U.S. Treasury regulations to be treated as a domestic trust for U.S. federal income tax purposes.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds ADSs, the U.S. federal income tax consequences relating to an investment in the ADSs will depend in part upon the status and activities of such entity or arrangement and the particular partner. Any such entity or arrangement should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it and its partners of the purchase, ownership and disposition of ADSs.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with their terms. A U.S. Holder of ADSs will generally be treated for U.S. federal income tax purposes as holding the ordinary shares represented by the ADSs, and, accordingly, no gain or loss will be recognized upon an exchange of ADSs for ordinary shares.

#### **Passive Foreign Investment Company Consequences**

In general, a corporation organized outside the United States will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year in which, after the application of certain look-through rules with respect to income and assets of its subsidiaries, either (1) at least 75% of its gross income is “passive income,” or (2) on average at least 50% of its assets, determined on a quarterly basis, for the taxable year are assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents, and gains from the sale or exchange of property that gives rise to passive income. Assets that produce or are held for the production of passive income generally include cash, even if held as working capital or raised in a public offering, marketable securities, and other assets that may produce passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Our status as a PFIC will depend on the nature and composition of our income and the nature, composition and value of our assets (which, may be determined in large part by reference to the market price of the ADSs, which is likely to continue to fluctuate) in each year, and because the determination of whether or not we are a PFIC for any taxable year is a factual determination made annually after the end of each taxable year and because the applicable law is subject to varying interpretations, we cannot provide any assurance regarding our PFIC status.

Based upon our analysis of the value of our assets and the nature and composition of our income and assets, we believe that we were a PFIC for the taxable year ended December 31, 2022. However, the determination of whether or not we are a PFIC is a fact-intensive determination made annually after the end of the taxable year and because the applicable law is subject to varying interpretations, we cannot provide any assurance regarding our PFIC status and our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year. Furthermore, there can be no assurance that the IRS will agree with our conclusion or that the IRS will not successfully challenge our position. Accordingly, we cannot provide any assurances regarding our PFIC status for the current or future taxable years.

If we are a PFIC in any taxable year during which a U.S. Holder owns ADSs, the U.S. Holder could be liable for additional taxes and interest charges under the “PFIC excess distribution regime” upon (1) a distribution made during a taxable year that is greater than 125% of the average annual distributions made in the three preceding taxable years, or, if shorter, the U.S. Holder’s holding period for the ADSs, and (2) any gain recognized on a sale, exchange or other disposition, including a pledge, of the ADSs, whether or not we continue to be a PFIC. Under the PFIC excess distribution regime, the tax on such distribution or gain would be determined by allocating the distribution or gain ratably over the U.S. Holder’s holding period for ADSs. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, for ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax.

If we are a PFIC for any year during which a U.S. Holder holds ADSs, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. Holder holds the ADSs, unless we cease to meet the requirements for PFIC status and the U.S. Holder makes a “deemed sale” election with respect to the ADSs. If this election is made, the U.S. Holder will be deemed to sell the ADSs it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC. Any gain recognized from such deemed sale will be taxed under the PFIC excess distribution regime, and any loss will not be recognized. The U.S. Holder’s tax basis in its ADSs will be increased by the amount of gain recognized, and the U.S. Holder’s holding period for its ADSs will start on the day after the last day of the last taxable year in which we qualified as a PFIC. After the deemed sale election, the U.S. Holder’s ADSs will not be treated as shares of a PFIC unless we subsequently become a PFIC.

If we are a PFIC for any taxable year during which a U.S. Holder holds ADSs and at any time have a non-U.S. corporate subsidiary that is also a PFIC (i.e., a lower-tier PFIC), such U.S. Holder generally will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and will be taxed under the PFIC excess distribution regime on distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to our non-U.S. subsidiaries.

If we are a PFIC, a U.S. Holder will not be subject to tax under the PFIC excess distribution regime on distributions or gain recognized on ADSs if such U.S. Holder makes a valid “mark-to-market” election



for our ADSs. A mark-to-market election is available to a U.S. Holder only for “marketable stock.” Our ADSs will be marketable stock as long as they remain listed on the Nasdaq Global Select Market and are regularly traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. If a mark-to-market election is in effect, a U.S. Holder generally will take into account, as ordinary income for each taxable year of the U.S. Holder, any excess of the fair market value of ADSs held at the end of such taxable year over the U.S. Holder's adjusted tax basis in such ADSs. The U.S. Holder will also take into account, as an ordinary loss for each taxable year, any excess of its adjusted tax basis in such ADSs over their fair market value at the end of the taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-market election. The U.S. Holder's tax basis in ADSs will be adjusted to reflect any income or loss recognized as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of ADSs in any taxable year in which we are a PFIC will be treated as ordinary income and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss.

A mark-to-market election will not apply to ADSs for any taxable year during which we are not a PFIC but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. Such election will not apply to any non-U.S. subsidiaries that we may organize or acquire in the future. Accordingly, a U.S. Holder may continue to be subject to tax under the PFIC excess distribution regime with respect to any lower-tier PFICs that we may organize or acquire in the future notwithstanding the U.S. Holder's mark-to-market election for the ADSs.

The tax consequences that would apply if we are a PFIC would also be different from those described above if a U.S. Holder were able to make a valid qualified electing fund, or QEF, election for taxable years during which the U.S. Holder holds our ADSs and in which we are a PFIC. Instead, a U.S. Holder that makes a QEF election is required for each taxable year to include in income (i) the U.S. Holder's pro rata share of the PFIC's ordinary earnings as ordinary income or (ii) the U.S. Holder's pro rata share of the EF net capital gains as capital gain, regardless of whether such earnings or gain have in fact been distributed, for each taxable year that the entity is classified as a PFIC. If a U.S. Holder makes a QEF election with respect to us, any distributions paid by us out of our earnings and profits that were previously included in the U.S. Holder's income under the QEF election would not be taxable to the U.S. Holder. A U.S. Holder will increase its tax basis in its ADSs by an amount equal to any income included under the QEF election and will decrease its tax basis by any amount distributed on the ADSs that is not included in the U.S. Holder's income. If a U.S. Holder has made a QEF election with respect to its ADSs, any gain or loss recognized by the U.S. Holder on a sale or other disposition of such ADSs will constitute capital gain or loss. In addition, if a U.S. Holder makes a timely QEF election, our ADSs will not be considered shares in a PFIC in years in which we are not a PFIC, even if the U.S. Holder had held ADSs in prior years in which we were a PFIC.

U.S. Holders should consult their tax advisors regarding making QEF elections in their particular circumstances. If a U.S. Holder does not make and maintain a QEF election for the U.S. Holder's entire holding period for our ADSs by making the election for the first year in which the U.S. Holder owns our ADSs, the U.S. Holder will be subject to the adverse PFIC rules discussed above unless the U.S. Holder can properly make a “purging election” with respect to our ADSs in connection with the U.S. Holder's QEF election. A purging election may require the U.S. Holder to recognize taxable gain on the U.S. Holder's ADSs.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS

Form 8621, including the information provided in the PFIC annual information statement, to a timely filed U.S. federal income tax return and by filing a copy of the form with the IRS. We may / expect to provide the information necessary for a U.S. Holder to make a QEF election if we were treated as a PFIC for any taxable year, although, there is no assurance that we will do so. There is no assurance that we have not been previously classified as a PFIC during a U.S. Holder's holding period for ADSs. Accordingly, U.S. holders may be unable to make a timely QEF election with respect to our ADSs.

U.S. Holders should consult their tax advisors to determine whether any of these above elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

Each U.S. person (as defined in the Code) that is an investor of a PFIC is generally required to file an annual information return on IRS Form 8621 containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

**The U.S. federal income tax rules relating to PFICs are very complex. U.S. Holders are strongly urged to consult their own tax advisors with respect to the impact of PFIC status on the ownership and disposition of ADSs, the consequences to them of an investment in a PFIC, any elections available with respect to the ADSs and the IRS information reporting obligations with respect to the ownership and disposition of ADSs of a PFIC.**

### **Distributions**

We do not anticipate declaring or paying dividends to holders of our ADSs in the foreseeable future. However, if we make a distribution contrary to this expectation, subject to the discussion above under “- Passive Foreign Investment Company Consequences,” a U.S. Holder that receives a distribution with respect to ADSs generally will be required to include the gross amount of such distribution in gross income as a dividend when actually or constructively received to the extent of the U.S. Holder's pro rata share of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent a distribution received by a U.S. Holder is not a dividend because it exceeds the U.S. Holder's pro rata share of our current and accumulated earnings and profits, it will be treated first as a taxfree return of capital and reduce (but not below zero) the adjusted tax basis of the U.S. Holder's ADSs. To the extent the distribution exceeds the adjusted tax basis of the U.S. Holder's ADSs, the excess will be taxed as capital gain. Because we may not account for our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect all distributions to them to be treated as dividends. The amount of any dividend income paid in a currency other than the U.S. dollar will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Distributions on ADSs that are treated as dividends generally will constitute income from sources outside the United States for foreign tax credit purposes and generally will constitute passive category income. Subject to certain complex conditions and limitations and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Swiss taxes withheld on any distributions on ADSs at a rate not exceeding the rate provided by the Treaty may be eligible for credit against a U.S. Holder's federal income tax liability. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming a deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

Dividends paid by a “qualified foreign corporation” are eligible for taxation to noncorporate U.S. Holders at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain requirements are met, including holding period and the absence of certain risk reduction transaction requirements. Each U.S. Holder is advised to consult its tax advisors regarding the availability of the reduced tax rate on dividends with regard to its particular circumstances. Prospective investors should be aware, however, that dividends paid by a company that is a PFIC in the taxable year in which the distribution is paid or in the preceding taxable year are not eligible to be taxed at such reduced rate. Distributions on ADSs that are treated as dividends generally will not be eligible for the “dividends received” deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations.

A non U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (b) with respect to any dividend it pays on ADSs that are readily tradable on an established securities market in the United States. We believe that we qualify as a resident of Switzerland for purposes of, and are eligible for the benefits of the Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange of information provision. Our ADSs will generally be considered to be readily tradable on an established securities market in the United States if they are listed on Nasdaq Global Select Market, as we intend our ADSs to be. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs.

### **Sale, Exchange or Other Disposition of ADSs**

Subject to the discussion above under “- *Passive Foreign Investment Company Consequences*,” a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of ADSs in an amount equal to the difference, if any, between the amount realized (i.e., the amount of cash plus the fair market value of any property received) on the sale, exchange or other disposition and such U.S. Holder’s adjusted tax basis in the ADSs. Such capital gain or loss generally will be longterm capital gain taxable at a reduced rate for noncorporate U.S. Holders or longterm capital loss if, on the date of sale, exchange or other disposition, the ADSs were held by the U.S. Holder for more than one year. Any capital gain of a noncorporate U.S. Holder that is not longterm capital gain will be taxed at ordinary income rates. The deductibility of capital losses is subject to limitations. Any gain or loss recognized from the sale or other disposition of ADSs will generally be gain or loss from sources within the United States for U.S. foreign tax credit purposes.

### **Medicare Tax**

Certain U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally are subject to a 3.8% tax on all or a portion of their net investment income, which may include their gross dividend income and net gains from the disposition of ADSs. If you are a United States person that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of this Medicare tax to your income and gains in respect of your investment in ADSs.

### **Information Reporting and Backup Withholding**

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to their investment in ADSs, including, among others, IRS Form 8938 (Statement of Specified Foreign

Financial Assets). As described above under “Passive Foreign Investment Company Consequences”, each U.S. Holder who is a shareholder of a PFIC must file an annual report containing certain information.

Dividends on and proceeds from the sale or other disposition of ADSs may be subject to U.S. backup withholding unless the U.S. Holder establishes a basis for exemption. Backup withholding generally would apply if the holder (1) fails to provide an accurate United States taxpayer identification number or otherwise establish a basis for exemption (usually on IRS Form W-9), or (2) establishes an exemption from information reporting and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against a U.S. Holder’s U.S. federal income tax liability if the required information is furnished by the U.S. Holder on a timely basis to the IRS.

U.S. Holders paying more than US\$100,000 for our ADSs may be required to file IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) reporting this payment. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

U.S. Holders should consult their own tax advisors regarding the backup withholding and information reporting rules.

#### **F. Dividends and Paying Agents.**

Not applicable.

#### **G. Statement by Experts.**

Not applicable.

#### **H. Documents on Display.**

We are subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers and under those requirements will file reports with the SEC. Those reports may be inspected without charge at the locations described below. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. Nevertheless, we will file with the SEC an Annual Report on Form 20-F containing financial statements that have been examined and reported on, with and opinion expressed by an independent registered public accounting firm.

We maintain a corporate website at [www.molecularpartners.com](http://www.molecularpartners.com). We intend to post our Annual Report on Form 20-F on our website promptly following it being filed with the SEC. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report on Form 20-F. We have included our website address in this Annual Report on Form 20-F solely as an inactive textual reference.

The Securities and Exchange Commission maintains a website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements and other information regarding registrants, such as Molecular Partners, that file electronically with the SEC.

With respect to references made in this Annual Report on Form 20-F to any contract or other document of our company, such references are not necessarily complete and you should refer to the exhibits attached or incorporated by reference to this Annual Report on Form 20-F for copies of the actual contract or document.

#### **I. Subsidiary Information.**

Not required.

#### **J. Annual Report to Security Holders**

The Company intends to submit any annual report provided to security holders in electronic format as an exhibit to a current report on Form 6-K.

#### **Item 11. Quantitative and Qualitative Disclosures About Market Risk.**

We operate primarily in Switzerland, Europe and in the United States and are therefore exposed to market risk, which represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates.

As of December 31, 2022, we had cash and cash equivalents plus short-term time deposits of CHF 249.1 million.

##### ***Foreign exchange risk***

We operate primarily in Switzerland, Europe and in the United States and our functional currency is the Swiss franc, and as a result, we are exposed to (1) transactional foreign exchange risk when we enter into a transaction in a currency other than our functional currency and (2) translational foreign exchange risk when we translate our financial statements from USD into our functional currency.

In order to reduce our foreign exchange exposure, we may enter into currency contracts with selected high-quality financial institutions to hedge against foreign currency exchange rate risks. The Group's primary exposure to financial risk is due to fluctuation of exchange rates between CHF, USD and EUR. Our hedging policy is (1) to maximize natural hedging by matching expected future cash flows in the different currencies and (2), if market conditions allow and as the need arises, to consider hedging some of the remaining expected net currency exposure. However, due to market volatilities and uncertainties in the cash flows, a 100% hedging of the currency exposure is impossible.

##### ***Credit risk***

The maximum credit risk on financial instruments corresponds to the carrying amounts of our cash and cash equivalents, short-term time deposits and receivables. We have not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. As of December 31, 2022, substantially all of our cash and cash equivalents, and short-term time deposits were held at major financial institutions located in Switzerland. We believe that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions. We enter into partnerships with partners that have the appropriate credit history and a commitment to ethical business practices. Other receivables with credit risk mainly include interest receivables.

#### **Item 12. Description of Securities Other than Equity Securities.**

**A. Debt Securities.**

Not applicable.

**B. Warrants and Rights.**

Not applicable.

**C. Other Securities.**

Not applicable.

## D. American Depositary Shares.

### Fees and Charges

Holders of our ADSs are required to pay the following service fees to the depositary under the terms of our deposit agreement:

<i>Service</i>	<i>Fees</i>
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares, upon a change in the ADS(s)-to- common share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of ordinary shares)	Up to U.S. \$0.05 per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to- common share(s) ratio, or for any other reason)	Up to U.S. \$0.05 per ADS canceled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. \$0.05 per ADS held
• Distribution of ADSs pursuant to stock dividends, other free stock distributions or exercise of rights to purchase additional ADSs.	Up to U.S. \$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. \$0.05 per ADS held
• ADS Services	Up to U.S. \$0.05 per ADS held on the applicable record date(s) established by the depositary
• Registration of ADS Transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason).	Up to U.S. \$0.05 per ADS transferred
• Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferable ADSs, and vice versa).	Up to U.S. \$0.05 per ADS converted

Holders of ADSs are also responsible to pay certain fees, expenses, taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;

- such registration fees as may from time to time be in effect for the registration of ordinary shares or other deposited securities on the share register and applicable to transfers of ordinary shares or other deposited securities to or from the name of the custodian, the depository or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the person depositing ordinary shares or withdrawing deposited property or of the holders and beneficial owners of ADSs;
- in connection with the conversion of foreign currency, the fees, expenses, spreads, taxes and other charges of the depository and/or conversion service providers (which may be a division, branch or affiliate of the depository). Such fees, expenses, spreads, taxes, and other charges shall be deducted from the foreign currency;
- any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the holders and beneficial owners in complying with currency exchange control or other governmental requirements; and
- the fees, charges, costs and expenses incurred by the depository, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depository into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time.

ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depository fees or other charges, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees or other charges from any distribution to be made to the ADS holder.

The fees and charges holders of ADSs may be required to pay may vary over time and may be changed by us and by the depository. Holders of ADSs will receive prior notice of such changes.



The depositary may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the depositary fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary may agree from time to time.

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies.**

Not applicable.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

**A. Not applicable.**

**B. Not applicable.**

**C. Not applicable.**

**D. Not applicable.**

#### **E. Use of Proceeds.**

In June 2021, we completed an offering of an aggregate of 3,000,000 ADSs representing 3,000,000 ordinary shares. The offering was in the form of ADSs, each representing one ordinary share, at an offering price of \$21.25 per ADS for aggregate gross proceeds of approximately \$63.8 million. The net offering proceeds to us, after deducting underwriting discounts and commissions of \$4.5 million and additional offering expenses of \$3.4 million, were approximately \$55.9 million. The offering commenced on June 15, 2021 and did not terminate before all of the securities registered in the registration statement were sold. The effective date of the Registration Statement on Form F-1 (File No. 333-255447) for our offering was June 15, 2021.

J.P. Morgan Securities LLC, SVB Leerink LLC and Cowen and Company, LLC acted as joint book-running managers for the offering.

The net proceeds from our offering have been used, and are expected to continue to be used, as described in the final prospectus for the offering filed with the U.S. Securities and Exchange Commission on June 16, 2021.

None of the net proceeds of our offering were paid directly or indirectly to any director, officer, general partner of ours or to their associates, persons owning ten percent or more of any class of our equity securities, or to any of our affiliates.

## **Item 15. Controls and Procedures.**

### **A. Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and VP Finance, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and VP Finance, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2022. Based on such evaluation, our Chief Executive Officer and VP Finance have concluded that, as of December 31, 2022, our disclosure controls and procedures were effective.

### **B. Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Under the supervision and with the participation of our Chief Executive Officer (principal executive officer) and VP Finance (principal financial officer), management assessed our internal control over financial reporting based upon the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2022.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and can only provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **C. Attestation Report of the Registered Public Accounting Firm**

This Annual Report does not include an attestation report of our registered public accounting firm regarding the effectiveness of our internal control over financial reporting due to an exemption provided by the JOBS Act for emerging growth companies.

### **D. Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

## **Item 16. Reserved.**

Not applicable.

**Item 16A. Audit Committees Financial Expert.**

Our board of directors has further determined that Sandip Kapadia is an “audit committee financial expert” as defined by SEC rules and regulations and that each of the members of the Audit and Finance Committee qualifies as financially sophisticated under the applicable exchange listing rules. Mr. Kapadia is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of Nasdaq.

**Item 16B. Code of Business Conduct and Ethics.**

We have adopted a Code of Conduct which is applicable to all of our employees, executive officers and directors. The Code of Conduct is available on our website at [www.molecularpartners.com](http://www.molecularpartners.com). The Audit and Finance Committee of our board of directors is responsible for overseeing the Code of Conduct and is required to approve any waivers of the Code of Conduct for employees, executive officers and directors. We expect that any amendments to the Code of Conduct will be disclosed on our website.

**Item 16C. Principal Accountant Fees and Services.**

The aggregate fees for services rendered by KPMG AG, Zurich, Switzerland (PCAOB ID 3240), for professional services were as follows:

<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>
Audit fees	643	917
Audit related fees	—	—
Tax fees	—	—
All other fees	—	—
<b>Balance at December 31</b>	<b>643</b>	<b>917</b>

**Audit Fees**

Audit fees include the standard audit work performed each fiscal year necessary to allow the auditor to issue an opinion on our Consolidated Financial Statements and to issue an opinion on the local statutory financial statements of the Company and its subsidiaries. Audit fees also include services that can be provided only by the auditor such as reviews of quarterly financial results, review of the registration statement filed with the SEC and comfort letters delivered to underwriters in connection with equity offerings.

**Audit related fees**

These services consisting primarily of agreed-upon procedure reports, accounting consultations and other attest services related to financial reporting that are not required by statute or regulation.

**Tax fees**

Fees for tax services represent income tax and indirect tax compliance services as well as tax advisory services.

**All other fees**

Fees for other services not included in the above three categories.

## **Pre-Approval Procedures and Policies**

In accordance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and rules issued by the SEC, we utilize a procedure for the review and pre-approval of any services performed by KPMG. The procedure requires that all proposed engagements of KPMG for audit and permitted non-audit services are submitted to the Audit and Finance Committee for approval prior to the beginning of any such services. In accordance with this policy, all services performed by and fees paid to KPMG in 2022 and 2021 were approved by the Audit and Finance Committee.

### **Item 16D. Exemptions from the Listing Standards for Audit Committees.**

Not applicable.

### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Not applicable.

### **Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.

### **Item 16G. Corporate Governance.**

#### ***Summary of Significant Corporate Governance Differences From Nasdaq Listing Standards***

We are a "foreign private issuer" as defined by the SEC. As a result, in accordance with Nasdaq Listing Rule 5615(a)(3), we comply with home country governance requirements and certain exemptions thereunder rather than complying with certain of the corporate governance requirements of Nasdaq.

Swiss law does not require that a majority of our board of directors consist of independent directors. Our board of directors therefore may include fewer independent directors than would be required if we were subject to Nasdaq Listing Rule 5605(b)(1). In addition, we are not subject to Nasdaq Listing Rule 5605(b)(2), which requires that independent directors regularly have scheduled meetings at which only independent directors are present.

Although Swiss law also requires that we adopt a compensation committee, we follow home country requirements with respect to such committee. As a result, our practice varies from the requirements of Nasdaq Listing Rule 5605(d), which sets forth certain requirements as to the responsibilities, composition and independence of compensation committees. To this extent, our practice varies from the independent director oversight of director nominations requirements of Nasdaq Listing Rule 5605(e).

We have opted out of shareholder approval requirements for the issuance of securities in connection with certain events such as the acquisition of stock or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements. To this extent, our practice varies from the requirements of Nasdaq Listing Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with such events.

In accordance with Swiss law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders. Our practice thus varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its

bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock.

**Item 16H. Mine Safety Disclosure.**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.**

Not applicable.

## PART III

### **Item 17. Financial Statements.**

See pages F-1 through page F-[41](#) of this Annual Report on Form 20-F

### **Item 18. Financial Statements.**

Not applicable.

**Item 19. Exhibits.**

Exhibit	Description	Schedule/ Form	Incorporated by Reference		File Date
			File Number	Exhibit	
1.1*	<a href="#">Articles of Association, as currently in effect.</a>				
1.2*	<a href="#">Organizational Rules of the registrant</a>				
2.1*	<a href="#">Deposit Agreement.</a>				
2.2*	<a href="#">Form of American Depositary Receipt (included in Exhibit 2.1).</a>				
2.3*	<a href="#">Description of Securities</a>				
4.1#	<a href="#">Form of indemnification agreement between the registrant and each of its executive officers and directors</a>	F-1	333-255447	10.1	4/22/2021
4.2†	<a href="#">Collaboration and License Agreement, dated as of December 18, 2018, by and between Molecular Partners AG and Amgen Inc.</a>	F-1	333-255447	10.3	4/22/2021
4.3†	<a href="#">Option and Equity Rights Agreement, dated as of October 27, 2020, by and between Molecular Partners AG and Novartis Pharma AG.</a>	F-1	333-255447	10.6	4/22/2021
4.4*†	<a href="#">License Agreement, dated as of January 17, 2022, by and between Molecular Partners AG and Novartis Pharma AG.</a>				
4.5*†	<a href="#">License and Collaboration Agreement, dated as of December 13, 2021, by and between Molecular Partners AG and Novartis Pharma AG.</a>				
4.6#	<a href="#">Performance Share Plan 2018</a>	F-1	333-255447	10.8	4/22/2021
4.7#	<a href="#">Performance Share Plan 2019</a>	F-1	333-255447	10.9	4/22/2021
4.8#	<a href="#">Performance Share Plan 2020</a>	F-1	333-255447	10.10	4/22/2021
4.9#	<a href="#">Performance Share Plan 2021 - Employees</a>	F-1	333-255447	10.11	4/22/2021
4.10*#	<a href="#">Performance Share Plan 2021 - Management</a>				
4.11*#	<a href="#">Performance Share Plans 2022 - Employees</a>				
4.12*#	<a href="#">Performance Share Plans 2022 - Management</a>				
4.13*#	<a href="#">Performance Share Plans 2023 - Employees</a>				
4.14*#	<a href="#">Performance Share Plans 2023 - Management</a>				
4.15#	<a href="#">Restricted Share Plan 2018</a>	F-1	333-255447	10.14	4/22/2021

4.16#	<a href="#">Restricted Share Plan 2019</a>	F-1	333-255447	10.15	4/22/2021
4.17#	<a href="#">Restricted Share Plan 2020</a>	F-1	333-255447	10.16	4/22/2021
4.18#	<a href="#">Restricted Share Plan 2021</a>	F-1	333-255447	10.17	4/22/2021
4.19*#	<a href="#">Restricted Share Plan 2022</a>				
4.20*#	<a href="#">Restricted Share Plan 2023</a>				
8.1	<a href="#">List of subsidiaries of the Registrant</a>	F-1	333-255447	21.1	4/22/2021
12.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13(a)-14(a) of the Securities Exchange Act of 1934</a>				
12.2*	<a href="#">Certification of VP Finance Pursuant to Rule 13(a)-14(a) of the Securities Exchange Act of 1934</a>				
13.1**	<a href="#">Certification of Chief Executive Officer and VP Finance Pursuant to Rule 13(a)-14(b) of the Securities Exchange Act of 1934</a>				
15.1*	<a href="#">Consent of KPMG AG, independent registered public accounting firm</a>				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

\* Filed herewith.

\*\* Furnished herewith.

† Certain portions of this exhibit (indicated by asterisks) have been redacted because they are both not material and are the type that the Registrant treats as private or confidential.

# Indicates a management contract or any compensatory plan, contract or arrangement.



The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Molecular Partners AG**

/s/ Patrick Amstutz

By: Patrick Amstutz

Title: Chief Executive Officer  
*(Principal Executive  
Officer)*

Date: March 9, 2023

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Consolidated Financial Statements as of and for the years ended December 31, 2022 and December 31, 2021 and December 31, 2020

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<a href="#">Consolidated Statement of Financial Position for the years ended December 31, 2022 and 2021</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statement of Comprehensive Income for the years ended December 31, 2022, 2021 and 2020</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statement of Cash Flows for the years ended December 31, 2022, 2021 and 2020</a>	<a href="#">F-5</a>
<a href="#">Consolidated Statement of Changes in Equity for the years ended December 31, 2022, 2021 and 2020</a>	<a href="#">F-6</a>
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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Molecular Partners AG

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of financial position of Molecular Partners AG and subsidiary (the Group) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2022, and the related notes to the consolidated financial statements (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ KPMG AG

We have served as the Group's auditor since 2009.

Zurich, Switzerland  
March 8, 2023

## Consolidated Statement of Financial Position

as of December 31, in CHF thousands	Note	2022	2021
<b>Assets</b>			
Property, plant and equipment	6	7,235	8,146
Intangible assets	7	271	331
<b>Total non-current assets</b>		<b>7,506</b>	<b>8,477</b>
Short-term time deposits	11	161,198	61,000
Other current assets	9	4,589	5,728
Trade and other receivables	10	1,019	25,650
Cash and cash equivalents	11	87,946	71,813
<b>Total current assets</b>		<b>254,752</b>	<b>164,191</b>
<b>Total assets</b>		<b>262,258</b>	<b>172,668</b>
<b>Shareholders' equity and liabilities</b>			
Share capital	12	3,604	3,229
Additional paid-in capital		360,323	355,010
Treasury share reserve		(981)	—
Cumulative losses		(127,780)	(250,950)
<b>Total shareholders' equity</b>		<b>235,166</b>	<b>107,289</b>
Contract liability	15	3,637	6,925
Lease liability	22	3,652	4,850
Employee benefits	18.1	2,552	6,739
<b>Total non-current liabilities</b>		<b>9,841</b>	<b>18,514</b>
Trade and other payables	13	2,143	7,389
Accrued expenses	14	7,501	9,975
Contract liability	15	6,409	28,312
Lease liability	22	1,198	1,189
<b>Total current liabilities</b>		<b>17,251</b>	<b>46,865</b>
<b>Total liabilities</b>		<b>27,092</b>	<b>65,379</b>
<b>Total shareholders' equity and liabilities</b>		<b>262,258</b>	<b>172,668</b>

See accompanying notes, which form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended December 31,  
in CHF thousands

	Note	2022	2021	2020
<b>Revenues and other income</b>				
Revenues from research and development collaborations		189,556	9,330	9,344
Other income		44	424	—
<b>Total revenues and other income</b>	5	<b>189,600</b>	<b>9,754</b>	<b>9,344</b>
<b>Operating expenses</b>				
Research and development expenses	16	(50,749)	(55,718)	(56,075)
Selling, general and administrative expenses	16	(22,238)	(17,454)	(11,595)
<b>Total operating expenses</b>		<b>(72,987)</b>	<b>(73,172)</b>	<b>(67,670)</b>
<b>Operating result</b>		<b>116,613</b>	<b>(63,418)</b>	<b>(58,326)</b>
Financial income	19	1,859	191	367
Financial expenses	19	(619)	(556)	(4,816)
<b>Net finance result</b>		<b>1,240</b>	<b>(365)</b>	<b>(4,449)</b>
<b>Result before income taxes</b>		<b>117,853</b>	<b>(63,783)</b>	<b>(62,775)</b>
Income taxes	20	—	(2)	11
<b>Net result, attributable to shareholders</b>		<b>117,853</b>	<b>(63,785)</b>	<b>(62,764)</b>
<b>Other comprehensive result</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of net pension liabilities, net of tax	18.1	5,334	8,012	(1,514)
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations		(17)	(3)	(26)
<b>Other comprehensive result, net of tax</b>		<b>5,317</b>	<b>8,009</b>	<b>(1,540)</b>
<b>Total comprehensive result, attributable to shareholders</b>		<b>123,170</b>	<b>(55,776)</b>	<b>(64,304)</b>
Basic net result per share (in CHF)	21	3.63	(2.06)	(2.51)
Diluted net result per share (in CHF)	21	3.54	(2.06)	(2.51)

See accompanying notes, which form an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

for the year ended December 31, in CHF thousands	Note	2022	2021	2020
Net result attributable to shareholders		117,853	(63,785)	(62,764)
Adjustments for:				
Depreciation and amortization	6/7	2,388	2,565	2,887
Share-based compensation costs	18	5,088	4,085	2,932
Change in employee benefits		1,147	1,073	1,268
Income tax	20	—	2	(11)
Financial income	19	(1,859)	(191)	(367)
Financial expenses	19	619	556	4,816
Changes in working capital:				
Change in other current assets		1,787	(4,445)	1,040
Change in trade and other receivables		25,264	(23,374)	(552)
Change in trade and other payables		(5,339)	1,656	3,395
Change in contract liability	15	(25,190)	(10,651)	17,560
Change in accrued expenses		(2,434)	2,290	1,037
Exchange (loss) gain on working capital positions		(98)	(144)	6
Interest paid		(646)	(583)	(219)
Income taxes paid		—	—	(2)
Other financial expense		(14)	(8)	(9)
<b>Net cash from (used in) operating activities</b>		<b>118,566</b>	<b>(90,953)</b>	<b>(28,983)</b>
Proceeds from investments in short-term time deposits		199,219	67,876	52,765
Investments in short-term time deposits		(299,417)	(88,876)	(73,397)
Acquisition of property, plant and equipment	6	(1,177)	(933)	(1,451)
Acquisition of intangible assets	7	(240)	(374)	(232)
Interest received		494	70	569
<b>Net cash used in investing activities</b>		<b>(101,121)</b>	<b>(22,237)</b>	<b>(21,746)</b>
Proceeds from issuance of new shares, net of transaction costs	12	—	51,493	113,613
Investments in treasury shares	12	(631)	—	—
Proceeds from exercise of stock options, net of transaction costs	12	250	267	840
Payment of lease liabilities		(1,189)	(1,179)	(1,251)
<b>Net cash (used in) from financing activities</b>		<b>(1,570)</b>	<b>50,581</b>	<b>113,202</b>
Exchange gain (loss) on cash positions		258	701	(4,464)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>16,133</b>	<b>(61,907)</b>	<b>58,009</b>
Cash and cash equivalents at January 1		71,813	133,721	75,712
<b>Cash and cash equivalents at December 31</b>	11	<b>87,946</b>	<b>71,813</b>	<b>133,721</b>

See accompanying notes, which form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

in CHF thousands	Share capital	Additional paid-in capital	Treasury share reserve	Cumulative losses	Total shareholders' equity
<b>At January 1, 2020</b>	<b>2,160</b>	<b>182,849</b>	<b>—</b>	<b>(130,870)</b>	<b>54,139</b>
Net result	—	—	—	(62,764)	(62,764)
Remeasurement of net pension liabilities <sup>(1)</sup>	—	—	—	(1,514)	(1,514)
Exchange differences on translating foreign operations	—	—	—	(26)	(26)
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(64,304)</b>	<b>(64,304)</b>
Share-based compensation costs <sup>(1)</sup>	—	2,932	—	—	2,932
Issuance of new shares, net of transaction costs <sup>(2)</sup>	727	112,886	—	—	113,613
Exercise of stock options, net of transaction costs <sup>(2)</sup>	28	812	—	—	840
<b>At December 31, 2020</b>	<b>2,915</b>	<b>299,479</b>	<b>—</b>	<b>(195,174)</b>	<b>107,220</b>
Net result	—	—	—	(63,785)	(63,785)
Remeasurement of net pension liabilities <sup>(1)</sup>	—	—	—	8,012	8,012
Exchange differences on translating foreign operations	—	—	—	(3)	(3)
<b>Total comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(55,776)</b>	<b>(55,776)</b>
Share-based compensation costs <sup>(1)</sup>	—	4,085	—	—	4,085
Issuance of new shares, net of transaction costs <sup>(2)</sup>	300	51,193	—	—	51,493
Exercise of stock options, net of transaction costs <sup>(2)</sup>	14	253	—	—	267
<b>At December 31, 2021</b>	<b>3,229</b>	<b>355,010</b>	<b>—</b>	<b>(250,950)</b>	<b>107,289</b>
Net result	—	—	—	117,853	117,853
Remeasurement of net pension liabilities <sup>(1)</sup>	—	—	—	5,334	5,334
Exchange difference on translation foreign costs	—	—	—	(17)	(17)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>123,170</b>	<b>123,170</b>
Share-based compensation costs <sup>(1)</sup>	—	5,088	—	—	5,088
Issuance of new shares, net of transaction costs <sup>(2)</sup>	350	—	—	—	350
Issuance of treasury shares incl. transaction costs <sup>(2)</sup>	—	—	(981)	—	(981)
Exercise of stock options, net of transaction costs <sup>(2)</sup>	25	225	—	—	250
<b>At December 31, 2022</b>	<b>3,604</b>	<b>360,323</b>	<b>(981)</b>	<b>(127,780)</b>	<b>235,166</b>

<sup>(1)</sup> See note 18

<sup>(2)</sup> See note 12

See accompanying notes, which form an integral part of these consolidated financial statements.

# Notes to the IFRS Consolidated Financial Statements

## 1. General information

Molecular Partners AG ("Company") and its subsidiary (collectively "Molecular Partners" or "Group") is a clinical-stage biopharmaceutical company pioneering designed ankyrin proteins ("DARPin") candidates to treat serious diseases, with a current focus on oncology and virology. DARPins are a novel class of drugs with broad therapeutic applications that may overcome many of the limitations of conventional protein and antibody-based therapeutics. The Company was founded on November 22, 2004, and is domiciled at Wagistrasse 14, 8952 Schlieren, Canton of Zurich, Switzerland. It is subject to the provisions of the articles of association and to article 620 et seq. of the Swiss Code of Obligations, which describe the legal requirements for limited companies ("Aktiengesellschaften").

Molecular Partners Inc. is a wholly owned subsidiary of Molecular Partners AG. Molecular Partners Inc. was incorporated in the United States in the State of Delaware on October 8, 2018. Molecular Partners Inc. is based in Cambridge, Massachusetts.

These audited consolidated financial statements as of and for the year ended December 31, 2022 comprise Molecular Partners AG and Molecular Partners Inc.

The Company's shares are listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014 and on the Nasdaq Global Select Market (Ticker: MOLN) since June 16, 2021.

## 2. Summary of significant accounting policies

### Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies set forth below have been consistently applied to all years presented. Unless stated otherwise, all financial statements are presented in thousands of Swiss Francs ("TCHF").

The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 "Critical accounting estimates and judgments".

Based on the Group's cash position at December 31, 2022, the Group deemed there to be no material uncertainties that would cast doubt on the Group's ability to operate on a going concern basis.

The consolidated financial statements as of and for the year ended December 31, 2022 were approved for issuance by the Company's Board of Directors on March 8, 2023.

Due to rounding, the numbers presented in the financial statements might not precisely equal those included in the accompanying notes.

### Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.



(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

### **New or revised IFRS standards and interpretations**

The following new or revised standards that became effective during 2022 did not have a material effect on these consolidated financial statements:

- Onerous Contracts - Costs of fulfilling a contract - amendments to IAS 37
- Annual Improvements to IFRS standards 2018-2020
- Property, Plant and Equipment: Proceeds before intended use - amendments to IAS 16

Several new or revised standards have been published that are not yet effective and that have not been early adopted. No significant impacts on the Group's consolidated financial statements are expected.

### **Segment reporting**

The Group operates in one segment, focusing on the discovery, development and prospective commercialization of a new class of biopharmaceutical products. The executive management, acting together as the chief operating decision makers, assess the financial performance and allocate resources on an aggregated level, and monitor the Group's operating expenses. Accounting policies applied are the same for both internal and external reporting purposes. The Group derives its research and collaboration revenues from research and development collaborations with third parties.

### **Foreign currency translation / transactions**

The consolidated financial statements are presented in thousands of CHF. The presentation currency of the Group is the functional currency of the Company. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the respective balance sheet;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive result.

### **Property, plant and equipment**

Laboratory equipment, Office equipment, IT hardware and Leasehold improvements are stated at historical cost less accumulated depreciation and any impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis over the expected useful lives of the individual assets or asset categories. The applicable estimated useful lives are as follows:

Laboratory equipment:	5 years
Office equipment:	3 years
IT hardware:	2 years

Leasehold improvements and right-of-use assets are depreciated using the straight line method over the shorter of their estimated useful life and the lease term.

Subsequent costs are included in each asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount, if the asset's carrying amount exceeds its estimated recoverable amount.

Cost and accumulated depreciation related to assets retired or otherwise disposed are derecognized at the time of retirement or disposal and any resulting gain or loss is included in profit or loss in the period of retirement or disposal.

## **Intangible assets**

Intangible assets are solely comprised of software. They are stated at historical cost less accumulated amortization and any impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Amortization is calculated on a straight-line basis over the expected useful lives of the individual assets or asset categories. The applicable estimated useful life of intangible assets is determined to be two years.

## **Leases**

At inception of a contract, the Group assesses whether a contract is, or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (threshold of CHF 5,000) and short-term leases. Short-term leases are leases with a lease term of twelve months or less that do not contain a purchase option. For all other leases the Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently the right-of-use asset is depreciated using the straight-line method over the shorter of the asset's useful life and the lease term.

The lease liability is initially measured at the present value of the lease payments required over the lease term that are not paid at the commencement date, discounted using the Group's incremental borrowing rate, as the interest rate implicit in the lease generally cannot be readily determined. Lease payments that are included in the measurement of the lease liability include fixed payments or in-substance fixed payments and variable payments that depend on an index.

Subsequently, the lease liability is measured at amortized cost using the effective interest method. The Group remeasures the lease liability when there is a change in future lease payments arising from a change in index, or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The Group does not provide residual value guarantees and does not have any leases not yet commenced to which it is committed. The Group is presenting right-of-use assets in Property, Plant and Equipment, whereas lease liabilities are presented separately within current and non-current liabilities in the consolidated statement of financial position.

## **Impairment of non-financial assets**

Non-financial assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds their recoverable amount. An impairment loss is recognized for this difference. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## **Financial assets at amortized costs**

### ***Classification***

Cash and cash equivalents / short-term deposits / trade and other receivables (except for VAT and withholding taxes) (and when applicable accrued interest income) are all considered held-to-collect items and are labeled under financial assets measured at amortized costs, with the following definition / accounting policy:

Financial assets measured at amortized cost are assets that meet both of the following conditions: (1) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities longer than 12 months after the balance sheet date which are classified as non-current assets. Interest income on the short-term deposit is accounted for on the statement of comprehensive income as financial income.

### ***Measurement***

Initially, financial assets, except for trade receivables, are measured at their fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset; for the Group these are considered to be immaterial. Trade receivables are initially measured at their transaction price.

Subsequent measurement for the financial assets mentioned above which are classified as measured at amortized cost, is based on the effective interest method, reduced by any impairment loss.

For financial assets measured at amortized cost, a loss allowance for expected credit losses on the financial assets is recognized. Measurement of any impairment loss is based on the 'expected credit loss' (ECL) model, which is based on a predictive model. The loss allowance for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance / impairment loss for that financial asset at an amount equal to 12-month expected credit losses.

For trade receivables, the Group applies a simplified approach which requires expected credit losses to be recognized from initial recognition (measuring the loss allowance at an amount equal to lifetime expected credit losses). This takes into consideration past history, combined with predictive information which accounts for the specific circumstances of the customer (e.g. credit rating etc.), and other relevant factors such as the economic environment.

### ***Other financial assets at amortized costs***

Other receivables generally arise from transactions outside the usual operating activities of the Group.

## **Financial liabilities at amortized costs**

Trade payables and non-employee related accrued expense are measured at amortized costs and classified as financial liabilities.

## **Cash and cash equivalents**

Cash includes cash at banks. The Group considers all short-term, highly liquid investments convertible into known amounts of cash with maturities of three months or less from the date of acquisition to be cash equivalents, provided that they are subject to an insignificant risk of changes in value. The cash flow statement is based on cash and cash equivalents.

## **Share capital / Additional paid-in capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. The Group has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future.

## **Treasury shares**

The amount of the consideration paid for the acquisition of treasury shares, which includes directly attributable costs, is recognized as a deduction from equity. When treasury shares are sold subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

## **Income taxes**

Income taxes include current and deferred taxes. Current income taxes are recognized on taxable profits at applicable tax rates.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognized if it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group reassesses unrecognized deferred tax assets and the carrying amount of recognized deferred tax assets. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized.

The amount of deferred tax liabilities and deferred tax assets reflects the tax consequences on the balance sheet date of the Group's expectation of recovery or settlement of the carrying amounts of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the statement of financial position. They are offset against each other if they relate to the same taxable entity and tax authority.

The Company did not have to pay income taxes in Switzerland in the presented reporting periods for 2022, 2021 and 2020. The Company's accumulated taxable losses may be used as tax loss carry forwards to offset future taxable income over a period of seven years in Switzerland. No deferred tax assets have been established for these losses, because the Company does not have a history of sustainable taxable profits, increasing research costs are expected to be incurred in the foreseeable future and future revenues are highly volatile and uncertain. No deferred tax assets were recognized on deductible temporary differences on pension liabilities for the same reasons.

Molecular Partners Inc, the Group's US subsidiary, is subject to US federal and Massachusetts and New York state minimal tax.

## Employee benefits

### *Postretirement benefits (pension plans)*

The Company provides retirement, death and disability benefits to its Swiss employees in line with local customs and requirements through two separate plans, which are both accounted for as defined benefit plans.

The first plan is the compulsory defined benefit plan which is funded through employer (60%) and employee (40%) contributions to VSAO, a Switzerland based plan. This Company-wide plan has been in place since inception of the Company and all employees of the Company are eligible to its benefits. On retirement, the plan participant will receive his or her accumulated savings, which consist of all contributions paid in by the employer and the employee (net of any withdrawals) and the interest granted on those savings at the discretion of the pension foundation.

At that time, the plan participant has the right to choose between a lump-sum payment and an annuity, or a combination thereof. The annuity is calculated using a fixed conversion rate determined by the pension foundation. The VSAO's plan assets are pooled and the Company's share is calculated based on its share of retirement savings. Additional funding requirements may be determined by the pension foundation in case of a severe underfunding. Should the Company withdraw from the plan, the withdrawal may qualify as a partial liquidation under Swiss law.

The second plan is a voluntary complementary defined management benefit scheme established as of January 1, 2014, in which only employees with a certain management level and / or above a certain salary level are eligible to participate. 33 of the 33 eligible employees participated in this plan as of December 31, 2022 (2021: 32 out of 32).

This plan is set up as a collective foundation with Swiss Life, a Switzerland-based insurance company, for which contributions are 30% funded by the employee and 70% funded by the Company. The purpose of this voluntary plan is to allow higher savings opportunity in a tax effective manner and risk benefits for senior management. In addition, plan participants are entitled to a lump sum payment of five times their annual base salary in case of death. This is a fully insured Swiss pension plan that covers all investment and actuarial risks, including invalidity and death.

The VSAO pension plan accounts for over 90% of both the Company's defined benefit obligation and plan assets. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. Pension liabilities are determined on an actuarial basis using a number of assumptions, such as the discount rate and expected salary increases applied to determine the defined benefit obligation and an estimate of the fair value of plan assets attributable to the Company. In determining the appropriate discount rate, for example, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. In determining the fair value of plan assets, the Company adds to the participants' savings a share of the pension plan's technical and fluctuation reserves. Additional information is disclosed in note 18.1.

Current and past service costs as well as the net interest on the defined benefit obligation are recognized in profit or loss in the period in which they are incurred, and are presented as part of personnel expenses. Remeasurements of the defined benefit pension plans are recognized in other comprehensive result.

The Group has set up a 401k plan for its US based employees. Under the plan the US entity matches the employee's contribution and provides a true-up in matched contributions at year end. The 401k plan qualifies as a defined contribution plan and the associated expenses, that are deemed immaterial, are presented under operating expenses in the statement of comprehensive income.

The Group has set up a defined contribution plan for its UK based employees. Under the plan the Company and the employee both contribute into the plan. The associated expenses, that are deemed immaterial, are presented under operating expenses in the statement of comprehensive income.

### ***Share-based compensation***

The Group operates share-based compensation plans that qualify as equity-settled plans. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, which is determined at grant date. The fair values are determined by management with the assistance of an independent valuation expert. At each reporting date, estimates of the number of equity instruments that are expected to vest are revised. The impact of the revision of the previous estimates, if any, is recognized as part of share-based compensation (non-cash effective) with a corresponding adjustment to equity. When the vested equity instruments are exercised, any proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and additional paid-in capital.

### ***Bonus plan***

The Group recognizes an accrual where contractually obliged or where there is a past practice that has created a constructive obligation. Bonuses are based on a formula that takes into consideration the achievement of the Group's goals.

### ***Revenue recognition***

As a guiding principle of IFRS 15, revenues from research and development collaboration agreements are recognized when earned based upon the performance requirements of the respective agreements. For revenue arrangements with separately identifiable components (separate performance obligations), the revenue recognition criteria are applied to each component. The transaction price is determined as the consideration expected to be received from the arrangement and is allocated amongst the separate components based on their relative stand-alone selling prices. The corresponding amount of transaction price allocated to each component is recognized as revenue when (or as) the Group satisfies the performance obligation by transferring the good or service to the customer, which generally is over time for upfront payments or at a point in time for milestone payments and development option payments. Payments received in excess of revenue recognized are recorded as contract liabilities.

Revenues include fees such as upfront payments received in connection with out-licensing of products and/or access the knowledge without transfer of a license as well as in connection with discovery alliances, as well as fees for maintenance of patents, R&D support and services, participation in Joint Steering Committees and other involvement in collaboration agreements. In exchange for these non-refundable upfront fees, the Group does not immediately transfer a good or a service to the customer, rather the upfront fee consists of an advance payment for future services and the right to access the underlying intellectual property of the Group. For such arrangements, the Group has determined that the promised goods and services are not distinct and are accounted for as one performance obligation. The Group recognizes revenue for this performance obligation over time using an input-based method to measure its progress towards complete satisfaction of the performance obligation. Accordingly, revenue is recognized over time based on the percentage of actual costs incurred to date relative to the Group's estimate of total costs expected to satisfy the performance obligation. Estimated costs are reviewed and updated routinely for contracts in progress to reflect any changes of which the Group becomes aware. The cumulative effect of any change in estimate is recorded in the period when the change in estimate is determined.

Revenues could include fees such as milestone and development option payments received in connection with out-licensing of products and in connection with discovery alliances. Upon meeting the set milestone or upon a development option being exercised, the Group obtains a right to a non-refundable payment and the customer has typically acquired the right to use the underlying intellectual property, without any remaining performance obligations for the Group. Consequently, the related revenues are typically recognized at a point in time, either when the milestone is met or the option is exercised by the customer.

Revenue could also include reservation fees that will be recognized into revenue in case of successful development of a final drug and exercise or lapse of the related reservation right or, alternatively, in case the results from the research will not justify further development of the drug.

Consideration payable to a customer is recorded as a reduction of the arrangement's transaction price, if it relates to the same arrangement, thereby reducing the amount of revenue recognized, unless the payment is for a distinct good or service received from the customer consistent with IFRS 15.

The details of the accounting policy, based on the type of payments received, are set out below. Under IFRS 15, revenue is recognized as or when a customer obtains control of the services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

Type of payments received	Timing of revenue recognition
Revenue recognition of upfront payments	Upfront payments received in connection with out-licensing arrangements are typically non-refundable fees for which the Group does not transfer a good or a service to the customer, rather the upfront payments consists of an advance payment for future services and/or an acquisition of the right to the current or future access to the underlying intellectual property of the Group. For such arrangements, the Group has determined that the promised goods and services are not distinct and are accounted for as one performance obligation. The Group recognizes revenue for this performance obligation over time using an input based method to measure its progress towards complete satisfaction of the performance obligation.
Revenue recognition of milestone payments	Milestone payments received in connection with out-licensing or other arrangements are typically non-refundable fees entitling the Group to a right to payment upon such milestone being met. At that time, the customer has typically acquired the right to use the underlying intellectual property or additional knowledge about drug candidate(s), without any remaining performance obligation of the Group. Considering the uncertainty surrounding the outcome of such development activities, the revenue is consequently recognized at a point in time, when the milestone is reached. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.
Revenue recognition of payments received for development options exercises	Development option payments received in connection with out-licensing arrangements are typically non-refundable fees entitling the Group to a right to payment upon such option being exercised. At that time, the customer has typically acquired the right to use the underlying intellectual property, without any remaining performance obligations of the Group. Considering the fact that the exercise of any option is outside the control of the Group, revenue for options that provide the right to use is recognized at a point in time at the effective exercise of the option. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.
Revenue recognition for reservation fees	Reservation fees received are typically non-refundable fees. The timing of revenue recognition depends on whether development of the final drug is successful. If development is successful, revenue will be recognized when the related reservation right is exercised or lapses (as the exercise of any reservation right is outside the control of the Group). Alternatively, revenue will be recognized at the point in time when the results from the research will not justify further development of the drug. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.

## Research and development expenses

Research and development expenses as disclosed in note 16 consist primarily of compensation and other expenses related to:

- research and development personnel;
- preclinical studies and clinical trials of the Group's product candidates, including the costs of manufacturing the product candidates;

- research and services performed under collaboration agreements;
- research and development services outsourced to research institutions; and
- attributable facility expenses, including depreciation of equipment and amortization.

Internal development costs are capitalized as intangible assets only when there is an identifiable asset that can be completed that will generate probable future economic benefits, and when the cost of such an asset can be measured reliably. The Group does not currently have any such internal development costs that qualify for capitalization as intangible assets.

In addition to its internal research and development activities, the Group is also party to in-licensing and similar arrangements with its collaboration partners. The Group may also acquire in-process research and development assets, either through business combinations or through purchases of specific assets. Intangible assets are initially recorded at cost. Intangible assets are amortized over their useful lives on a straight-line basis beginning from the point when they are available for use. The estimated useful life of intangible assets is regularly reviewed. The Group does not currently have any such externally acquired in-process research and development assets.

The Group charges all research and development expenses, including internal patent filing and patent maintenance costs, to profit or loss when incurred, as the criteria for recognition as an asset are not currently met.

### **3. Financial risk management**

#### **Financial risk factors**

The Group is subject to risks common to companies in the biopharmaceutical industry, including, but not limited to, uncertainties regarding the effectiveness and safety of new drugs, new and unproven technologies, development process and outcome of clinical trials, rigorous governmental regulation and uncertainty regarding regulatory approvals, long product development cycles, continuing capital requirements to fund research and development, history of operating losses and uncertainty of future profitability, uncertainty regarding commercial success and acceptance, third party reimbursements, uncertainties regarding patents and legally protected products or technologies, uncertainty regarding third party intellectual property rights, dependence on third parties, dependence on publicly available scientific findings and research data, lack of experience with production facilities, dependence on third party manufacturers and service providers, competition, concentration of operations, product liability, dependence on important employees, environment, health, data protection and safety, lack of experience in marketing and sales, litigation, currency fluctuation risks and other financial risks, volatility of market value, as well as limited liquidity and shares eligible for future sale.

The Group is developing several products currently not generating constant revenue streams which results in volatile cash flow from operating activities. Currently, the Group's revenues stem mainly from irregular and difficult to predict income from product out-licensing, milestone payments and fees from R&D collaboration agreements. This will likely remain the same at least until the first product reaches the market on the Group's own or through a partner. This results in a lack of regular positive operating cash flow, which may expose the Group to financing risks in the medium-term. Furthermore, management has taken actions to manage financial risks, such as foreign exchange risk and liquidity risk.

Molecular Partners conducts research and development activities primarily in Switzerland, the European Union and the United States. As a result, the Group is exposed to a variety of financial risks, such as foreign exchange rate risk, credit risk, liquidity risk, cash-flow and interest rate risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Further details are disclosed under note 25.

#### **Capital management**

The Group is not regulated and not subject to specific capital requirements. The amount of equity depends on the Group's funding needs and statutory capital requirements. The Group monitors capital periodically on an interim and annual basis. From time to time, the Group may take appropriate measures or propose capital increases to its



shareholders to ensure the necessary capital remains intact. The Group did not have any short-term or long-term debt outstanding as of December 31, 2022 and 2021.

#### **4. Critical accounting estimates and judgments**

The Group's accounts are prepared on a going concern basis. The preparation of the consolidated financial statements in conformity with IFRS requires that management and the Board of Directors make estimates and assumptions which affect the amounts of the assets and liabilities, contingent liabilities, as well as the income and expenses reported in the consolidated financial statements. These estimates take into consideration historic experience as well as developments in the economic circumstances and are further based on management's best knowledge of current events and actions that the Group may undertake in the future.

These estimates are subject to risks and uncertainties. The actual results can deviate from these estimates. The estimates and assumptions identified by the Group, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in a future period or have a significant effect on reported results, are discussed below:

##### **Revenue**

Fluctuation in revenues is common to biopharmaceutical companies focused on research and development as the revenues are often linked to up-front fees, reservation fees, milestones or license payments as well as income for delivery of drug substance, which occur sporadically. Depending on the complexity of the relevant agreements, judgment (for instance in regard to the performance obligations recognized using the cost-based method, where revenue is recognized based on costs incurred in relation to the Group's estimate of total estimated costs to complete satisfaction of the underlying performance obligations) is required to reflect the substance of the arrangement in the recognition of revenues. Under the cost-based method, the Group's estimate of total costs to be incurred under certain agreements is for example, based on actual project-related contracts and history of similar contracts of other collaborations as well as industry experience.

The Group is required to evaluate whether any changes in operational and/or technical collaboration and project requirements could lead to a change in the timing and/or amount of estimated project costs, and how such changes, if any, impact the recognition of revenue. Other revenue related judgments with regard to the determination of performance obligations under reservation agreements relate to assumptions on future production costs and market prices. More information on revenue recognition is provided in the respective accounting policy. Additional information related to the Group's significant revenue agreements is disclosed in note 5.

#### **5. Revenue, other income and entity-wide disclosures**

The Group assesses and estimates the progress of its projects with alliance partners at each reporting date.

##### ***License and Collaboration Agreement with Novartis in the Area of DARPIN-Conjugated Radioligand Therapies ("Novartis Radioligand Agreement")***

On December 14, 2021, the Group entered into a License and Collaboration Agreement with Novartis to develop DARPIn-conjugated radioligand therapeutic candidates for oncology. Under the agreement, both parties will collaborate on the discovery and optimization of the therapeutic candidates. The Group will be primarily responsible for the generation of DARPins for tumor-specific delivery of radioligands. The Group is eligible to invoice Novartis for its employee-related expenses associated with the research activities. Novartis is responsible for all clinical development and commercialization activities. As of December 31, 2021 the Group recognized a receivable for the upfront fee of USD 20 million (CHF 18.6 million) payable from Novartis in trade and other receivables and a corresponding contract liability in the consolidated statement of financial position. In January 2022, Novartis paid Molecular Partners the upfront fee. The Group will be eligible to receive milestone payments of up to USD 560 million, relating to development, regulatory and commercialization activities, plus tiered royalties based on commercial sale levels from mid-single digit to low double-digit percentages of royalties on net sales of products commercialized by Novartis.

The Group identified one combined performance obligation consisting of the license and the research activities to be provided. Revenue related to the upfront payment of USD 20 million (CHF 18.6 million) is being recognized over time in line with the progress made over the duration of the contractually agreed three-year research plan. Progress towards completion of the research plan is based on the cost-based method and is measured by employee costs on the related research activities as specified in the agreement relative to the total employee costs estimated to be incurred. During 2022, the Group recognized total revenue of CHF 9.8 million of which CHF 8.5 million related to the recognition of the upfront fee and CHF 1.3 million related to the recharge of employee related expenses.

Future milestone payments and royalties under the agreement will be recognized as revenue at a point in time, when a milestone is achieved or any subsequent sales by Novartis occur.

#### ***Option and Equity Rights Agreement with Novartis for Ensovibep (the "Option and Equity Rights Agreement")***

In October 2020, the Group entered into the Option and Equity Rights Agreement with Novartis, granting Novartis the exclusive option to in-license global rights in relation to MP0420 (ensovibep). Under the terms of the agreement, in 2020, the Group received an upfront, non-refundable fee of CHF 20 million for the technology transfer and manufacturing of MP0420. The Group committed to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply for MP0420, which is required to be manufactured by Sandoz, a division of the Novartis Group. All such amounts paid for manufacturing performed by the Novartis Group is considered to be a consideration payable to a customer.

Given the significant inter-dependencies between the upfront fee and the manufacturing activities, the manufacturing costs paid to the Novartis Group are offset against the upfront non-refundable fee from the contract (see below, as well as note 15). As of December 31, 2021, the entire CHF 20 million has been utilized for the manufacturing of commercial supply for MP0420.

#### ***Ensovibep License Agreement***

In January 2022, following positive Phase 2 clinical trial results, Novartis exercised its option for ensovibep, triggering a milestone payment of CHF 150 million to the Group, which was received in 2022. Relatedly, the Group was eligible to invoice Novartis CHF 13.1 million for other items related to ensovibep.

Following the exercise of such option, the Group entered into a license agreement, the Ensovibep License Agreement, with Novartis under which the Group granted Novartis a sublicensable worldwide license to research, develop, manufacture, commercialize and otherwise use ensovibep and products comprising the compound in all indications.

The Group is eligible to receive a 22% royalty on future commercial sales. Molecular Partners has agreed to forgo royalties in lower income countries, and is aligned with Novartis' plans to ensure affordability based on countries' needs and capabilities. Novartis is responsible for all further development and commercialization activities of ensovibep.

In early January 2023 Novartis informed the Group that it has submitted a request to withdraw, with an effective date of January 25, 2023 the Emergency Use Authorization (EUA) application from the U.S. Food and Drug Administration (FDA) for ensovibep. Ensovibep is not presently in clinical development.

#### ***Reservation Agreement with the Swiss Federal Office of Public Health / Bundesamt für Gesundheit ("FOPH")***

On August 11, 2020, the Group announced the reservation by the FOPH of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Group received a reservation fee of CHF 7.0 million which resulted in a current contract liability of CHF 7.0 million, as presented in the consolidated statement of financial position for the years 2020 and 2021.

During 2020, the Group met the contractually agreed milestone specified in the agreement, resulting in the reservation fee received from the FOPH becoming no longer refundable.

In December 2021, the Group and the FOPH entered into an amendment to extend the term of the reservation agreement by six months. The amendment also allowed the agreement to be assigned to Novartis upon its exercise

of the option under the Option and Equity Rights Agreement. With the exercise of the option by Novartis in January 2022 and the subsequent assignment of the agreement to Novartis, the Group recognized the CHF 7.0 million contract liability as revenue in 2022.

***License and Collaboration Agreement with Amgen (the "Amgen Collaboration Agreement")***

In December 2018, the Group entered into a license and collaboration agreement with Amgen for the clinical development and commercialization of MP0310 / AMG 506.

Under the agreement the Group received a non-refundable upfront payment of USD 50 million. The Group was primarily responsible for performing certain clinical development, manufacturing and regulatory activities in the first clinical phase and the Group assigned the full USD 50 million (TCHF 49,625) upfront payment as the transaction price to this performance obligation, based on the Group's development plan and the Amgen Collaboration Agreement. The Group recognized the related revenue using the cost-based method to measure its progress by reference to actual costs incurred in relation to the Group's best estimate of total expected costs to satisfy the performance obligation. This cost-based method is subject to the assessment of the management of the Group.

On April 26, 2022 the Group announced that Amgen, had informed the Group of its decision to return the global rights of MP0310 following a strategic pipeline review. With no remaining performance obligations under the Amgen Collaboration Agreement, the Group recognized the remaining balance of the Amgen contract liability as revenue for a total amount reported in 2022 of TCHF 9,653.

During the years ended December 31, 2022, 2021 and 2020, the Group recognized revenues as disclosed in the table below. Revenues in the table below are attributable to individual countries and are based on the location of the Group's alliance partner.

<b>Revenues by country</b>			
<b>in CHF thousands, for the years ended December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Revenues Switzerland	179,903	—	—
Revenues USA	9,653	9,330	9,344
<b>Total revenues</b>	<b>189,556</b>	<b>9,330</b>	<b>9,344</b>

<b>Analysis of revenue by major alliance partner</b>			
<b>in CHF thousands, for the years ended December 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Novartis AG, Switzerland	172,903	—	—
FOPH, Switzerland	7,000	—	—
Amgen Inc., USA	9,653	9,330	9,344
<b>Total revenues</b>	<b>189,556</b>	<b>9,330</b>	<b>9,344</b>

***Other income***

In the first quarter of 2021 the Group entered into an agreement with Novartis to facilitate manufacturing of MP0420 drug supply at a third party supplier. The related agency services earned during 2022 amounted to TCHF 44 (2021: TCHF 424) and are presented as Other income in the consolidated statement of comprehensive income.

## 6. Property, plant and equipment

in CHF thousands	Lab equipment	Office equipment	IT hardware	Right-of-use assets	Leasehold improvements	Total
<b>2022</b>						
<b>Cost</b>						
At January 1, 2022	8,754	711	1,199	9,616	607	20,887
Additions	1,019	20	121	—	17	1,177
Disposals	(127)	—	(5)	—	—	(132)
<b>At December 31, 2022</b>	<b>9,646</b>	<b>731</b>	<b>1,315</b>	<b>9,616</b>	<b>624</b>	<b>21,932</b>
<b>Accumulated depreciation</b>						
At January 1, 2022	(7,164)	(653)	(1,012)	(3,615)	(298)	(12,741)
Depreciation charge for the year	(623)	(34)	(165)	(1,200)	(66)	(2,088)
Disposals	127	—	5	—	—	132
<b>At December 31, 2022</b>	<b>(7,660)</b>	<b>(687)</b>	<b>(1,172)</b>	<b>(4,815)</b>	<b>(364)</b>	<b>(14,697)</b>
<b>Carrying amount at December 31, 2022</b>	<b>1,986</b>	<b>44</b>	<b>143</b>	<b>4,802</b>	<b>260</b>	<b>7,235</b>

The right-of-use assets relate to the facilities the Group is leasing in Schlieren, Switzerland.

in CHF thousands	Lab equipment	Office equipment	IT hardware	Right-of-use assets	Leasehold improvements	Total
<b>2021</b>						
<b>Cost</b>						
At January 1, 2021	8,337	660	1,119	9,616	317	20,049
Additions	438	51	154	—	290	933
Disposals	(22)	—	(74)	—	—	(96)
<b>At December 31, 2021</b>	<b>8,754</b>	<b>711</b>	<b>1,199</b>	<b>9,616</b>	<b>607</b>	<b>20,887</b>
<b>Accumulated depreciation</b>						
At January 1, 2021	(6,602)	(617)	(757)	(2,414)	(273)	(10,662)
Depreciation charge for the year	(583)	(36)	(329)	(1,200)	(25)	(2,174)
Disposals	22	—	74	—	—	96
<b>At December 31, 2021</b>	<b>(7,164)</b>	<b>(653)</b>	<b>(1,012)</b>	<b>(3,615)</b>	<b>(298)</b>	<b>(12,741)</b>
<b>Carrying amount at December 31, 2021</b>	<b>1,590</b>	<b>59</b>	<b>186</b>	<b>6,001</b>	<b>309</b>	<b>8,146</b>

## 7. Intangible assets

in CHF thousands	
2022	Software
<b>Cost</b>	
At January 1, 2022	1,904
Additions	240
Disposals	(22)
<b>At December 31, 2022</b>	<b>2,122</b>
<b>Accumulated amortization</b>	
At January 1, 2022	(1,574)
Amortization charge for the year	(299)
Disposals	22
<b>At December 31, 2022</b>	<b>(1,851)</b>
<b>Carrying amount at December 31, 2022</b>	<b>271</b>

in CHF thousands	
2021	Software
<b>Cost</b>	
At January 1, 2021	1,530
Additions	374
Disposals	—
<b>At December 31, 2021</b>	<b>1,904</b>
<b>Accumulated amortization</b>	
At January 1, 2021	(1,183)
Amortization charge for the year	(391)
Disposals	—
<b>At December 31, 2021</b>	<b>(1,574)</b>
<b>Carrying amount at December 31, 2021</b>	<b>331</b>

## 8. Financial instruments

in CHF thousands	
2022	Financial assets at amortized costs
Cash and cash equivalents	87,946
Trade receivables	521
Accrued income	679
Short-term time deposits	161,198
<b>Balance at December 31</b>	<b>250,344</b>
<b>2021</b>	
Cash and cash equivalents	71,813
Trade receivables	23,710
Accrued income	76
Short-term time deposits	61,000
<b>Balance at December 31</b>	<b>156,599</b>

The above mentioned amounts were neither past due nor impaired at the end of the respective reporting period and were of highly rated quality. Please also see note 25.

in CHF thousands 2022	Financial liabilities at amortized cost
Trade payables	997
Accrued project costs and royalties	2,167
Lease liabilities	4,850
Other non-employee related accrued expenses	556
<b>Balance at December 31</b>	<b>8,570</b>
<b>2021</b>	
Trade payables	4,862
Accrued project costs and royalties	3,410
Lease liabilities	6,039
Other non-employee related accrued expenses	537
<b>Balance at December 31</b>	<b>14,848</b>

The carrying amount of financial assets and financial liabilities not measured at fair value (except for lease liabilities) is a reasonable approximation of fair value.

## 9. Other current assets

in CHF thousands	2022	2021
Prepayments	3,910	5,652
Accrued income	679	76
<b>Balance at December 31</b>	<b>4,589</b>	<b>5,728</b>

## 10. Trade and other receivables

in CHF thousands	2022	2021
Trade receivables	521	23,710
Value added tax	250	1,770
Withholding tax	173	24
Other receivables	75	146
<b>Balance at December 31</b>	<b>1,019</b>	<b>25,650</b>

Trade receivables are denominated in the following currencies:

in CHF thousands	2022	2021
CHF	160	958
EUR	—	3,127
USD	361	19,625
<b>Balance at December 31</b>	<b>521</b>	<b>23,710</b>

The decrease in trade receivables for 2022 mainly related to the License and Collaboration Agreement with Novartis entered into in December 2021. The amount invoiced to Novartis in December 2021 was received in cash in January 2022.

## 11. Cash, cash equivalents and short-term time deposits

<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>
Cash at bank in CHF	67,611	44,621
Cash at bank in EUR	7,685	20,313
Cash at bank in USD	12,520	5,821
Cash at bank in GBP	130	1,058
<b>Total cash at bank at December 31</b>	<b>87,946</b>	<b>71,813</b>
Short-term time deposits in CHF	110,000	20,000
Short-term time deposits in EUR	4,938	—
Short-term time deposits in USD	46,260	41,000
<b>Total short-term deposits at December 31</b>	<b>161,198</b>	<b>61,000</b>

The short-term time deposits denominated in CHF at December 31, 2022 contained six positions with three Swiss banks, the short-term time deposits denominated in USD contained three positions with three Swiss banks and the short-term time deposits denominated in EUR contained one position with one Swiss bank. The short-term time deposits in CHF at December 31, 2021 contained one position with one Swiss bank and the short-term time deposits denominated in USD contained three positions with two Swiss banks. Please also refer to note 25.

## 12. Shareholders' equity

In August 2022, the Company issued 3,500,000 common shares at par value CHF 0.10 per share. The shares were fully subscribed for by Molecular Partners Inc., a fully owned subsidiary of the Company. As of December 31, 2022, all 3,500,000 common shares were held as treasury shares of the Company. The purpose of the share issuance was to replenish the Company's pool of treasury shares that the Company can use in the future to raise funds, including in connection with the Company's at-the-market sales program for American Depositary Shares established in July 2022.

The total amount presented as Treasury shares reserve in the consolidated statement of financial position, is comprised of CHF 350,000 of the nominal value of the treasury shares and CHF 631,336 of transaction costs incurred directly related to the issuance. The amount of CHF 350,000 is a non-cash transaction for the Group.

### Classes of share capital

#### *Ordinary share capital*

On December 31, 2022, the Company's issued share capital amounted to CHF 3,604,471 divided into 36,044,706 fully paid registered shares with a par value of CHF 0.10 each. Ordinary shares are entitled to one vote per share and rank equally with regard to the Company's residual assets and dividends (if any should be declared in the future).

	<b>Ordinary shares</b>
<b>Shares in issue at December 31, 2019</b>	<b>21,601,192</b>
Issued in relation to capital raise in July 2020	5,528,089
Issued in relation to Novartis agreement in October 2020	1,739,130
Issued in relation to vesting of PSU, RSU and options	278,581
<b>Shares in issue at December 31, 2020</b>	<b>29,146,992</b>
Issued in relation to June 2021 IPO	3,000,000
Issued in relation to vesting of PSU, RSU and options	145,656
<b>Shares in issue at December 31, 2021</b>	<b>32,292,648</b>
Issued in relation to creation of treasury shares in August 2022	3,500,000
Issued in relation to vesting of PSU, RSU and options	252,058
<b>Shares in issue at December 31, 2022</b>	<b>36,044,706</b>

The Company's share capital registered with the Swiss Commercial Register on December 31, 2022 amounted to CHF 3,579,265 divided into 35,792,648 fully paid up registered shares with a par value of CHF 0.10 per share.

The corresponding capital increases in 2022 were registered with the commercial register in two steps on August 25, 2022 for the treasury shares and on February 3, 2023 for the option exercises and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), from the RSU Plan 2019 and the PSU Plans 2021, 2019 and 2018.

The corresponding capital increases in 2021 were registered with the commercial register in two steps on June 18, 2021 for the transaction in June and on February 16, 2022 for the option exercises and the vesting of the RSU plan 2018 and the PSU plans 2018 and 2017.

#### **Authorized share capital**

On December 31, 2022, the Company had an authorized share capital in the amount of up to CHF 457,316 through the issuance of up to 4,573,162 fully paid up registered shares with a par value of CHF 0.10 per share, which is valid until April 13, 2024. This authorized capital of up to CHF 457,316 equates to approximately 13% of the existing share capital. As approved by the annual general meeting on April 13, 2022, the authorized share capital was increased by CHF 378,641 from CHF 428,675 to CHF 807,316. In August 2022, the authorized share capital was subsequently reduced by CHF 350,000 from CHF 807,316 to CHF 457,316 due to the creation of treasury shares.

The Board of Directors is authorized to determine the issue price, type of payment, time of the issuance, conditions for the exercise of the preemptive rights and the date from which the shares carry the right to dividends. The Board of Directors can issue new shares by means of an underwriting arrangement by a bank or another third party with a subsequent offer of these shares to the existing shareholders or third parties (if the preemptive rights of the existing shareholders have been denied or not been duly exercised). The Board of Directors is authorized to permit, to restrict or to deny the trade of preemptive rights. The Board of Directors may permit preemptive rights that have been granted but not exercised to expire or it may place these rights respectively the shares as to which preemptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Group.

The Board of Directors is further authorized to restrict or deny the preemptive rights of shareholders and to allocate them to third parties: (a) for the acquisition of companies, parts of companies or participations, for the acquisition of products, intellectual property or licenses, for investment projects or for the financing or refinancing of such transactions through a placement of shares, (b) for the purpose of broadening the shareholder constituency or in connection with a listing of shares on domestic or foreign stock exchanges, (c) if the issue price of the new shares is determined by reference to the market price, (d) for purposes of granting an over-allotment option (greenshoe) of up to 20% of the total number of shares in a placement or sale of shares to the respective initial purchasers or underwriters, (e) following a shareholder or a group of shareholders acting in concert having accumulated shareholdings in excess of 15% of the share capital registered with the commercial register of the Canton of Zurich, without having submitted to the other shareholders a take-over offer recommended by the Board of Directors, or (f)



for the defense of an actual, threatened or potential takeover bid, in relation to which the Board of Directors has not recommended to the shareholders acceptance on the basis that the Board of Directors has not found the takeover bid to be financially fair to the shareholders.

### **Conditional share capital**

As of December 31, 2022 the Company's share capital was allowed to be increased by an amount not to exceed CHF 136,296 through the issuance of up to 1,362,963 fully paid up shares with a par value of CHF 0.10 per share through the direct or indirect issuance of shares, options or preemptive rights granted to employees, members of the Board of Directors or members of any advisory boards. During 2022, the share capital was increased out of this conditional capital for employee participation (Article 3b of the Articles of Association). As a result, the available conditional capital for employee participation was reduced by CHF 25,206 from CHF 161,502 to CHF 136,296.

In addition, the share capital may be increased by an amount not to exceed CHF 226,087 through the issuance of up to 2,260,870 fully paid up shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations by or of the Company. During 2022, this conditional capital for financing transactions and other purposes (Article 3c of the Articles of Association) remained unchanged.

In 2022, the cash proceeds from the exercise of share options and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), amounted to CHF 251,957 and all was completed from the issuance of new shares (conditional share capital).

In 2021, the cash proceeds from the exercise of share options and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), amounted to CHF 269,552 and all was completed from the issuance of new shares (conditional share capital).

In 2020, the cash proceeds from the exercise of share options and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), amounted to CHF 848,340 and all was completed from the issuance of new shares (conditional share capital).

### **13. Trade and other payables**

<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>
Trade payables	997	4,862
Social security	1,146	1,672
Value added tax	—	855
<b>Balance at December 31</b>	<b>2,143</b>	<b>7,389</b>

Trade payables are denominated in the following currencies:

<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>
CHF	790	1,464
EUR	104	3,250
USD	103	118
GBP	—	29
<b>Balance at December 31</b>	<b>997</b>	<b>4,862</b>

## 14. Accrued expenses

in CHF thousands	2022	2021
Accrued project costs and royalties	2,167	3,410
Accrued payroll and bonuses	4,763	6,002
Other	571	563
<b>Balance at December 31</b>	<b>7,501</b>	<b>9,975</b>

## 15. Contract liability

The Group expects the contract liability to be recognized as revenue or, in case of consideration payable to a customer, reduction of costs, as follows:

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	6,409
Expected revenue recognition in year two after balance sheet date	3,637
Expected revenue recognition in year three after balance sheet date	—
Expected revenue recognition in year four after balance sheet date	—
Expected revenue recognition in year five and later after balance sheet date	—
<b>Balance at December 31, 2022</b>	<b>10,046</b>

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	28,312
Expected revenue recognition in year two after balance sheet date	5,798
Expected revenue recognition in year three after balance sheet date	1,127
Expected revenue recognition in year four after balance sheet date	—
Expected revenue recognition in year five and later after balance sheet date	—
<b>Balance at December 31, 2021</b>	<b>35,237</b>

The table below presents the movement on the contract liability:

in CHF thousands	Contract liability at January 1, 2022	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2022
Amgen	9,653	—	(9,653)	—	—
Novartis	18,584	—	(8,538)	—	10,046
FOPH	7,000	—	(7,000)	—	—
<b>Balance</b>	<b>35,237</b>	<b>—</b>	<b>(25,191)</b>	<b>—</b>	<b>10,046</b>

in CHF thousands	Contract liability at January 1, 2021	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2021
Amgen	18,983	—	(9,330)	—	9,653
Novartis	19,904	18,584	—	(19,904)	18,584
FOPH	7,000	—	—	—	7,000
<b>Balance</b>	<b>45,887</b>	<b>18,584</b>	<b>(9,330)</b>	<b>(19,904)</b>	<b>35,237</b>

The License and Collaboration Agreement with Novartis entered into in December 2021 resulted in a contract liability of TCHF 18,584 (TUSD 20,000).

During the year ended December 31, 2021, an amount of TCHF 19,904 has been released to offset a corresponding amount of costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 under the Option and Equity Rights Agreement entered into in October 2020 (see note 5).

in CHF thousands	Current	Non-current	Contract liability
Novartis	6,409	3,637	10,046
<b>Balance at December 31, 2022</b>	<b>6,409</b>	<b>3,637</b>	<b>10,046</b>

in CHF thousands	Current	Non-current	Contract liability
Amgen	9,653	—	9,653
Novartis	11,659	6,925	18,584
FOPH	7,000	—	7,000
<b>Balance at December 31, 2021</b>	<b>28,312</b>	<b>6,925</b>	<b>35,237</b>

## 16. Additional information on the nature of expenses

<b>Research and development expenses</b>			
<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Research consumables and external research and development expenses	(17,154)	(26,342)	(26,599)
Personnel expenses <sup>(1)</sup> , see also note 18	(28,101)	(25,647)	(25,251)
Depreciation and amortization	(1,971)	(2,016)	(2,319)
Intellectual property	(957)	(636)	(492)
Facility expenses	(854)	(758)	(683)
Other research and development expenses	(703)	(259)	(169)
Royalties and license fees, see also note 17	(1,010)	(60)	(562)
<b>Total year ended December 31</b>	<b>(50,749)</b>	<b>(55,718)</b>	<b>(56,075)</b>

<b>Selling, general and administrative expenses</b>			
<b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Personnel expenses <sup>(2)</sup> , see also note 18	(11,788)	(10,604)	(8,383)
Other administrative expenses	(9,965)	(6,242)	(2,587)
Depreciation and amortization	(416)	(549)	(568)
Facility expenses	(69)	(60)	(57)
<b>Total year ended December 31</b>	<b>(22,238)</b>	<b>(17,454)</b>	<b>(11,595)</b>

<b>Total operating expenses</b>	<b>(72,987)</b>	<b>(73,172)</b>	<b>(67,670)</b>
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<sup>(1)</sup> Research and development non-cash effective pension and share-based compensation costs were TCHF 3,856 in 2022, TCHF 3,045 in 2021 and TCHF 2,612 in 2020.

<sup>(2)</sup> Selling, general and administrative non-cash effective pension and share based compensation costs were TCHF 2,329 in 2022, TCHF 2,113 in 2021 and TCHF 1,573 in 2020.

## 17. Royalties and license fees

Until October 2021, the Group held an exclusive perpetual license from the University of Zurich on patent applications and patents relating to the DARPin base technology. The Group terminated the applicable license agreement with effect as of October 2021 as the main patents under this agreement expired in September 2021. For the years ended December 31, 2021 and 2020 the minimum amounts of CHF 50,000 were payable.

The Group currently now only holds a non-exclusive perpetual license from the University of Zurich on patent applications and patents relating to Phage Display technology. The amount payable by us is CHF 10,000 per annum.

In May 2020, the Group entered into a research collaboration agreement with the University of Utrecht regarding the development of the Group's COVID-19 program. Under this agreement, the Group paid a fee of CHF 250,000 to the University of Utrecht in December 2020. An additional fee of CHF 250,000 was accrued as per December 2021 and payable under this agreement. With Novartis exercising its option under the Option and Equity Rights Agreement, the University of Utrecht was owed a further CHF 1.0 million that was expensed and paid during 2022.

## 18. Personnel expenses

in CHF thousands	2022	2021	2020
Salaries	(27,737)	(25,909)	(23,525)
Share-based compensation (non-cash effective)	(5,088)	(4,085)	(2,932)
Pension costs	(3,192)	(3,059)	(3,080)
Social security costs	(2,399)	(2,535)	(2,393)
Other personnel expenses	(1,473)	(663)	(1,704)
<b>Total year ended December 31</b>	<b>(39,889)</b>	<b>(36,251)</b>	<b>(33,634)</b>

Full-time equivalents and head count	2022	2021	2020
Average number of full-time equivalents	167.4	158.3	142.5
Full-time equivalents at year end	175.3	163.2	145.4
Headcount at year end	191	177	159

### 18.1 Pension costs and liabilities

in CHF thousands	2022	2021
<b>Defined benefit pension plans</b>		
<b>Actuarial assumptions</b>		
Discount rate at January 1	0.40 %	0.20 %
Discount rate at December 31 <sup>(1)</sup>	2.25 %	0.40 %
Future salary increases at December 31	2.00 %	2.00 %
Mortality tables	BVG2020 GT	BVG2020 GT
Date of last actuarial valuation	31.12.2022	31.12.2021
<b>Reconciliation of the amount recognized in the statement of financial position</b>		
Defined benefit obligation at December 31	52,529	54,461
Fair value of plan assets at December 31	50,284	47,979
<b>Net defined benefit liability at December 31 <sup>(2)</sup></b>	<b>2,245</b>	<b>6,483</b>
<b>Components of defined benefit cost in profit or loss</b>		
Current service cost (employer)	3,137	3,097
Past service cost	—	(94)
Interest expense on defined benefit obligation	231	114
Interest income on plan assets	(203)	(86)
Administrative cost excl. cost for managing plan assets	27	27
<b>Defined benefit cost recognized in profit or loss</b>	<b>3,192</b>	<b>3,059</b>
thereof service cost and administrative cost	3,164	3,031
thereof net interest expense on the net defined benefit liability	28	28
<b>Reconciliation of net defined benefit liability</b>		
Net defined benefit liability at January 1	6,483	13,423
Defined benefit cost recognized in profit or loss <sup>(3)</sup>	3,192	3,059
Remeasurement of net pension liabilities	(5,334)	(8,012)
Contributions by the employer <sup>(3)</sup>	(2,096)	(1,987)
<b>Net defined benefit liability at December 31 <sup>(2)</sup></b>	<b>2,245</b>	<b>6,483</b>

<b>Reconciliation of defined benefit obligation</b>		
Defined benefit obligation at January 1	54,461	54,512
Interest expenses on defined benefit obligation	231	114
Current service cost (employer)	3,137	3,097
Contributions by plan participants	1,317	1,246
Benefits (paid)/deposited	2,032	1,067
Past service cost	—	(94)
Administrative cost (excl. cost for managing plan assets)	27	27
Actuarial (gain)/loss on defined benefit obligation	(8,676)	(5,508)
<b>Defined benefit obligation at December 31</b>	<b>52,529</b>	<b>54,461</b>
<b>Reconciliation of amount recognized in OCI</b>		
Actuarial (gain) / loss on changes in financial assumptions	(12,222)	(2,303)
Actuarial (gain) / loss on changes in demographic assumptions	—	(2,432)
Actuarial (gain) / loss arising from experience adjustments	3,546	(773)
<b>Actuarial (gain)/loss on defined benefit obligation</b>	<b>(8,676)</b>	<b>(5,508)</b>
Return on plan assets excluding interest income	3,342	(2,504)
<b>Remeasurement of net pension liabilities</b>	<b>(5,334)</b>	<b>(8,012)</b>
<b>Reconciliation of fair value of plan assets</b>		
Fair value of plan assets at January 1	47,979	41,089
Interest income on plan assets	203	86
Contributions by the employer	2,096	1,987
Contributions by plan participants	1,317	1,246
Benefits (paid)/deposited	2,032	1,067
Return on plan assets excl. interest income	(3,342)	2,504
<b>Fair value of plan assets at December 31</b>	<b>50,284</b>	<b>47,979</b>
<b>Best estimate of contributions of next year</b>		
Contributions by the employer	2,231	2,060
<b>Plan asset classes</b>		
Cash and cash equivalents	7,896	9,581
Equity instruments	20,754	20,246
Debt instruments (e.g. bonds)	8,200	6,130
Real estate funds	1,793	1,612
Others	1,748	1,547
<b>Total plan assets at fair value (quoted market price)</b>	<b>40,391</b>	<b>39,116</b>
Others	9,892	8,862
<b>Total plan assets at fair value (non-quoted market price)</b>	<b>9,892</b>	<b>8,862</b>
<b>Total plan assets at fair value at December 31</b>	<b>50,284</b>	<b>47,979</b>
thereof entity's own transferable financial instruments	—	—
thereof property occupied or other assets used by the entity	—	—
<b>Sensitivity <sup>(4)</sup></b>		
Defined benefit obligation at December 31 with discount rate -0.25%	54,524	57,066
Defined benefit obligation at December 31 with discount rate +0.25%	50,672	52,054
Defined benefit obligation at December 31 with interest rate on retirement savings capital -0.25%	51,699	53,576

Defined benefit obligation at December 31 with interest rate on retirement savings capital +0.25%	53,383	55,373
Defined benefit obligation at December 31 with salary increases -0.25%	52,253	53,993
Defined benefit obligation at December 31 with salary increases +0.25%	52,768	54,947
Defined benefit obligation at December 31 with life expectancy +1 year	53,090	55,283
Defined benefit obligation at December 31 with life expectancy -1 year	51,961	53,569
<b>Maturity profile of defined benefit obligation</b>		
Weighted average duration of defined obligation in years at December 31	15.0	18.5
Weighted average duration of defined obligation in years at December 31 for active members	14.8	18.3
Weighted average duration of defined obligation in years at December 31 for pensioners	16.3	19.6

<sup>(1)</sup> Discount rates are based on industry benchmarks related to benefits with a 20 year duration.

<sup>(2)</sup> In liabilities for employee benefits, as presented in the consolidated statement of financial position included are also TCHF 307 (2021: TCHF 257; 2020: TCHF 255) for accrued sabbatical cost.

<sup>(3)</sup> The sum of these two positions represent the non-cash effective pension costs recognized in the profit and loss section of the consolidated statement of comprehensive income of which TCHF 846 are research and development costs (2021: TCHF 837; 2020: TCHF 1,039) and TCHF 250 are selling, general and administrative costs (2021: TCHF 235; 2020: TCHF 214).

<sup>(4)</sup> For the most important parameters which influence the pension obligation of the Company a sensitivity analysis was performed. The discount rate and the assumption for salary increases were modified by a certain percentage value. Sensitivity on mortality was calculated by changing the mortality with a constant factor for all age groups. With this procedure the Company could change the longevity for most of the age categories by one year longer or shorter than the baseline value.

The table below presents the amounts that are reflected in the statement of comprehensive income for the periods indicated:

in CHF thousands	2022	2021	2020
<b>Components of defined benefit cost in profit or loss</b>			
Current service cost (employer)	3,137	3,097	3,033
Past service cost	—	(94)	—
Interest expense on defined benefit obligation	231	114	103
Interest income on plan assets	(203)	(86)	(80)
Administrative cost excl. cost for managing plan assets	27	27	24
<b>Defined benefit cost recognized in profit or loss</b>	<b>3,192</b>	<b>3,059</b>	<b>3,080</b>
thereof service cost and administrative cost	3,164	3,031	3,057
thereof net interest expense on the net defined benefit liability	28	28	23
<b>Reconciliation of amount recognized in OCI</b>			
Actuarial (gain) / loss on changes in financial assumptions	(12,222)	(2,303)	—
Actuarial (gain) / loss on changes in demographic assumptions	—	(2,432)	—
Actuarial (gain) / loss arising from experience adjustments	3,546	(773)	335
<b>Actuarial (gain)/loss on defined benefit obligation</b>	<b>(8,676)</b>	<b>(5,508)</b>	<b>335</b>
Return on plan assets excluding interest income	3,342	(2,504)	1,179
<b>Remeasurement of net pension liabilities</b>	<b>(5,334)</b>	<b>(8,012)</b>	<b>1,514</b>

## 18.2 Share-based compensation

### 18.2.1 Employee Share Option Plans (“ESOP”)

1. ESOP 2009 established in December 2009
2. ESOP 2014 established in July 2014

An ESOP is an incentive tool that fosters the entrepreneurial spirit and performance by way of financial participation in the Group's long term success. It gives employees, members of the Board of Directors and selected advisors a beneficial opportunity to purchase shares of the Company. Each option entitles its holder to purchase one share of the Company at a pre-defined exercise price. The number of options granted to each participant was determined by the Board of Directors based on a participant's position and level of responsibility. The options generally vested quarterly over four years, with vesting of 25% after one year. At the end of the 10 year option term, unexercised options expire without value.

As of December 31, 2022, an aggregate of 282,105 options were outstanding under the ESOP 2009 and ESOP 2014. All these options are fully vested at the reporting date.

As of December 31, 2021, an aggregate of 318,902 options were outstanding under the ESOP 2009 and ESOP 2014. All these options are fully vested at the reporting date.

Since the initial public offering of the Company on the SIX Swiss Exchange on November 5, 2014, no further option grants have been made under any of these two share option plans.



## 18.2.2 Long Term Incentive (“LTI”) Plans: Restricted Share Units (“RSU”) and Performance Share Units (“PSU”)

- LTI plans 2018 established in March 2018
- LTI plans 2019 established in March 2019
- LTI plans 2020 established in March 2020
- LTI plans 2021 established in March 2021
- LTI plans 2022 established in March 2022

Under the LTI plans, members of the Board of Directors are eligible to be granted RSUs, whereas members of the Management Board and other employees are eligible to be granted PSUs.

RSUs are contingent rights to receive a certain number of shares of the Company at the end of a three-year blocking period. The number of RSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each RSU as at the grant date. In certain circumstances, including a change of control, a full or partial accelerated vesting of the RSUs may occur. RSUs vest over a one-year period from date of grant.

PSUs are contingent rights to receive a variable number of shares of the Company. Since 2021, PSUs granted to employees (except for members of the Management Board) will vest in three tranches of one third each. The first tranche of the PSUs shall vest on the first anniversary of the grant date, the second tranche on the second anniversary of the grant date and the third tranche on the third anniversary of the grant date. For the members of the Management Board, the vesting schedule remains unchanged and PSU's will vest at the end of a three year cliff-vesting period. PSUs granted to all employees under PSU plans prior to 2021 will continue to vest at the end of a three-year cliff-vesting period.

The number of PSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each PSU as of the grant date. While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be earned in relation to a PSU also depends on the achievement of pre-defined corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 150% of the number of PSUs granted. Even after the determination of goal achievement, participants may lose their entitlements in full or in part depending on certain conditions relating to their employment. In certain circumstances, including a change of control, a full or partial accelerated vesting of the PSUs may occur.

The LTI plans are issued annually, which allows the Board of Directors to review the terms and determine the targets on an annual basis. Employees generally receive the grants on April 1 of each calendar year, or for new employees on the first day of the calendar quarter after the start of their employment. Members of the Management Board and the Board of Directors receive the annual grants after the approval of the ordinary shareholders' meeting.

As of December 31, 2022, 604,800 PSUs and 96,001 RSUs were outstanding. As of December 31, 2021, 547,485 PSUs and 95,635 RSUs were outstanding.

### 18.2.3 Conditions attached to and measurement of fair values of equity-settled share-based payment arrangements

The following table provides the conditions as well as the inputs used in the measurement of the values at grant dates:

RSU/PSU, conditions and assumptions	2022	2021
Nature of arrangement	Grant of PSU/RSU	Grant of PSU/RSU
Grant date RSU	April 13, 2022	April 21, 2021
Grant dates PSU	Jan 1 - Oct 1	Jan 1 - Oct 1
Number of RSU granted	33,015	29,519
Number of PSU granted	307,137	230,536
Weighted average exercise price (CHF)	0.10	0.10
Share price (CHF)	6.55 - 18.88	17.90 - 23.25
Vesting period for RSU (years)	1.00	1.00
Full contractual life for RSU (years)	3.00	3.00
Vesting period for PSU (years), Management Board	3.00	3.00
Vesting period for PSU (years), employees excluding Management Board	3.00 (pro-rata annual vesting)	3.00 (pro-rata annual vesting)
Full contractual life for PSU (years)	3.00	3.00
Settlement	Common Shares	Common Shares
Expected volatility on Common shares	64.69 - 76.84	58.57 - 61.69
Risk-free interest rate p. a. (%) / CHF LIBOR / Common shares	(0.54) - (0.71)	(0.58) - (0.61)
Expected volatility on NBI	25.89 - 28.16	26.21 - 27.01
Risk-free interest rate p. a. (%) / USD LIBOR / NBI	0.58 - 4.78	0.24 - 0.34
Expected volatility on SPI	15.57 - 17.02	15.96 - 16.15
Risk-free interest rate p. a. (%) / CHF LIBOR / SPI	(0.54) - (0.71)	(0.58) - (0.61)
Expected dividend (CHF)	—	—
Weighted average fair value of rights granted (CHF)	17.08	24.56
Latest expiry date	Sep 30, 2025	Sep 30, 2024
Valuation model	Monte Carlo	Monte Carlo

Additional comments:

- Expected volatility: Historical share prices of the Company have been used.
- The indices, Nasdaq Biotechnology Index ("NBI") and Swiss performance Index ("SPI") are used as inputs in determining the fair values for the 2021 and 2022 PSU Plans.

The movements in the number of all issued RSUs, PSUs and share options are as follows:

Share option / PSU / RSU movements	Total (numbers)	Weighted average exercise price (CHF)	Options (numbers)	Weighted average exercise price (CHF)	PSU/RSU (numbers)	Weighted average exercise price (CHF)
<b>Balance outstanding at December 31, 2020</b>	<b>915,163</b>	<b>2.74</b>	<b>382,059</b>	<b>6.42</b>	<b>533,104</b>	<b>0.10</b>
Granted	260,055	0.10	—	—	260,055	0.10
(Performance adjustment) <sup>(1)</sup>	(1,022)	0.10	—	—	(1,022)	0.10
(Forfeited) <sup>(2)</sup>	(66,518)	0.10	—	—	(66,518)	0.10
(Expired)	—	—	—	—	—	—
(Exercised options, vested PSU / RSU) <sup>(3)</sup>	(145,656)	1.85	(63,157)	4.14	(82,499)	0.10
<b>Balance outstanding at December 31, 2021</b>	<b>962,022</b>	<b>2.35</b>	<b>318,902</b>	<b>6.87</b>	<b>643,120</b>	<b>0.10</b>
Granted	340,152	0.10	—	—	340,152	0.10
(Performance adjustment) <sup>(1)</sup>	—	0.10	—	—	—	0.10
(Forfeited) <sup>(2)</sup>	(63,990)	0.10	—	—	(63,990)	0.10
(Expired)	(3,220)	5.40	(3,220)	5.40	—	—
(Exercised options, vested PSU / RSU) <sup>(3)</sup>	(252,058)	1.00	(33,577)	6.85	(218,481)	0.10
<b>Balance outstanding at December 31, 2022</b>	<b>982,906</b>	<b>2.05</b>	<b>282,105</b>	<b>6.89</b>	<b>700,801</b>	<b>0.10</b>

<sup>(1)</sup> Performance adjustments indicate forfeitures due to non-market performance conditions not achieved

<sup>(2)</sup> Forfeited due to service conditions not fulfilled

<sup>(3)</sup> The weighted average share prices at the dates of exercising during the year ended 2022 amounted to CHF 22.35 (2021: CHF 19.87)

The following table applies to all share options, PSUs and RSUs outstanding at December 31, 2022:

Exercise price CHF	Options / PSU/RSU (number)	Remaining life (years)	Thereof exercisable options
<b>Options</b>			
6.06	15,450	1.4	15,450
6.94	266,655	1.7	266,655
<b>PSU/RSU</b>			
0.10	700,801	1.1	
<b>Total</b>	<b>982,906</b>		<b>282,105</b>

The following table applies to all share options, PSUs and RSUs outstanding at December 31, 2021:

Exercise price CHF	Options / PSU/RSU (number)	Remaining life (years)	Thereof exercisable options
Options			
2.31	1,160	0.7	1,160
6.05	2,815	1.0	2,815
6.06	15,450	2.4	15,450
6.94	299,477	2.7	299,477
PSU/RSU			
0.10	643,120	1.2	
<b>Total</b>	<b>962,022</b>		<b>318,902</b>

The non-cash costs for share-based payments recognized in the statement of comprehensive income can be attributed to the Group's two functions as follows:

in CHF thousands	2022	2021	2020
Research and development	3,010	2,208	1,573
Selling, general and administrative	2,078	1,877	1,359
<b>Total year ended December 31</b>	<b>5,088</b>	<b>4,085</b>	<b>2,932</b>

## 19. Financial income and financial expense

### Financial income

in CHF thousands	2022	2021	2020
Interest income on financial assets held at amortized costs	1,142	99	367
Net foreign exchange gain	717	92	—
<b>Total year ended December 31</b>	<b>1,859</b>	<b>191</b>	<b>367</b>

### Financial expense

in CHF thousands	2022	2021	2020
Net foreign exchange loss	—	—	(4,512)
Negative interest on financial assets held at amortized costs	(562)	(495)	(271)
Interest expense on leases	(43)	(53)	(24)
Other financial expenses	(14)	(8)	(9)
<b>Total year ended December 31</b>	<b>(619)</b>	<b>(556)</b>	<b>(4,816)</b>

## 20. Taxes

### Income taxes

In 2022 the Company generated a taxable profit whereas in 2021 and 2020 the Company generated a taxable loss in Switzerland, all of which are reflected in the Company's cumulative tax loss carry forward. The Company did not have to pay or accrue any income taxes in the reporting periods as the 2022 taxable income in the period is fully offset by the utilization of accumulated tax losses. Any future taxable income will be subject to Swiss federal, cantonal and communal income taxes. The Company's applicable income tax rate for the year 2022 is 19.4% (2021: 19.4%; 2020: 20.8%).

Molecular Partners Inc., which is incorporated in the United States in the State of Delaware, is subject to statutory U.S. federal corporate income taxes and minimal state taxes for Massachusetts and New York.

For the year ended December 31, 2022, current income tax expense of TCHF 0.3 (TUSD 0.3) was recognized by the Group's U.S. based subsidiary for estimated U.S. tax obligations of the subsidiary based on intra-Group activity (for the year ended December 31, 2021: tax credit of TCHF 2 (TUSD 2) and for the year ended December 31, 2020: tax expense of TCHF 11 (TUSD 13)). The tax expense amount comprises of the sum of the minimal taxes payable for federal taxes and for the various states in which Molecular Partners Inc. is liable for taxes. The applicable income tax rates are 21% federal tax plus 8.00% state tax (Massachusetts) and 6.50% (New York).

### **Deferred taxes**

The Company's net operating profit for tax purposes amounted to TCHF 124,020 in 2022 whereas prior years generated net operating losses of TCHF 58,632 in 2021 and TCHF 58,631 in 2020. The remaining tax losses as of December 31, 2022 of TCHF 88,198 may be used as tax loss carry forwards to offset future taxable income over a period of seven years, with the amount of TCHF 29,566 to expire in 2027 and TCHF 58,632 to expire in 2028.

No deferred tax assets have been recognized for these tax loss carry forwards, because as of December 31, 2022, it was not considered probable that such loss carry forwards can be utilized in the foreseeable future. In addition, no deferred tax positions were recognized on other deductible temporary differences (e.g. pension liabilities under IAS 19 for a total of TCHF 2,245, see also note 18.1) due to the tax losses carried forwards. Income tax expense has been calculated for the year ending December 31, 2022, based on the effective income tax rate expected for the full financial year, being 0% on December 31, 2022, given that the 2022 taxable income in the period is fully offset by the utilization of accumulated tax losses.

Given the facts above, as well as the fact that the Company incurred no significant tax expense in the reporting periods presented, a numerical reconciliation of the effective tax rate is not provided. The primary reconciling item is the effect of unrecognized deferred tax assets for tax losses and deductible temporary differences.

The following table shows the expiry of tax loss carry forwards for the Company, for which no deferred tax asset was recognized:

in CHF thousands	2022	2021
2023	—	(15,976)
2024	—	(21,766)
2025	—	(23,767)
2026	—	(33,446)
2027	(29,566)	(58,631)
2028	(58,632)	(58,632)
Thereafter	—	—
<b>Total tax loss carry forwards as at December 31</b>	<b>(88,198)</b>	<b>(212,218)</b>

## **21. Earnings per share**

Basic earnings per share is calculated by dividing the net result attributable to the shareholders of the Company by the weighted average number of shares issued and outstanding during the reporting period, excluding any shares held as treasury shares. Diluted earnings per share additionally takes into account the potential conversion of all dilutive potential ordinary shares.

	2022	2021	2020
Weighted average number of shares used in computing basic earnings per share	32,469,957	31,005,171	25,000,652
Weighted average number of shares used in computing diluted earnings per share	33,265,567	31,005,171	25,000,652

At December 31, 2022, the number of shares that are dilutive, is 795,610. For all comparative prior periods presented all potential ordinary shares were anti-dilutive. The number of shares that potentially could be dilutive in the future were 835,422 as at December 31, 2021 and 794,377 as at December 31, 2020.

## 22. Leases

The Group leases office and laboratory facilities in Schlieren, Switzerland. These leases generally have terms between 2 and 10 years and contain extension or terminations options exercisable by the Group up to one year before the end of the non-cancellable contract period. These terms are used to maximize operational flexibility in terms of managing contracts. The options to extend are held by the Company and the termination options are held both by the Company and the lessor. As of December 31, 2020, the Group exercised the option to extend the lease on its facilities in Schlieren by five years with a new lease term ending on December 31, 2026. The earliest contractual termination date for both the lessor and the Group on the major real estate lease is December 31, 2025. For information about the right-of-use assets please also see note 6.

Set out below are the carrying amounts of the lease liabilities and the movements during the period:

in CHF thousands	2022	2021
as at January 1,	6,039	7,218
Additions / new leases	—	—
Remeasurements	—	—
Recognition of interest on lease liabilities	43	53
Payments	(1,232)	(1,232)
<b>Balance as at December 31,</b>	<b>4,850</b>	<b>6,039</b>
Current	1,198	1,189
Non-current	3,652	4,850
<b>Balance as at December 31,</b>	<b>4,850</b>	<b>6,039</b>

The following are the expense amounts recognized in the consolidated statement of comprehensive income.

in CHF thousands	2022	2021	2020
Depreciation on right-of-use assets	1,200	1,200	1,256
Interest expense on lease liabilities	43	53	24
Short term leases	—	—	—
<b>Total amount recognized in profit or loss</b>	<b>1,243</b>	<b>1,253</b>	<b>1,280</b>

The total cash outflow for leases for the year ended December 31, 2022 amounted to TCHF 1,232 (year ended December 31, 2021 TCHF 1,232; year ended December 31, 2020 TCHF 1,275).

**Contractual maturities of financial liabilities at December 31, 2022**

in CHF thousands

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cashflows	Carrying Amount lease liabilities
Lease liabilities	1,232	1,232	2,464	—	4,928	4,850

**Contractual maturities of financial liabilities at December 31, 2021**

in CHF thousands

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cashflows	Carrying Amount lease liabilities
Lease liabilities	1,232	1,232	3,696	—	6,160	6,039

**23. Related party disclosures**

Compensation costs of key management, which includes executive management and the Board of Directors, are as follows:

in CHF thousands	2022	2021	2020
Short-term employee benefits	3,159	2,423	2,408
Post-employment benefits	297	203	205
Share-based compensation	2,111	1,784	1,601
<b>Total year ended December 31</b>	<b>5,567</b>	<b>4,410</b>	<b>4,214</b>

Pamela Trail departed from her role as Chief Scientific Officer in July 2019. She has continued to support the Group as a consultant after this date. For the year ended December 31, 2022, Pamela Trail's consulting fees amounted to TCHF nil (2021: TCHF 13, 2020: TCHF 45). In 2022, there was a further payment of TCHF 21 made to Pamela Trail settling an outstanding amount relating to her term of employment.

**24. Capital commitments**

As of December 31, 2022 and December 31, 2021, the Group did not have any capital commitments.

**25. Financial risk management****Foreign exchange risk**

In order to reduce its foreign exchange exposure, Molecular Partners may enter into currency contracts with selected high-quality financial institutions to hedge against foreign currency exchange rate risks. The Group's primary exposure to financial risk is due to fluctuation of exchange rates between CHF, USD and EUR.

The Group's hedging policy is (1) to maximize natural hedging by matching expected future cash flows in the different currencies and (2) if market conditions allow to consider hedging certain of the remaining expected net currency exposure as the need arises. However, due to market volatilities, the impact of negative interest rates during most of 2022 in Switzerland and uncertainties in the cash flows, a 100% hedging of the currency exposure is impossible or not appropriate. Molecular Partners does not engage in speculative transactions.

During 2022 and 2021, the Group did not enter into any forward currency transactions. No forward currency transactions were outstanding as of December 31, 2022 and 2021.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates for the Group's main foreign currencies, USD and EUR, with all other variables held constant, of the Group's result before taxes. There is no direct impact on the Group's equity.

in % and CHF thousands	Incr./Decr. exchange rate	Effect on result before tax (in TCHF)
<b>USD Positions</b>		
2022	+10 %	5,904
	-10 %	(5,904)
2021	+10 %	6,633
	-10 %	(6,633)
2020	+10 %	2,976
	-10 %	(2,976)
<b>EUR Positions</b>		
2022	+10 %	1,252
	-10 %	(1,252)
2021	+10 %	2,019
	-10 %	(2,019)
2020	+10 %	432
	-10 %	(432)

### Interest rate risk

Molecular Partners earns or pays interest on cash and cash equivalents, and its profit and loss may be influenced by changes in market interest rates. The Group does invest its cash balances into a variety of current and deposit accounts in four different Swiss banks to optimize interest. In addition, the Group does invest a portion of its cash into risk free money market investments in line with its treasury guidelines.

The Group strives to optimize the net balance of interest paid and interest received by monitoring the interest rates applicable over the major currencies the Group holds as well as the offered holding periods.

The following table demonstrates the sensitivity of the main currencies used in the Group, to reasonably possible changes in interest rates, with all other variables held constant, of the Group's results before tax. There is no direct impact on the Group's equity.



in % and CHF thousands	Incr./Decr. interest rate	Effect on result before tax (in TCHF)
<b>CHF Positions</b>		
2022	+0.5 %	888
	-0.5 %	(888)
2021	+0.5 %	323
	-0.5 %	(323)
2020	+0.5 %	683
	-0.5 %	(683)
<b>USD Positions</b>		
2022	+0.5 %	294
	-0.5 %	(294)
2021	+0.5 %	234
	-0.5 %	(234)
2020	+0.5 %	149
	-0.5 %	(149)
<b>EUR Positions</b>		
2022	+0.5 %	63
	-0.5 %	(63)
2021	+0.5 %	102
	-0.5 %	(102)
2020	+0.5 %	32
	-0.5 %	(32)

### Credit risk

The maximum credit risk on financial assets corresponds to the carrying amounts of the Group's cash and cash equivalents, short-term time deposits and receivables. The Group has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts.

The cash and cash equivalents and short-term deposits are considered low risk and were held at Swiss banks with Standard & Poor long-term credit ratings as of December 31, 2022 of AAA (Zürcher Kantonalbank), AA (Luzerner Kantonalbank), A+ (UBS) and A- (Credit Suisse) and therefore any impact resulting from the expected credit loss model is considered immaterial. Analysis performed included assessing the cumulative default rates by credit rating category and applying these rates to the cash and short-term deposit balances at reporting dates. The calculated loss allowance based on the ECL is considered immaterial.

The Group enters into agreements with partners that have appropriate credit history and a commitment to ethical business practices.

The maximum credit risk as of the balance sheet date was as follows:

<b>Credit risk</b> <b>in CHF thousands</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	87,946	71,813
Trade receivables	521	23,710
Accrued income	679	76
Short-term time deposits	161,198	61,000
<b>Total credit risk as at December 31</b>	<b>250,344</b>	<b>156,599</b>

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's liquidity risk is considered low by management due to the financial assets at the reporting date, giving the Group a secure source of funding for its research and development activities.

### **26. Putative Class Action**

On July 12, 2022, a putative class action complaint was filed in the U.S. District Court for the Southern District of New York against the Company, its directors, and certain of its executive officers. The complaint alleges that the defendants violated federal securities laws by, among other things, making misrepresentations and omissions regarding its product candidates ensovibep and MP0310. The complaint seeks unspecified compensatory damages, as well as an award of reasonable attorneys' fees and other costs, on behalf of persons and/or entities which purchased (a) the Company's American Depositary Shares (ADSs) pursuant to certain offering documents issued in connection with the Company's initial public offering of ADSs; and/or (b) the Company's securities between June 16, 2021 and April 26, 2022 inclusive. A motion to appoint a lead plaintiff and counsel was filed on September 12, 2022 and is still pending. The matter remains in its early stages. The Company disputes these claims and intends to defend itself accordingly. The Company expresses no assurances as to the ultimate outcome of this matter.

### **27. Events after the balance sheet date**

No events occurred between the balance sheet date and the date on which these consolidated financial statements were approved by the Board of Directors that would require adjustment to the consolidated financial statements or disclosure under this heading.

**Statuten  
von Molecular Partners AG**  
vom 19. Januar 2023

**Articles of Incorporation of  
Molecular Partners Ltd**  
as of January 19, 2023<sup>1</sup>

<sup>1</sup> This is a translation of the original German version. In case of any discrepancy, the German version shall prevail.

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**Abschnitt 1:**  
*Firma, Sitz, Zweck und Dauer der Gesellschaft*

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**Artikel 1**

1 Unter der Firma

Molecular Partners AG (Molecular Partners SA)  
(Molecular Partners Ltd) (die **Gesellschaft**)

besteht eine Aktiengesellschaft, die den vorliegenden Statuten und den Vorschriften des 26. Titels des Schweizerischen Obligationenrechts (das **OR**) untersteht.

2 Der Sitz der Gesellschaft ist in Schlieren, Kanton Zürich. Die Dauer der Gesellschaft ist unbeschränkt.

**Artikel 2**

1 Zweck der Gesellschaft ist die Forschung, Entwicklung, Herstellung und der Verkauf von Produkten in den Gebieten der Biotechnologie, der Pharmazie, Medizintechnologie, Diagnose und Therapie sowie der Kauf, Verkauf und die Verwendung von Patenten und Lizenzen auf diesem Gebiet. Die Gesellschaft kann alle Geschäfte tätigen, die geeignet erscheinen, den Zweck der Gesellschaft zu fördern, oder die mit diesem zusammenhängen.

2 Die Gesellschaft kann Grundstücke im In- und Ausland erwerben, verwalten, belasten, verwerten und verkaufen sowie andere Gesellschaften finanzieren.

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**Section 1:**

*Name, Place of Incorporation, Purpose and Duration of the Company*

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**Article 1**

Under the name

Molecular Partners AG (Molecular Partners SA)  
(Molecular Partners Ltd) (the **Company**)

there exists a corporation as defined in title 26 of the Swiss Code of Obligations (**CO**) and in these Articles of Incorporation.

2 The registered office of the Company is in Schlieren, Canton of Zurich. The duration of the Company is unlimited.

**Article 2**

1 The Company's purpose is to research, develop, produce and sell products in the fields of biotechnology, pharmaceuticals, medical technology, diagnosis and therapy as well as to purchase, sell and use patents and licences in this field. The Company may engage in all types of transactions that appear appropriate to promote the purpose of the Company or that are related thereto.

2 The Company may acquire, administer, encumber, exploit or sell real estate in Switzerland and abroad and may also finance other companies.

Firma, Sitz

1

Name, Place  
of  
Incorporation

1

Zweck

1

Purpose

1

- 3 Die Gesellschaft kann Zweigniederlassungen und Tochtergesellschaften im In- und Ausland errichten und sich an anderen Unternehmen beteiligen oder mit diesen fusionieren.

- 3 The Company may establish branches and subsidiaries within Switzerland or abroad and may acquire participations in other companies.

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**Abschnitt 2:**

*Aktienkapital*

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**Section 2:**

*Share Capital*

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**Artikel 3**

- Aktienkapital
- 1 Das Aktienkapital der Gesellschaft beträgt CHF 3'604'470.60 und ist eingeteilt in 36'044'706 Namenaktien mit einem Nennwert von je CHF 0.10.
- 2 Die Aktien sind voll liberiert.
- 3 Durch Statutenänderung kann die Generalversammlung jederzeit Namenaktien in Inhaberaktien und Inhaberaktien in Namenaktien umwandeln.

Share  
Capital

**Article 3**

- 1 The share capital of the Company is CHF 3,604,470.60 and is divided into 36,044,706 registered shares. Each registered share has a par value of CHF 0.10.
- 2 The shares are fully paid up.
- 3 Upon resolution of the general meeting of shareholders, registered shares may be converted into bearer shares and bearer shares may be converted into registered shares.

**Artikel 3a**

- Genehmigtes  
Aktienkapital
- 1 Der Verwaltungsrat ist ermächtigt, jederzeit bis zum 13. April 2024 das Aktienkapital im Maximalbetrag von CHF 457'316.20 durch Ausgabe von höchstens 4'573'162 vollständig zu liberierenden Namenaktien mit einem Nennwert von je CHF 0.10 zu erhöhen. Erhöhungen in Teilbeträgen sind gestattet.
- 2 Zeichnung und Erwerb der neuen Aktien sowie jede nachfolgende Übertragung der Aktien unterliegen den Beschränkungen von Artikel 5 dieser Statuten.

Authorized  
Share  
Capital

**Article 3a**

- 1 The board of directors is authorized to increase the share capital, at any time until April 13, 2024, by a maximum amount of CHF 457,316.20 by issuing a maximum of 4,573,162 fully paid up registered shares with a par value of CHF 0.10 each. An increase of the share capital in partial amounts shall be permissible.
- 2 The acquisition of shares and each subsequent transfer of the shares shall be subject to the restrictions of Article 5 of these Articles of Incorporation.

3 Der Verwaltungsrat legt den Ausgabebetrag, die Art der Einlagen, den Zeitpunkt der Ausgabe, die Bedingungen der Bezugsrechtsausübung und den Beginn der Dividendenberechtigung fest. Dabei kann der Verwaltungsrat neue Aktien mittels Festübernahme durch eine Bank oder einen anderen Dritten und anschliessendem Angebot an die bisherigen Aktionäre oder an Dritte (sofern die Bezugsrechte der bisherigen Aktionäre aufgehoben sind oder nicht geltend ausgeübt werden) ausgeben. Der Verwaltungsrat ist ermächtigt, den Handel mit Bezugsrechten zu ermöglichen, zu beschränken oder auszuschliessen. Nicht ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.

3 The board of directors shall determine the issue price, the type of payment, the time of the issuance, the conditions for the exercise of the preemptive rights and the date from which the shares carry the right to dividends. The board of directors can issue new shares by means of an underwriting by a bank or another third party with a subsequent offer of these shares to the existing shareholders or third parties (if the preemptive rights of the existing shareholders have been denied or not been duly exercised). The board of directors is authorized to permit, to restrict or to deny the trade of preemptive rights. The board of directors may permit preemptive rights that have been granted but not exercised to expire or it may place these rights respectively the shares as to which preemptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.

4 Der Verwaltungsrat ist ferner ermächtigt, das Bezugsrecht der Aktionäre zu beschränken oder aufzuheben und Dritten zuzuweisen:

- (a) für die Übernahme von Unternehmen, Unternehmensteilen oder Beteiligungen, den Erwerb von Produkten, Immaterialgütern oder Lizenzen oder für Investitionsvorhaben oder für die Finanzierung oder Refinanzierung solcher Transaktionen durch eine Aktienplatzierung; oder
- (b) zum Zwecke der Erweiterung des Aktionärskreises oder im Zusammenhang mit der Kotierung der Aktien an inländischen oder an ausländischen Börsen; oder
- (c) wenn der Ausgabebetrag der neuen Aktien unter Berücksichtigung des Marktpreises festgesetzt wird; oder
- (d) für die Einräumung einer Mehrzuteilungsoption (Greenshoe) von bis zu 20% der zu platzierenden oder zu verkaufenden Aktien an die betreffenden Erstkäufer oder Festbernehmer im Rahmen einer Aktienplatzierung oder eines Aktienverkaufs; oder
- (e) wenn ein Aktionär oder eine Gruppe von in gemeinsamer Absprache handelnden Aktionären mehr als 15% des im Handelsregister eingetragenen Aktienkapitals der Gesellschaft auf sich vereinigt hat, ohne den übrigen Aktionären ein vom Verwaltungsrat empfohlenes Übernahmeangebot zu unterbreiten; oder
- (f) zur Abwehr eines unterbreiteten, angedrohten oder potentiellen Übernahmeangebotes, welches der Verwaltungsrat, nach Konsultation mit einem von ihm beigezogenen unabhängigen Finanzberater, den Aktionären nicht zur Annahme empfohlen hat, weil der Verwaltungsrat das Übernahmeangebot in finanzieller Hinsicht gegenüber den Aktionären nicht als fair beurteilt hat.

4

The board of directors is further authorized to restrict or deny the preemptive rights of shareholders and to allocate them to third parties:

- (a) for the acquisition of companies, parts of companies or participations, for the acquisition of products, intellectual property or licenses, or for investment projects or for the financing or refinancing of such transactions through a placement of shares; or
- (b) for the purpose of broadening the shareholder constituency or in connection with a listing of shares on domestic or foreign stock exchanges; or
- (c) if the issue price of the new Shares is determined by reference to the market price; or
- (d) for purposes of granting an over-allotment option (Greenshoe) of up to 20% of the total number of Shares in a placement or sale of Shares to the respective initial purchasers or underwriters; or
- (e) following a shareholder or a group of shareholders acting in concert having accumulated shareholdings in excess of 15% of the share capital registered in the commercial register without having submitted to the other shareholders a takeover offer recommended by the board of directors; or
- (f) for the defense of an actual, threatened or potential takeover bid, in relation to which the board of directors, upon consultation with an independent financial adviser retained by it, has not recommended to the shareholders acceptance on the basis that the board of directors has not found the takeover bid to be financially fair to the shareholders.

Bedingtes  
Aktienkapital für  
Mitarbeiterbeteiligung

### Artikel 3b

1 Das Aktienkapital kann sich durch Ausgabe von höchstens 1'362'963 voll zu liberierenden Namenaktien im Nennwert von je CHF 0.10 um höchstens CHF 136'296.30 erhöhen durch direkte oder indirekte Ausgabe von Aktien, Optionen oder diesbezüglichen Bezugsrechten an Mitarbeiter und Mitglieder des Verwaltungsrats der Gesellschaft und ihrer Konzerngesellschaften sowie an Mitglieder von Beiräten.

2 Bei der Ausgabe von Aktien, Optionen oder diesbezüglichen Bezugsrechten sind das Bezugsrecht wie auch das Vorwegzeichnungsrecht der Aktionäre der Gesellschaft ausgeschlossen. Die Ausgabe von Aktien, Optionen oder diesbezüglichen Bezugsrechten erfolgt gemäss einem oder mehreren vom Verwaltungsrat zu erlassenden Beteiligungsplänen und/oder Reglementen und unter Beachtung von Abschnitt 4 dieser Statuten.

3 Die neuen Aktien, welche durch Mitarbeiter, Mitglieder des Verwaltungsrats der Gesellschaft und ihrer Konzerngesellschaften oder Mitglieder von Beiräten im Rahmen eines Mitarbeiterbeteiligungsprogramms direkt oder indirekt erworben werden, sowie jede nachfolgende Übertragung der Aktien unterliegen den Beschränkungen von Artikel 5 dieser Statuten.

### Artikel 3c

Conditional  
Share  
Capital for  
Employee  
Participation

### Article 3b

1 The share capital may be increased in an amount not to exceed CHF 136,296.30 through the issuance of up to 1,362,963 fully paid up registered shares with a par value of CHF 0.10 per share through the direct or indirect issuance of shares, options or preemptive rights thereof granted to employees and members of the board of directors of the Company or its subsidiaries as well as to members of any advisory boards.

2 The preemptive rights and advance subscription rights of the shareholders of the Company shall be excluded in connection with the issuance of any shares, options or preemptive rights thereof. Shares, options or preemptive rights thereof shall be issued in accordance with one or more participation plans and/or policies to be issued by the board of directors and in accordance with Section 4 of these Articles of Incorporation.

3 The new shares directly or indirectly acquired by employees, members of the board of directors of the Company or its subsidiaries or members of any advisory boards in connection with an employee participation program and any subsequent transfer of such shares shall be restricted by Article 5 of these Articles of Incorporation.

### Article 3c



Bedingtes  
Aktienkapital  
für  
Finanzierungen,  
Akquisitionen  
und andere  
Zwecke

1 Das Aktienkapital kann sich durch Ausgabe von höchstens 2'260'870 voll zu liberierenden Namenaktien im Nennwert von je CHF 0.10 um höchstens CHF 226'087 erhöhen durch die Ausübung oder Zwangsausübung von Wandel-, Tausch-, Options-, Bezugs- oder ähnlichen Rechten auf den Bezug von Aktien, welche Aktionären oder Dritten allein oder in Verbindung mit Anlehensobligationen, Darlehen, Optionen, Warrants oder anderen Finanzmarktinstrumenten oder vertraglichen Verpflichtungen der Gesellschaft oder einer ihrer Gruppengesellschaften eingeräumt werden (nachfolgend zusammen die **Finanzinstrumente**).

2 Bei der Ausgabe von Aktien bei Ausübung der Finanzinstrumente ist das Bezugsrecht der Aktionäre ausgeschlossen. Zum Bezug der neuen Aktien, die bei Ausübung von Finanzinstrumenten ausgegeben werden, sind die jeweiligen Inhaber der Finanzinstrumente berechtigt. Die Bedingungen der Finanzinstrumente sind durch den Verwaltungsrat festzulegen.

Conditional  
Share  
Capital for  
Financing,  
Acquisitions  
and other  
Purposes

1 The share capital may be increased in an amount not to exceed CHF 226,087 through the issuance of up to 2,260,870 fully paid up registered shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations by or of the Company or any of its group companies (hereinafter collectively, the **Financial Instruments**).

2 The preemptive rights of the shareholders shall be excluded in connection with the issuance of shares upon the exercise of any Financial Instruments. The then-current owners of such Financial Instruments shall be entitled to acquire the new shares issued upon conversion, exchange or exercise of any Financial Instruments. The conditions of the Financial Instruments shall be determined by the board of directors.

3 Der Verwaltungsrat ist ermächtigt, die Vorwegzeichnungsrechte der Aktionäre im Zusammenhang mit der Ausgabe von Finanzinstrumenten durch die Gesellschaft oder eine ihrer Gruppengesellschaften zu beschränken oder aufzuheben, falls (1) die Ausgabe zum Zwecke der Finanzierung oder Refinanzierung der Übernahme von Unternehmen, Unternehmensteilen, Beteiligungen oder Investitionen, oder (2) die Ausgabe auf nationalen oder internationalen Finanzmärkten oder im Rahmen einer Privatplatzierung erfolgt.

Wird das Vorwegzeichnungsrecht weder direkt noch indirekt durch den Verwaltungsrat gewährt, gilt Folgendes:

- (a) Die Finanzinstrumente sind zu marktüblichen Bedingungen auszugeben oder einzugehen; und
  - (b) der Umwandlungs-, Tausch- oder sonstige Ausübungspreis der Finanzinstrumente ist unter Berücksichtigung des Marktpreises im Zeitpunkt der Ausgabe der Finanzinstrumente festzusetzen; und
  - (c) die Finanzinstrumente sind höchstens während 10 Jahren ab dem jeweiligen Zeitpunkt der betreffenden Ausgabe oder des betreffenden Abschlusses wandel-, tausch- oder ausübbar.
- 4 Die neuen Aktien, welche über die Ausübung von Finanzinstrumenten direkt oder indirekt erworben werden, sowie jede nachfolgende Übertragung der Aktien unterliegen den Beschränkungen von Artikel 5 dieser Statuten.

#### Artikel 4

3

The board of directors shall be authorized to withdraw or limit the advance subscription rights of the shareholders in connection with the issuance by the Company or one of its group companies of Financial Instruments if (1) the issuance is for purposes of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or investments or (2) the issuance occurs in national or international capital markets or through a private placement.

If the advance subscription rights are neither granted directly nor indirectly by the board of directors, the following shall apply:

- (a) the Financial Instruments shall be issued or entered into at market conditions; and
  - (b) the conversion, exchange or exercise price of the Financial Instruments shall be set with reference to the market conditions prevailing at the date on which the Financial Instruments are issued; and
  - (c) the Financial Instruments may be converted, exchanged or exercised during a maximum period of 10 years from the date of the relevant issuance or entry.
- 4 The new shares directly or indirectly acquired through the exercise of Financial Instruments and any subsequent transfer of such shares shall be restricted by Article 5 of these Articles of Incorporation.

#### Article 4

Aktienzertifikate und  
Bucheffekten

- 1 Die Gesellschaft gibt ihre Namenaktien in Form von Einzelkunden, Globalurkunden oder Wertrechten aus. Der Gesellschaft steht es im Rahmen der gesetzlichen Vorgaben frei, ihre in einer dieser Formen ausgegebenen Namenaktien jederzeit und ohne Zustimmung der Aktionäre in eine andere Form umzuwandeln.
- 2 Der Aktionär hat keinen Anspruch auf Umwandlung von in bestimmter Form ausgegebenen Namenaktien in eine andere Form. Jeder Aktionär kann jedoch von der Gesellschaft jederzeit die Ausstellung einer Bescheinigung ✓ber die von ihm gemäss Aktienbuch gehaltenen Namenaktien verlangen.
- 3 Bucheffekten, denen Namenaktien der Gesellschaft zugrunde liegen, können nicht durch Zession ✓bertragen werden. An diesen Bucheffekten können auch keine Sicherheiten durch Zession bestellt werden.

Share  
Certificates  
and  
Intermediated  
Securities

- 1 The Company may issue its registered shares in the form of single certificates, global certificates and uncertificated securities. Under the conditions set forth by statutory law, the Company may convert its registered shares from one form into another form at any time and without the approval of the shareholders.
- 2 The shareholder has no right to demand a conversion of the form of the registered shares. Each shareholder may, however, at any time request a written confirmation from the Company of the registered shares held by such shareholder, as reflected in the share register.
- 3 Intermediated securities based on registered shares of the Company cannot be transferred by way of assignment. Further, a security interest in any such intermediated securities cannot be granted by way of assignment.

Aktienbuch,  
Übertragungsbeschränkungen,  
Nominees

#### Artikel 5

- 1 Die Gesellschaft f✓hrt f✓r die Namenaktien ein Aktienbuch, in welches die Eigent✓mer und Nutzniesser mit Namen und Vornamen (bei juristischen Personen die Firma), Adresse und Staatsangehörigkeit (bei juristischen Personen der Sitz) eingetragen werden. Wechselt eine im Aktienbuch eingetragene Person ihre Adresse, so hat sie dies der Gesellschaft mitzuteilen. Solange dies nicht geschehen ist, erfolgen alle brieflichen Mitteilungen rechtsg✓ltig an die bisher im Aktienbuch eingetragene Adresse.
- 2 Erwerber von Namenaktien werden auf Gesuch als Aktionäre mit Stimmrecht im Aktienbuch eingetragen, falls sie ausdr✓cklich erklären, diese Namenaktien im eigenen Namen und f✓r eigene Rechnung erworben zu haben.

Share  
Register,  
Transfer  
Restrictions,  
Nominees

#### Article 5

- 1 The Company shall maintain a share register that lists the surname, first name, address and citizenship (in the case of legal entities, the company name and company seat) of the holders and usufructuaries of the registered shares. A person recorded in the share register shall notify the Company of any change in address. Until such notification shall have occurred, all written communication from the Company to persons of record shall be deemed to have validly been made if sent to the address recorded in the share register.
- 2 An acquirer of registered shares shall be recorded upon request in the share register as a shareholder with voting rights, if such acquirer expressly declares to have acquired the registered shares in his own name and for his own account.

- 3 Der Verwaltungsrat trägt einzelne Personen, die im Eintragungsgesuch nicht ausdrücklich erklären, die Namenaktien auf eigene Rechnung zu halten (**Nominees**), mit Stimmrecht im Aktienbuch ein, wenn der Nominee mit dem Verwaltungsrat eine Vereinbarung über seine Stellung abgeschlossen hat und einer anerkannten Bank- oder Finanzaufsicht untersteht.
- 4 Der Verwaltungsrat kann nach Anhörung des eingetragenen Aktionärs oder Nominees Eintragungen im Aktienbuch mit Rückwirkung auf das Datum der Eintragung streichen, wenn diese durch falsche Angaben zustande gekommen sind. Der Betroffene muss über die Streichung informiert werden.
- 5 Der Verwaltungsrat regelt die Einzelheiten und trifft die zur Einhaltung der vorstehenden Bestimmungen notwendigen Anordnungen. Er kann in besonderen Fällen Ausnahmen von der Nomineeregelung bewilligen. Er kann seine Aufgaben delegieren.

#### Artikel 6

- Rechtsausübung 1 Die Gesellschaft anerkennt nur einen Vertreter pro Aktie.
- 2 Das Stimmrecht und die damit zusammenhängenden Rechte aus einer Namenaktie können der Gesellschaft gegenüber nur von einem Aktionär, Nutzniesser oder Nominee, der mit Stimmrecht im Aktienbuch eingetragen ist, ausgeübt werden.

- 3 The board of directors records persons who do not declare to hold the registered shares for their own account (**Nominees**) as shareholders with voting rights in the share register, if such Nominee has entered into an agreement regarding its position with the board of directors and is subject to a recognized banking or finance supervision.
- 4 After hearing the registered shareholder concerned, the board of directors may cancel the registration of such shareholder as a shareholder with voting rights in the share register with retroactive effect as of the date of registration, if such registration was made based on false or misleading information. The relevant shareholder shall be informed of the cancellation.
- 5 The board of directors shall regulate the details and issue the instructions necessary for compliance with the preceding provisions. In special cases, it may grant exemptions from the rule concerning Nominees. The board of directors may delegate its duties.

#### Article 6

- Exercise of Rights 1 The Company shall only accept one representative per share.
  - 2 Voting rights and appurtenant rights associated therewith may be exercised in relation to the Company by a shareholder, usufructuary of shares or nominee only to the extent that such person is recorded in the share register as a shareholder with voting rights.
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**Abschnitt 3:**  
*Organe*

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Organe

**Artikel 7**

Die Organe der Gesellschaft sind:

- (a) die Generalversammlung;
- (b) der Verwaltungsrat;
- (c) die Revisionsstelle.

*A. Generalversammlung*

**Artikel 8**

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**Section 3:**  
*Corporate Bodies*

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Corporate  
Bodies

**Article 7**

The Company's bodies are:

- (a) the general meeting of shareholders;
- (b) the board of directors;
- (c) the auditors.

*A. General Meeting of Shareholders*

**Article 8**

Befugnisse

Oberstes Organ der Gesellschaft ist die Generalversammlung der Aktionäre. Ihr stehen folgende unübertragbare Befugnisse zu:

- (a) die Festsetzung und Änderung der Statuten;
- (b) die Wahl der Mitglieder des Verwaltungsrats, des Präsidenten des Verwaltungsrats, der Mitglieder des Vergütungsausschusses, des unabhängigen Stimmrechtsvertreters und der Revisionsstelle;
- (c) die Genehmigung des Lageberichts und der Konzernrechnung;
- (d) die Genehmigung der Jahresrechnung sowie die Beschlussfassung über die Verwendung des Bilanzgewinnes, insbesondere die Festsetzung der Dividende;
- (e) die Genehmigung der Vergütung des Verwaltungsrats und der Geschäftsleitung gemäss Art. 28 dieser Statuten;
- (f) die Entlastung der Mitglieder des Verwaltungsrats und der mit der Geschäftsleitung betrauten Personen;
- (g) die Beschlussfassung über die Gegenstände, die der Generalversammlung durch das Gesetz oder die Statuten vorbehalten sind.

**Artikel 9**

Powers

The general meeting of shareholders is the supreme corporate body of the Company. It has the following non-delegable powers:

- (a) adoption and amendment of the Articles of Incorporation;
- (b) election of the members of the board of directors, the chairman of the board of directors, the members of the compensation committee, the independent voting rights representative and the auditors;
- (c) approval of the annual management report and the consolidated financial statements;
- (d) approval of the annual financial statements and decision on the allocation of profits shown on the balance sheet, in particular with regard to dividends;
- (e) approval of the compensation of the board of directors and of the executive management pursuant to Article 28 of these Articles of Incorporation;
- (f) granting discharge to the members of the board of directors and the persons entrusted with the executive management;
- (g) passing of resolutions as to all matters reserved by law or under these Articles of Incorporation to the authority of the general meeting of shareholders.

**Article 9**

Ordentliche und  
ausserordentliche  
Generalversammlungen

- 1 Die ordentliche Generalversammlung findet alljährlich innerhalb von sechs Monaten nach Schluss des Geschäftsjahres statt.
- 2 Ausserordentliche Generalversammlungen finden statt, wenn der Verwaltungsrat oder die Revisionsstelle es für angezeigt erachten oder wenn es eine Generalversammlung beschliesst. Darüber hinaus können Aktionäre, die zusammen mindestens 10 Prozent des Aktienkapitals vertreten, gemeinsam schriftlich unter Angabe des Verhandlungsgegenstandes und des Antrages, bei Wahlen der Namen der vorgeschlagenen Kandidaten, die Einberufung einer ausserordentlichen Generalversammlung verlangen.

Ordinary and  
Extraordinary  
General  
Meeting of  
Shareholders

- 1 The ordinary general meeting of shareholders shall be held each year within six months after the close of the fiscal year of the Company.
- 2 Extraordinary general meetings of shareholders shall be held when deemed necessary by the board of directors or the auditors. Furthermore, extraordinary general meetings of shareholders shall be convened upon resolution of a general meeting of shareholders or if this is requested by one or more shareholders who represent an aggregate of at least one-tenth of the share capital and who submit a written request specifying the agenda items and the proposals, in case of elections the name of the proposed candidates.

Einberufung

- Artikel 10**
- 1 Die Generalversammlung wird durch den Verwaltungsrat, nötigenfalls die Revisionsstelle, spätestens 20 Tage vor der Versammlung einberufen. Das Einberufungsrecht steht auch den Liquidatoren zu.
  - 2 Die Einberufung erfolgt durch einmalige Bekanntmachung im Publikationsorgan der Gesellschaft. Namenaktionäre können überdies schriftlich orientiert werden.
  - 3 Spätestens 20 Tage vor der ordentlichen Generalversammlung sind der Geschäftsbericht, der Vergütungsbericht und die Revisionsberichte am Sitz der Gesellschaft zur Einsicht der Aktionäre aufzulegen. Die Aktionäre sind darüber in der Einberufung zu orientieren.

Notice

- Article 10**
- 1 Notice of a general meeting of shareholders shall be given by the board of directors or, if necessary, by the auditors, no later than twenty calendar days prior to the date of the general meeting of shareholders. The liquidators may also call the general meeting of shareholders.
  - 2 Notice of the general meeting of shareholders shall be given by way of a one-time announcement in the official means of publication of the Company. In addition, shareholders of record may be informed by ordinary mail.
  - 3 The annual report, the compensation report and the auditors' reports shall be made available for inspection by the shareholders at the registered office of the Company no later than twenty calendar days prior to the annual general meeting of shareholders. The notice of the general meeting of shareholders shall inform the shareholders about the availability of the annual report, the compensation report and the auditors's reports.

- 4 Die Einberufung muss die Verhandlungsgegenstände sowie die Anträge des Verwaltungsrats und der Aktionäre, welche die Durchführung einer Generalversammlung oder die Traktandierung eines Verhandlungsgegenstandes verlangt haben, und bei Wahlgeschäften die Namen der vorgeschlagenen Kandidaten enthalten.

- 4 The notice of a general meeting of shareholders shall specify the items on the agenda and the proposals of the board of directors and the shareholders who requested that a general meeting of shareholders be held or an item be included on the agenda, and, in the event of elections, the names of the candidates that has or have been put on the ballot for election.

#### Artikel 11

- Traktandierung 1 Aktionäre, die alleine oder zusammen entweder Aktien im Nennwert von mindestens CHF 1'000'000 oder mindestens 10 Prozent des Aktienkapitals vertreten, können die Traktandierung eines Verhandlungsgegenstandes verlangen. Die Traktandierung muss mindestens 45 Tage vor der Versammlung schriftlich unter Angabe des Verhandlungsgegenstandes und der Anträge des Aktionäre angebeht werden.
- 2 Über Anträge zu nicht gehörig angekündigten Verhandlungsgegenständen kann die Generalversammlung keine Beschlüsse fassen; ausgenommen sind Anträge auf Einberufung einer ausserordentlichen Generalversammlung und auf Durchführung einer Sonderprüfung.
- 3 Zur Stellung von Anträgen im Rahmen der Verhandlungsgegenstände und zu Verhandlungen ohne Beschlussfassung bedarf es keiner vorgängigen Ankündigung.

Agenda

#### Article 11

- 1 One or more shareholders whose combined shareholdings represent an aggregate par value of at least CHF 1'000'000 or at least 10 percent of the share capital may request that an item be included on the agenda of a general meeting of shareholders. Such inclusion of an item on the agenda must be requested in writing at least 45 calendar days prior to the meeting and shall specify the agenda items and proposals of such shareholders.
- 2 No resolutions may be passed at a general meeting of shareholders concerning agenda items for which proper notice was not given. This provision shall not apply, however, to proposals made during a general meeting of shareholders to convene an extraordinary general meeting of shareholders or to initiate a special audit.
- 3 No previous notification shall be required for proposals concerning items included on the agenda and for debates as to which no vote is taken.

#### Artikel 12

#### Article 12



Vorsitz der  
Generalversammlung,  
Stimmzähler,  
Protokoll

- 1 Der Präsident des Verwaltungsrats führt den Vorsitz in der Generalversammlung. Bei seiner Abwesenheit führt der Vizepräsident des Verwaltungsrats den Vorsitz. Ist auch dieser abwesend, so wird der Vorsitzende durch den Verwaltungsrat gewählt.
- 2 Der Vorsitzende bezeichnet einen Protokollführer und die Stimmzähler, die nicht Aktionäre sein müssen. Das Protokoll ist vom Vorsitzenden und vom Protokollführer zu unterzeichnen.

Acting Chair,  
Vote Counters,  
Minutes

- 1 At the general meeting of shareholders, the Chairman of the board of directors or, in his absence, the Vice-Chairman or, in his absence, any other person designated by the board of directors shall take the chair.
- 2 The acting chair of the general meeting of shareholders shall appoint the secretary and the vote counters, none of whom need be shareholders. The minutes of the general meeting of shareholders shall be signed by the acting chair and the secretary.

Stimmrecht,  
Vertretung

- Artikel 13**
- 1 Jede mit Stimmrecht im Aktienbuch eingetragene Aktie berechtigt zu einer Stimme.
  - 2 Der Verwaltungsrat erlässt die Verfahrensvorschriften über die Teilnahme und Vertretung an der Generalversammlung. Ein Aktionär kann sich an der Generalversammlung nur durch den unabhängigen Stimmrechtsvertreter (mittels schriftlicher oder elektronischer Vollmacht), seinen gesetzlichen Vertreter oder (mittels schriftlicher Vollmacht) einen anderen stimmberechtigten Aktionär vertreten lassen. Alle von einem Aktionär gehaltenen Aktien können nur von einer Person vertreten werden.

Voting Rights,  
Representation

- Article 13**
- 1 Each share registered in the share register grants one vote.
  - 2 The board of directors shall issue procedural rules regarding participation in and representation at the general meeting of shareholders. A shareholder may be represented only by the independent voting rights representative (*unabhängiger Stimmrechtsvertreter*) (by way of a written or electronic proxy), his legal representative or, by means of a written proxy, another shareholder with the right to vote. All shares held by one shareholder must be represented by only one representative.

- 3 Die Generalversammlung wählt den unabhängigen Stimmrechtsvertreter für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung. Wiederwahl ist möglich. Hat die Gesellschaft aus irgendwelchen Gründen keinen unabhängigen Stimmrechtsvertreter, bezeichnet der Verwaltungsrat für die nächste stattfindende Generalversammlung einen unabhängigen Stimmrechtsvertreter.
- 4 Der Verwaltungsrat regelt die Anforderungen an die Vollmachten und Weisungen an den unabhängigen Stimmrechtsvertreter.

#### Artikel 14

- 1 Die Generalversammlung beschliesst und wählt, soweit das Gesetz und die Statuten es nicht anders bestimmen, mit der absoluten Mehrheit der vertretenen Aktienstimmen.

Beschlüsse,  
Wahlen

Resolutions  
and  
Elections

- 3 The general meeting of shareholders shall elect the independent voting rights representative at a general meeting of shareholders for a term of office extending until completion of the next ordinary general meeting of shareholders. Re-election is possible. If the company does not have an independent voting rights representative for whatever reason, the board of directors shall appoint the independent voting rights representative for the next meeting of shareholders.
- 4 The board of directors shall issue the particulars for the proxy of and for providing instructions to the independent voting rights representative.

#### Article 14

Unless otherwise required by law or these Articles of Incorporation, the general meeting of shareholders shall take resolutions and decide elections upon an absolute majority of the votes represented at the general meeting of shareholders.

- 2 Ein Beschluss der Generalversammlung, der mindestens zwei Drittel der vertretenen Stimmen und die absolute Mehrheit der vertretenen Aktiennennwerte auf sich vereinigt, ist erforderlich für:
- (a) die Änderung des Gesellschaftszweckes;
  - (b) die Einführung von Stimmrechtsaktien;
  - (c) die Beschränkung der Übertragbarkeit von Namenaktien und die Aufhebung einer solchen Beschränkung;
  - (d) eine genehmigte oder eine bedingte Kapitalerhöhung;
  - (e) die Kapitalerhöhung aus Eigenkapital, gegen Sacheinlage oder zwecks Sachübernahme und die Gewährung von besonderen Vorteilen;
  - (f) die Einschränkung oder Aufhebung des Bezugsrechtes;
  - (g) die Verlegung des Sitzes der Gesellschaft;
  - (h) die Auflösung der Gesellschaft.
- 3 Die Abstimmungen und Wahlen erfolgen offen, es sei denn, dass die Generalversammlung schriftliche Abstimmung respektive Wahl (einschliesslich elektronische Abstimmungsverfahren) beschliesst oder der Vorsitzende dies anordnet.

*B. Verwaltungsrat*

## **Artikel 15**

- 2 The approval of at least two-thirds of the votes and the absolute majority of the par value of shares, each as represented at a general meeting of shareholders, shall be required for resolutions with respect to:
- (a) The amendment or modification of the purpose of the Company;
  - (b) the creation of shares with privileged voting rights;
  - (c) the restriction on the transferability of registered shares and the cancelation of such restriction;
  - (d) an authorized or conditional increase of the share capital;
  - (e) an increase of the share capital through the conversion of capital surplus, through contribution in kind or for purposes of an acquisition of assets, or the granting of special privileges;
  - (f) the limitation or withdrawal of preemptive rights;
  - (g) the relocation of the registered office of the Company;
  - (h) the dissolution of the Company.
- 3 Resolutions and elections shall be decided by a show of hands, unless a written ballot (including electronic voting systems) is resolved by the general meeting of shareholders or is ordered by the acting chair of the general meeting of shareholders.

*B. Board of Directors*

## **Article 15**

Anzahl der  
Verwaltungsräte

Der Verwaltungsrat besteht aus mindestens 3 und höchstens 11 Mitgliedern.

Number of  
Directors

The board of directors shall consist of no less than 3 and no more than 11 members.

Wahl,  
Amtsdauer

- Artikel 16**
- 1 Die Mitglieder des Verwaltungsrats und der Präsident des Verwaltungsrats werden von der Generalversammlung einzeln für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung gewählt.
  - 2 Die Mitglieder des Verwaltungsrats sind jederzeit wieder wählbar.
  - 3 Ist das Präsidium vakant, bezeichnet der Verwaltungsrat aus seiner Mitte einen neuen Präsidenten für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung.

Election, Term  
of Office 1

**Article 16**

- 1 The shareholders shall elect the members of the board of directors and the chair of the board of directors individually at a general meeting of shareholders for a term of office extending until completion of the next ordinary general meeting of shareholders.
- 2 Members of the board of directors may be re-elected at any time.
- 3 If the office of the chair of the board of directors is vacant, the board of directors shall appoint the chair from among its members for a term of office extending until completion of the next ordinary general meeting of shareholders.

Organisation  
des  
Verwaltungsrats,  
Ersatz der  
Auslagen

- Artikel 17**
- 1 Vorbehältlich der Wahl des Präsidenten des Verwaltungsrats und der Mitglieder des Vergütungsausschusses durch die Generalversammlung konstituiert sich der Verwaltungsrat selbst. Er kann aus seiner Mitte einen oder mehrere Vize-Präsidenten wählen. Er bestellt einen Sekretär, der nicht Mitglied des Verwaltungsrats zu sein braucht.
  - 2 Der Verwaltungsrat ordnet im Übrigen im Rahmen von Gesetz und Statuten seine Organisation und Beschlussfassung durch ein Organisationsreglement.

Organization of  
the Board of  
Directors,  
Reimbursement  
of Expenses 1

**Article 17**

- 1 Except for the election of the chairman of the board of directors and the members of the compensation committee by the general meeting of shareholders, the board of directors shall constitute itself. It may elect from among its members one or several vice-chairmen. It shall appoint a secretary who need not be a member of the board of directors.
- 2 Subject to applicable law and these Articles of Incorporation, the board of directors shall establish the particulars of its organization in organizational regulations.

- 3 Die Mitglieder des Verwaltungsrats haben Anspruch auf Ersatz ihrer im Interesse der Gesellschaft aufgewendeten Auslagen.

#### Artikel 18

Einberufung,  
Beschlussfassung,  
Protokoll

- 1 Sitzungen des Verwaltungsrats werden vom Präsidenten oder im Falle seiner Verhinderung vom Vize-Präsidenten oder einem andern Mitglied des Verwaltungsrats einberufen, so oft dies als notwendig erscheint oder wenn ein Mitglied es schriftlich unter Angabe der Gründe verlangt. Sitzungen können auch per Telefon- oder Videokonferenz durchgeführt werden.
- 2 Der Verwaltungsrat fasst seine Beschlüsse mit der Mehrheit der abgegebenen Stimmen. Der Vorsitzende hat den Stichentscheid.
- 3 Zur Beschlussfähigkeit des Verwaltungsrats ist die Anwesenheit der Mehrheit seiner Mitglieder erforderlich. Kein Präsenzquorum ist erforderlich für die Anpassungs- und Feststellungsbeschlüsse des Verwaltungsrats im Zusammenhang mit Kapitalerhöhungen.
- 4 Beschlüsse können auch auf schriftlichem Weg gefasst werden, sofern nicht ein Mitglied mündliche Beratung verlangt.
- 5 Die Beschlüsse sind in einem Protokoll festzuhalten, das vom Sitzungspräsidenten und dem Sekretär zu unterzeichnen ist.

#### Artikel 19

- 3 The members of the board of directors shall be entitled to the reimbursement of all expenses incurred in the interests of the Company.

#### Article 18

Invitation,  
Resolutions,  
Minutes

- 1 The chairman or, should he be unable to do so, the vice-chairman or any other member of the board of directors shall convene meetings of the board of directors if and when the need arises or whenever a member indicating the reasons so requests in writing. Meetings may also be held by telephone or video conference.
- 2 Resolutions of the board of directors shall be adopted upon a majority of the votes cast. In the event of a tie, the chairman shall have the casting vote.
- 3 In order to pass resolutions, at least a majority of the members of the board of directors must be present. No attendance quorum shall be required for confirmation or amendment resolutions of the board of directors in connection with capital increases.
- 4 Resolutions may be passed by way of circulation (in writing), provided that no member requests oral deliberation.
- 5 The resolutions shall be confirmed in the minutes, which are to be signed by the acting chair and the secretary.

#### Article 19

Befugnisse des  
Verwaltungsrates 1

Der Verwaltungsrat kann in allen Angelegenheiten Beschluss fassen, die nicht nach Gesetz, Statuten oder Reglement einem anderen Organ der Gesellschaft bertragen sind.

Powers of  
the Board of  
Directors 1

The board of directors may pass resolutions with respect to all matters that are not reserved to the general meeting of shareholders or any other corporate body by law or under these Articles of Incorporation.

- 2 Er hat folgende unübertragbare und unentziehbare Aufgaben:
- (a) die Oberleitung der Gesellschaft und die Erteilung der nötigen Weisungen;
  - (b) die Festlegung der Organisation;
  - (c) die Ausgestaltung des Rechnungswesens, der Finanzkontrolle sowie der Finanzplanung;
  - (d) die Ernennung und Abberufung der mit der Geschäftsführung und der Vertretung betrauten Personen und die Regelung von deren Zeichnungsberechtigung;
  - (e) die Oberaufsicht über die mit der Geschäftsführung betrauten Personen, namentlich im Hinblick auf die Befolgung der Gesetze, Statuten, Reglemente und Weisungen;
  - (f) die Erstellung des Geschäftsberichts und des Vergütungsberichts sowie die Vorbereitung der Generalversammlung und die Ausführung ihrer Beschlüsse;
  - (g) die Beschlussfassung über nachträgliche Leistung von Einlagen auf nicht vollständig liberierten Aktien und daraus folgende Statutenänderungen;
  - (h) die Beschlussfassung über die Erhöhung des Aktienkapitals, soweit dies in der Kompetenz des Verwaltungsrats liegt (Art. 651 Abs. 4 OR), die Feststellung von Kapitalerhöhungen, die Erstellung des Kapitalerhöhungsberichts und die Vornahme der entsprechenden Statutenänderungen;
  - (i) die gemäss Fusionsgesetz unübertragbaren und unentziehbaren Aufgaben und Befugnisse des Verwaltungsrats;
  - (j) die Benachrichtigung des Richters im Falle der Überschuldung;
  - (k) andere durch Gesetz oder Statuten dem Verwaltungsrat vorbehaltene Aufgaben und Befugnisse.

- 2 The board of directors has the following non-delegable and inalienable duties:
- (a) the ultimate direction of the business of the Company and the issuance of the necessary instructions;
  - (b) the determination of the organization of the Company;
  - (c) the administration of accounting, financial control and financial planning;
  - (d) the appointment and removal of the persons entrusted with executive management and their representation of the Company;
  - (e) the ultimate supervision of the persons entrusted with management of the Company, specifically in view of their compliance with the law, these Articles of Incorporation, the regulations and directives;
  - (f) the preparation of the business report, the compensation report and the general meetings of shareholders as well as the implementation of the resolutions adopted by the general meetings of shareholders;
  - (g) the adoption of resolutions regarding the subsequent payment of capital with respect to non-fully paid up shares and the amendments to the articles of association related thereto;
  - (h) the adoption of resolutions concerning an increase of the share capital to the extent that such power is vested in the board of directors (art. 651 para. 4 CO) and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles of Incorporation, as well as the preparation of the required report on the capital increase;
  - (i) the non-delegable and inalienable duties and powers of the board of directors pursuant to the Merger Act;
  - (j) the notification of the court if liabilities exceed assets;
  - (k) any other matter reserved to the board of directors by the law or the Articles of Incorporation.

- 3 Im Übrigen kann der Verwaltungsrat die Geschäftsführung sowie die Vertretung der Gesellschaft im Rahmen der gesetzlichen Bestimmungen durch Erlass eines Organisationsreglements ganz oder teilweise an einzelne oder mehrere seiner Mitglieder oder an andere natürliche Personen übertragen.

#### Artikel 20

Der Vergütungsausschuss besteht aus

Anzahl der Mitglieder des Vergütungsausschusses

Number of Members of the Compensation Committee

#### Artikel 21

1 Die Mitglieder des Vergütungsausschusses werden von der Generalversammlung einzeln für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung gewählt. Wählbar sind nur Mitglieder des Verwaltungsrates.

Wahl und Amtsdauer der Mitglieder des Vergütungsausschusses

Election and Term of Office of Members of the Compensation Committee

- 2 Die Mitglieder des Vergütungsausschusses sind jederzeit wieder wählbar.
- 3 Bei Vakanzen im Vergütungsausschuss kann der Verwaltungsrat aus seiner Mitte Ersatzmitglieder für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung bezeichnen.

#### Artikel 22

- 3 The board of directors may delegate the executive management of the Company in whole or in part to one or several individual directors or to individuals other than directors pursuant to organizational regulations.

#### Article 20

The compensation committee shall consist of no less than two members.

#### Article 21

1 The general meeting of shareholders shall elect the members of the compensation committee individually for a term of office extending until completion of the next ordinary general meeting of shareholders. Only members of the board of directors may be elected.

- 2 Members of the compensation committee may be re-elected at any time.
- 3 If there are vacancies on the compensation committee, the board of directors shall appoint from among its members substitutes for a term of office extending until completion of the next ordinary general meeting of shareholders.

#### Article 22



Organisation des  
Vergütungsausschusses

- 1 Der Vergütungsausschuss konstituiert sich unter Vorbehalt der Kompetenzen der Generalversammlung und des Verwaltungsrats selbst. Der Verwaltungsrat bezieht den Vorsitzenden des Vergütungsausschusses.
- 2 Im Übrigen erlässt der Verwaltungsrat ein Reglement über die Organisation und Beschlussfassung des Vergütungsausschusses.

Organization  
of the  
Compensation  
Committee

- 1 The compensation committee constitutes itself subject to the powers of the general meeting of shareholders and the board of directors. The board of directors shall elect the chair of the compensation committee.
- 2 The board of directors shall establish the particulars of the organization and adoption of resolutions of the compensation committee in regulations.

Befugnisse des  
Vergütungsausschusses

- Artikel 23**
- 1 Der Vergütungsausschuss unterstützt den Verwaltungsrat bei der Festsetzung und Überprüfung der Vergütungsstrategie und -richtlinien sowie bei der Vorbereitung der Anträge zuhanden der Generalversammlung betreffend die Vergütung des Verwaltungsrats und der Geschäftsleitung und kann dem Verwaltungsrat Anträge zu weiteren Vergütungsfragen unterbreiten.
  - 2 Der Verwaltungsrat legt in einem Reglement fest, für welche Funktionen des Verwaltungsrats und der Geschäftsleitung der Vergütungsausschuss dem Verwaltungsrat Vorschläge für die Leistungswerte, Zielwerte und die Vergütung unterbreitet und für welche Funktionen er selbst im Rahmen der Statuten und der vom Verwaltungsrat erlassenen Vergütungsrichtlinien die Leistungswerte, Zielwerte und die Vergütung festsetzt.
  - 3 Der Verwaltungsrat kann dem Vergütungsausschuss weitere Aufgaben zuweisen, die in einem Reglement festgehalten werden.

Powers of the  
Compensation  
Committee

- Article 23**
- 1 The compensation committee shall support the board of directors in establishing and reviewing the compensation strategy and guidelines as well as in preparing the proposals to the general meeting of shareholders regarding the compensation of the board of directors and of the executive management, and may submit proposals to the board of directors in other compensation-related issues.
  - 2 The board of directors shall determine in regulations for which positions of the board of directors and of the executive management, the compensation committee shall submit proposals for the performance metrics, target values and the compensation to the board of directors, and for which positions it shall itself determine, in accordance with the Articles of Incorporation and the compensation guidelines established by the board of directors, the performance metrics, target values and the compensation.
  - 3 The board of directors may determine in regulations to delegate further authorities and duties to the compensation committee.

*C. Die Revisionsstelle*

**Artikel 24**

Wahl, Amtsdauer

- 1 Die Generalversammlung wählt die Revisionsstelle.
- 2 Die Revisionsstelle wird von der Generalversammlung für eine Amtsdauer bis zum Abschluss der nächsten ordentlichen Generalversammlung gewählt.

Election,  
Term of  
Office

**Artikel 25**

Prüfungs-,  
Berichterstattungspflicht

Die Revisionsstelle nimmt ihre Prüfungs- und Berichterstattungspflichten in Übereinstimmung mit dem Gesetz wahr.

Duty of  
Auditing and  
Reporting

**Artikel 26**

Besondere  
Abklärungen,  
Zwischenrevisionen

Der Verwaltungsrat kann die Revisionsstelle jederzeit beauftragen, besondere Abklärungen, insbesondere Zwischenrevisionen, durchzuführen und darüber Bericht zu erstatten.

Special  
Audits,  
Interim  
Audits

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**Abschnitt 4:**

*Vergütung der Mitglieder des Verwaltungsrates  
und der Geschäftsleitung*

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**Artikel 27**

*C. Auditors*

**Article 24**

- 1 The auditors shall be elected by the general meeting of shareholders.
- 2 The shareholders shall elect the auditors at a general meeting of shareholders for a term of office extending until completion of the next ordinary general meeting of shareholders.

**Article 25**

The auditors shall perform their duties to audit and report in accordance with the law.

**Article 26**

The board of directors may at any time request the auditors to conduct special audits, including interim audits, and to submit a respective report.

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**Section 4:**

*Compensation of the Board of Directors and  
the Executive Management*

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**Article 27**

Grundsätze der 1  
Vergütungen

Die Vergütung der Mitglieder des Verwaltungsrats kann fixe und variable Vergütungselemente umfassen. Die Gesamtvergütung berücksichtigt Funktion und Verantwortungsstufe des Empfängers.

- 2 Die Vergütung der Mitglieder der Geschäftsleitung besteht aus fixen und variablen Vergütungselementen. Die fixe Vergütung umfasst das Basissalär und weitere nicht-variable Vergütungselemente. Die variable Vergütung kann kurzfristige und langfristige variable Vergütungselemente umfassen.
- 3 Die kurzfristigen variablen Vergütungselemente orientieren sich an Leistungswerten, die das Erreichen von operativen, strategischen, finanziellen oder anderen Zielen, das Ergebnis der Gesellschaft, des Konzerns oder Teilen davon und/oder individuelle Ziele berücksichtigen, und deren Erreichung sich in der Regel während eines einjährigen Zeitraums bemisst. Je nach erreichter Leistung kann sich die Vergütung auf einen vordefinierten Multiplikator des Zielwerts belaufen.

General 1  
Compensation  
Principles

1 Compensation of the members of the board of directors may consist of fixed and variable compensation. Total compensation shall take into account the position and level of responsibility of the recipient.

- 2 Compensation of the members of the executive management consists of fixed and variable compensation elements. Fixed compensation comprises the base salary and other non-variable compensation elements. Variable compensation may comprise short-term and long-term variable compensation elements.
- 3 Short-term variable compensation elements shall be governed by performance metrics that take into account the achievement of operational, strategic, financial or other objectives, the results of the Company, the group or parts thereof and/or individual targets, and achievement of which is generally measured during a one-year period. Depending on achieved performance, the compensation may amount to a multiplier of target level.

- 4 Die langfristigen variablen Vergütungselemente orientieren sich an Leistungswerten, welche die Entwicklung des Aktienkurses oder Aktienergebnisses absolut oder im Verhältnis zu Vergleichsgruppen oder Indices und/oder das Ergebnis der Gesellschaft, des Konzerns oder Teilen davon und/oder das Erreichen von operativen, strategischen, finanziellen oder anderen Zielen absolut oder im Vergleich zum Markt, anderen Unternehmen oder vergleichbaren Richtgrößen und/oder Elemente zwecks Mitarbeiterbindung berücksichtigen. Die Zielerreichung bemisst sich in der Regel während eines mehrjährigen Zeitraums, sowie an Elementen zwecks Mitarbeiterbindung. Je nach erreichter Leistung kann sich die Vergütung auf einen vordefinierten Multiplikator des Zielwerts belaufen.
- 5 Der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss legen Leistungs- und Zielwerte sowie deren Gewichtung und Erreichung fest.

- 4 Long-term variable compensation elements shall be governed by performance metrics that take into account the development of the share price or share performance in absolute terms or in relation to peer groups or indices and/or the results of the Company, the group or parts thereof and/or the achievement of operational, strategic, financial or other objectives in absolute terms or in relation to the market, other companies or comparable benchmarks and/or retention elements. An achievement of the objectives is generally measured over a period of several years. Depending on achieved performance, the compensation may amount to a multiplier of target level.
- 5 The board of directors or, to the extent delegated to it, the compensation committee shall determine the performance metrics and target levels of the short- and long-term variable compensation elements, as well as their achievement.

- 6 Die Vergütung kann in der Form von Geld, Aktien oder Sach- oder Dienstleistungen ausgerichtet werden werden; Vergütung der Mitglieder der Geschäftsleitung kann zusätzlich in der Form von aktienbasierten Instrumenten oder Einheiten ausgerichtet werden. Der Verwaltungsrat oder, soweit an ihn delegiert, der Vergütungsausschuss legen Zuteilungs-, Vesting-, Ausübungs- und Verfallsbedingungen fest. Sie können insbesondere vorsehen, dass aufgrund des Eintritts im Voraus bestimmter Ereignisse, wie eines Kontrollwechsels oder der Beendigung des Arbeits- oder Mandatsverhältnisses, Vesting-, Ausübungs- und Verfallsbedingungen weitergelten, verkürzt oder aufgehoben werden, Vergütungen unter der Annahme der Erreichung von Zielwerten ausgerichtet werden oder Vergütungen verfallen. Die Gesellschaft kann die erforderlichen Aktien auf dem Markt erwerben, aus Beständen eigener Aktien entnehmen oder unter Verwendung von bedingtem oder genehmigtem Kapital bereitstellen.
- 7 Die Vergütung kann durch die Gesellschaft oder durch von ihr kontrollierte Unternehmen ausgerichtet werden.

#### Artikel 28

- 6 Compensation may be paid in the form of cash, shares, or in the form of other types of benefits; for the executive management, compensation may in addition be paid in the form of share-based instruments or units. The board of directors or, to the extent delegated to it, the compensation committee shall determine grant, vesting, exercise and forfeiture conditions. In particular, they may provide for continuation, acceleration or removal of vesting, exercise and forfeiture conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement. The Company may procure the required shares through purchases in the market, from treasury shares or by using contingent or authorized share capital.
- 7 Compensation may be paid by the Company or companies controlled by it.

#### Article 28

Genehmigung  
der  
Vergütungen 1

Die Generalversammlung genehmigt die Anträge des Verwaltungsrats in Bezug auf die maximalen Gesamtbeträge der

- (a) Vergütung des Verwaltungsrats für die kommende Amtsdauer; und
- (b) der fixen Vergütung der Geschäftsleitung für die Periode vom 1. Juli des laufenden bis zum 30. Juni des folgenden Jahres; und
- (c) der variablen Vergütungselemente der Geschäftsleitung für das laufende Geschäftsjahr.

- 2 Der Verwaltungsrat kann der Generalversammlung abweichende, zusätzliche oder bedingte Anträge in Bezug auf die maximalen Gesamtbeträge, mehrere maximale Teilbeträge für die gleichen oder andere Zeitperioden und/oder einzelne Vergütungselemente und/oder in Bezug auf Zusatzbeträge für besondere Vergütungselemente zur Genehmigung vorlegen.
- 3 Die Vergütung kann vor der Genehmigung durch die Generalversammlung unter Vorbehalt der nachträglichen Genehmigung ausgerichtet werden.
- 4 Genehmigt die Generalversammlung einen Antrag des Verwaltungsrats nicht, setzt der Verwaltungsrat den entsprechenden (maximalen) Gesamtbetrag oder (maximale) Teilbeträge unter Berücksichtigung aller relevanten Faktoren neu fest und unterbreitet den oder die so festgesetzten Beträge der gleichen Generalversammlung, einer ausserordentlichen Generalversammlung oder der nächsten ordentlichen Generalversammlung zur Genehmigung.

Approval of  
Compensation 1

The general meeting of shareholders shall approve the proposals of the board of directors in relation to the maximum aggregate amounts of:

- (a) the compensation of the board of directors for the next term of office; and
- (b) of the fixed compensation of the executive management for the period of July 1 of the current year until June 30 of the following year; and
- (c) of the variable compensation elements of the executive management for the current financial year.

- 2 The board of directors may submit for approval by the general meeting of shareholders deviating, additional or conditional proposals relating to the maximum aggregate amount or maximum partial amounts for the same or different periods and/or specific compensation components and/or in relation to additional amounts for specific compensation components.
- 3 Compensation may be paid out prior to approval by the general meeting of shareholders subject to subsequent approval.
- 4 If the general meeting of shareholders does not approve a proposal of the board of directors, the board of directors newly determines the maximum aggregate amount or maximum partial amounts taking into account all relevant factors and submits such amounts for approval to the same general meeting of shareholders, to an extraordinary general meeting of shareholders or to the next ordinary general meeting of shareholders.

- Zusatzbetrag
- Artikel 29**
- 1 Die Gesellschaft oder von ihr kontrollierte Gesellschaften sind ermächtigt, Mitgliedern der Geschäftsleitung, die während einer Periode, für welche die Vergütung der Geschäftsleitung bereits genehmigt ist, in die Geschäftsleitung eintreten oder befördert werden, einen Zusatzbetrag auszurichten, sofern der für die betreffende Periode bereits genehmigte Gesamtbetrag für deren Vergütung nicht ausreicht.
- 2 Der Zusatzbetrag darf je Vergütungsperiode je Mitglied 50% des letzten genehmigten maximalen Gesamtbetrags der Vergütung der Geschäftsleitung nicht übersteigen.
- Supplementary Amount 1

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**Abschnitt 5:**

*Verträge mit Mitgliedern des Verwaltungsrats und der Geschäftsleitung*

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- Verträge mit Mitgliedern des Verwaltungsrats und der Geschäftsleitung
- Artikel 30**
- 1 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern des Verwaltungsrats befristete oder unbefristete Verträge über deren Mandat und Vergütung abschließen. Dauer und Beendigung richten sich nach Amtsdauer und Gesetz.
- Agreements with Members of the Board of Directors and the Executive Management 1

**Article 29**

- The Company or companies under its control shall be authorized to pay a supplementary amount of compensation ratified by the shareholders at a general meeting of shareholders to members of the executive management who joined or were promoted during a compensation period for which the maximum aggregate amount of compensation has already been approved, but is insufficient to cover compensation of such members of the executive management.
- 2 The supplementary amount per compensation period per member shall not exceed 50% of the maximum aggregate amount of compensation of the executive management last approved.

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**Section 5:**

*Agreements regarding Compensation with Members of the Board of Directors and the Executive Management*

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**Article 30**

The Company or companies under its control may enter into mandate or other agreements with the members of the board of directors regarding their compensation as directors for a fixed term or for an indefinite term. The duration and termination are subject to term of office and the law.

- 2 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung befristete oder unbefristete Arbeitsverträge abschliessen. Befristete Arbeitsverträge haben eine Höchstdauer von einem Jahr. Eine Erneuerung ist zulässig. Unbefristete Verträge haben eine Kündigungsfrist von maximal einem Jahr.
- 3 Die Gesellschaft oder von ihr kontrollierte Gesellschaften können mit Mitgliedern der Geschäftsleitung Konkurrenzverbote für die Zeit nach Beendigung des Arbeitsverhältnisses vereinbaren. Deren Dauer soll zwei Jahre nicht übersteigen. Zur Abgeltung eines solchen Konkurrenzverbots darf eine Entschädigung ausgerichtet werden, deren Höhe die letzte Gesamtjahresvergütung des betreffenden Mitglieds der Geschäftsleitung nicht übersteigt.

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**Abschnitt 6:**

*Darlehen, Kredite und Vorsorgeleistungen an die Mitglieder des Verwaltungsrats und der Geschäftsleitung*

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**Artikel 31**

Kredite an Mitglieder des Verwaltungsrats und der Geschäftsleitung dürfen von der Gesellschaft oder von ihr kontrollierten Gesellschaften nur zu Marktbedingungen und nur solange ausgerichtet werden, als die Gesamtsumme der insgesamt ausstehenden Kredite an dieses Mitglied des Verwaltungsrats oder der Geschäftsleitung einschliesslich der zu gewährenden Kredite das Zweifache der letztmalig an dieses Mitglied bezahlten oder erstmaligen Jahresvergütung nicht übersteigt.

Darlehen und Kredite

- 2 The Company or companies under its control may enter into employment agreements with the members of the executive management for a fixed term or for an indefinite term. The duration of fixed term agreements may not exceed one year. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period of a maximum of one year.
- 3 The Company or companies under its control may enter into non-competition agreements with members of the executive management for the period after the termination of the employment agreement. The duration of any such non-competition undertaking by a member of the executive management shall not exceed two years, and the consideration paid for a non-competition undertaking shall not exceed the sum of the total annual compensation of the respective member of the executive management last paid.

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**Section 6:**

*Loans, Credits, Post-Retirement Benefits to members of the Board of Directors and the Executive Management*

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**Article 31**

Credits to members of the board of directors and the executive management can solely be granted at standard market rates and the aggregate amount of credit to the member of the board of directors or executive management may not exceed double the total annual compensation of the respective member of the executive management last paid or payable for the first time.

Loans and Credits



Vorsorgeleistungen  
ausserhalb der  
beruflichen  
Vorsorge

### Artikel 32

Vorbehältlich der Genehmigung durch die Generalversammlung gemäss Artikel 28 dieser Statuten können die Gesellschaft oder von ihr kontrollierte Gesellschaften an Mitglieder des Verwaltungsrates und der Geschäftsleitung Vorsorgeleistungen ausserhalb der beruflichen Vorsorge ausrichten, soweit solche Vorsorgeleistungen 100% der letztmalig an dieses Mitglied bezahlten Jahresvergütung nicht übersteigen. Im Fall von Kapitalabfindungen wird der Wert aufgrund anerkannter versicherungsmathematischer Methoden ermittelt.

Post-  
Retirement  
Benefits  
beyond  
Occupational  
Benefit  
Scheme

### Article 32

Subject to the approval by the meeting of shareholders pursuant to Article 28 of these Articles of Incorporation, the Company or companies under its control may grant to members of the board of directors or the executive management post-retirement benefits beyond the occupational benefit scheme, if such post-retirement benefits do not exceed 100% of the total annual compensation of the respective member last paid. In case of capital settlements, the value is determined by recognized actuary methods.

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#### Abschnitt 7:

*Mandate ausserhalb des Konzerns*

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#### Section 7:

*Mandates Outside the Group*

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Mandate  
ausserhalb des  
Konzerns

### Artikel 33

- 1 Die Anzahl der Mandate in den obersten Leitungs- und Verwaltungsorganen von Rechtseinheiten ausserhalb des Konzerns, die in das schweizerische Handelsregister oder ein vergleichbares ausländisches Register einzutragen sind, ist beschränkt:
- (a) für Mitglieder des Verwaltungsrats auf nicht mehr als fünfzehn zusätzliche Mandate;
  - (b) für Mitglieder der Geschäftsleitung auf nicht mehr als fünf zusätzliche Mandate.
- 2 Werden Mandate in verschiedenen Rechtseinheiten desselben Konzerns oder im Auftrag dieses Konzerns respektive einer Rechtseinheit ausgeübt, werden diese jeweils als ein Mandat gezählt.

Mandates  
Outside the  
Group

### Article 33

- 1 The number of mandates in the board of directors and the executive management of legal entities which are to register in the Swiss Commercial Register or a similar foreign register outside the group is limited to:
- (a) for members of the board of directors to fifteen mandates;
  - (b) for members of the executive management to five mandates.
- 2 Mandates in different legal entities being part of the same group or for the same group are deemed to be one mandate.

- 3 Nicht unter diese Beschränkung fallen Mandate in Vereinen, gemeinnützigen Stiftungen, Familienstiftungen und Einrichtungen der beruflichen Vorsorge. Die Anzahl dieser Mandate darf insgesamt zehn nicht übersteigen.

- 3 Mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits are not subject to the above limitations. No member of the board of directors or the executive management shall hold more than ten such mandates.

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**Abschnitt 8:**

*Geschäftsjahr, Gewinnverteilung*

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**Section 8:**

*Fiscal Year, Profit Allocation*

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**Artikel 34**

Geschäftsjahr Das Geschäftsjahr der Gesellschaft wird vom Verwaltungsrat festgesetzt.

Fiscal Year

**Article 34**

The board of directors determines the fiscal year.

**Artikel 35**

1 Über den Bilanzgewinn verfügt die Generalversammlung im Rahmen der gesetzlichen Vorschriften. Der Verwaltungsrat unterbreitet ihr seine Anträge.

- 2 Neben der gesetzlichen Reserve kann die Generalversammlung weitere Reserven schaffen.

- 3 Dividenden, die während fünf Jahren von ihrem Verfalltag an nicht bezogen worden sind, fallen der Gesellschaft zu und werden der allgemeinen Reserve zugeteilt.

Allocation of 1 Profits, Reserves

**Article 35**

The profit shown on the annual statutory balance sheet shall be allocated by the general meeting of shareholders in accordance with applicable law. The board of directors shall submit its proposals to the general meeting of shareholders.

- 2 Further reserves may be taken in addition to the reserves required by law by the general meeting of shareholders.

- 3 Dividends that have not been collected within five years after their payment date shall enure to the Company and be allocated to the general statutory reserves.

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**Abschnitt 9:**

*Auflösung, Liquidation*

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**Section 9:**

*Winding-Up and Liquidation*

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Auflösung,  
Liquidation

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**Artikel 36**

- 1 Die Generalversammlung kann jederzeit die Auflösung und Liquidation der Gesellschaft nach Massgabe der gesetzlichen und statutarischen Vorschriften beschliessen.
- 2 Die Liquidation wird durch den Verwaltungsrat durchgeführt, sofern sie nicht durch die Generalversammlung anderen Personen übertragen wird.
- 3 Die Liquidation der Gesellschaft erfolgt nach Massgabe der Art. 742 ff. OR. Die Liquidatoren sind ermächtigt, Aktiven (Grundstücke eingeschlossen) auch freihändig zu verkaufen.
- 4 Nach erfolgter Tilgung der Schulden wird das Vermögen unter den Aktionären nach Massgabe der einbezahlten Beträge verteilt.

Winding-Up,  
Liquidation

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**Article 36**

- 1 The general meeting of shareholders may at any time resolve on the winding-up and liquidation of the Company pursuant to applicable law and the provisions set forth in these Articles of Incorporation.
- 2 The liquidation shall be effected by the board of directors, unless the general meeting of shareholders shall appoint other persons as liquidators.
- 3 The liquidation of the Company shall be effectuated pursuant to art. 742 et seq. CO. The liquidators are authorized to sell assets (including real estate) in the open market.
- 4 Upon discharge of all liabilities, the assets of the Company shall be distributed to the shareholders pursuant to the amounts paid in.

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**Abschnitt 10:**

*Mitteilungen, Bekanntmachungen*

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**Section 10:**

*Communications, Announcements*

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Mitteilungen,  
Publikationsorgan

**Artikel 37**

Publikationsorgan der Gesellschaft ist das Schweizerische Handelsamtsblatt. Der Verwaltungsrat kann weitere Publikationsorgane bezeichnen.

Communications,  
Official Means of  
Publication

**Article 37**

The official means of publication of the Company shall be the Swiss Official Gazette of Commerce. The board of directors may designate additional means of publication.

**ORGANIZATIONAL RULES  
OF  
MOLECULAR PARTNERS AG**

**Approved by the Board of Directors**

**October 6, 2014**

**(as amended as of May 12, 2017, September 20, 2017,  
February 5, 2019, April 29, 2020 and March 14, 2022)**

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## **I. GENERAL PROVISIONS**

### **1. BASIS**

- 1.1. These organizational rules (the "Rules") are adopted by the board of directors (the "Board of Directors") of Molecular Partners AG (the "Company") pursuant to article 716b of the Swiss Code of Obligations ("CO") and article 17 of its articles of association (the "Articles of Association").
- 1.2. These Rules govern the internal organisation as well as functions, powers and duties of the following corporate bodies and persons:
  - (i) the Board of Directors and the members of the Board of Directors (the "Directors");
  - (ii) the chairperson (the "Chairperson"), the vice-chairperson (the "Vice-Chairperson") and the secretary of the Board of Directors (the "Secretary");
  - (iii) the board committees (the "Board Committees") established from time to time pursuant to the Articles of Association and these Rules;
  - (iv) the chief executive officer (the "Chief Executive Officer");
  - (v) the chief financial officer (the "Chief Financial Officer");
  - (vi) the management board of the Company (the "Management Board").

### **2. SCOPE**

These Rules shall ensure that the Company's business is guided, directed and managed according to clear and uniform principles.

## **II. BOARD OF DIRECTORS**

### **3. ORGANIZATION**

- 1.1 The Board of Directors shall consist of not less than 3 and not more than 11 members (including the Chairperson). The shareholders' meeting of the Company (the "Shareholders' Meeting") shall elect the members of the Board of Directors and the Chairperson of the Board of Directors individually for a term of office extending until completion of the next annual Shareholders' Meeting. Members of the Board of Directors may be re-elected at any time. If the office of the Chairperson is vacant, the Board of Directors shall appoint a new Chairperson from its members for the remaining term of office.



1.2 The Board of Directors may elect a Vice-Chairperson from its members each year immediately following the annual Shareholders' Meeting for a term ending at the closing of the following annual Shareholders' Meeting. The Board of Directors shall further appoint the Secretary, who need not be a member of the Board of Directors. The Secretary shall be entitled to participate in the deliberations and discussions of the Board of Directors, but shall not vote, unless he or she is a member of the Board of Directors.

#### **4. FUNCTION AND POWERS**

1.1 Subject to the legal and statutory powers and duties of the Shareholders' Meeting and the statutory auditors, the Board of Directors shall be the ultimate executive body of the Company.

1.2 The Board of Directors shall have the authority to pass resolutions in all matters of the Company that are not reserved to the Shareholders' Meeting or to another corporate body by law, the Articles of Association or these Rules.

1.3 Subject to the limitations set out in this section 4, the Board of Directors shall have the authority to perform all acts that the business objectives of the Company may entail.

#### **5. DUTIES**

1.1 The Board of Directors shall have, in particular, the following non-delegable and inalienable powers and duties (articles 716a and 716b CO and article 19 of the Articles of Association):

- (i) the ultimate direction of the business of the Company and the issuance of the necessary instructions;
- (ii) the determination of the organisation of the Company, including the adoption and revision of these Rules;
- (iii) the organization of accounting, financial control and financial planning of the Company;
- (iv) the appointment and removal of the persons entrusted with the executive management and their representation of the Company;
- (v) the ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, the Articles of Association, these Rules and the directives of the Board of Directors;

- (vi) the preparation of the business report, the compensation report and the Shareholders' Meetings as well as the implementation of the resolutions adopted by the Shareholders' Meeting;
- (vii) the adoption of resolutions regarding the subsequent payment of capital with respect to non-fully paid up shares and the amendments to the Articles of Association related thereto;
- (viii) the adoption of resolutions concerning an increase of the share capital to the extent that such power is vested in the Board of Directors (article 651 paragraph 4 CO) and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles of Association, as well as the preparation of the required report on the capital increase;
- (ix) the non-delegable and inalienable duties and powers of the Board of Directors pursuant to the Swiss Merger Act and any other law;
- (x) the notification of the court if liabilities exceed assets; and
- (xi) any other matter reserved to the Board of Directors by the law or the Articles of Association.

1.2 In addition, the Board of Directors shall have the following powers and duties:

- (i) approve or make any material change to the business plan, the operational plan or the annual budget;
- (ii) approve individual expenditure (including capital expenditure) in excess of CHF 1,000,000 if such expenditure is not included in the approved annual budget;
- (iii) agree to credit lines, other financial indebtedness or leases exceeding CHF 1,000,000;
- (iv) create any liens or encumbrances of assets outside the normal and ordinary course of business;
- (v) establish the Company's dividend policy;
- (vi) establish a directive and procedure on public disclosure, reporting and securities trading;
- (vii) review and approve the recommendations of the Board Committees;
- (viii) adopt or amend any equity incentive plan, such as a stock option plan and the related documentation, as well as grant or delegate the grant of shares, stock options or other rights under any equity incentive plan;
- (ix) create or close a subsidiary or any joint venture partnership or similar business association of the Company;

- (x) transfer or license any material intellectual property right, other than by entering into material transfer agreements or similar agreements under the strategy agreed by the Board of Directors;
- (xi) enter into any transaction between the Company and any member of the Board of Directors (a "Director") or member of the Management Board, except for ordinary course compensation and expense; and
- (xii) enter into any transaction which would result in a direct or indirect acquisition of, or entering into any legally binding agreement or commitment to acquire, the assets of, or effective voting or contractual control over (whether resulting from a purchase of shares, by merger, by consolidation, or otherwise), any other entity.

## **6. DELEGATION AND SIGNING AUTHORITY**

Subject to the terms of these Rules, the Board of Directors hereby delegates all other duties as well as the day-to-day and operational management of the Company's business to.

- 1.1 the Chairperson and Vice-Chairperson (article 12)
- 1.2 the Secretary (article 13);
- 1.3 the Board Committees (article 14);
- 1.4 the Chief Executive Officer (article 15),
- 1.5 the Chief Financial Officer (article 16); and
- 1.6 the Management Board (article 17).

## **7. MEETINGS**

- 1.1 The Chairperson or, should he or she be unable to do so, the Vice-Chairperson or any other Director shall convene meetings of the Board of Directors if and when the need arises or whenever a Director indicating the reasons so requests in writing. Meetings may also be held by telephone or video conference.
- 1.2 Notice of meetings shall be given at least 10 days prior to the meeting and the notice shall set forth the agenda. In urgent cases, a meeting may be held on appropriate shorter notice. Any Director who is unable to attend a meeting in person shall have the right to attend the meeting by means of telephone or video conference so that all persons participating and attending such meeting can hear and be heard by all others participating and attending the meeting.
- 1.3 If a Director requests that a meeting be called, he or she shall submit the respective demand to the Chairperson and indicate the grounds for such a request and the

agenda of the meeting. In such an event, the Chairperson shall convene the meeting within 10 days after receipt of the respective demand.

- 1.4 In the event that the Board of Directors is to resolve on an increase of the share capital (article 651 paragraph 4 CO) and on resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles of Association as well as the preparation of the required report on the capital increase, no invitations to the Directors shall have to be sent out.
- 1.5 Any meeting of the Board of Directors shall be held in English and all written communications and minutes shall be in English, other than as required by applicable law.

## **8. AGENDA**

- 1.1 The items on the agenda of the meetings of the Board of Directors shall be determined by the Chairperson.
- 1.2 Each Director may request an item to be put on the agenda. Such a request shall, if reasonably possible, be sent to the Chairperson in writing at least 5 days prior to the meeting. In such event, the Chairperson shall immediately communicate the additional items on the agenda to the other Directors before the beginning of the meeting.
- 1.3 No resolution shall be taken on items that were not on the agenda of the meeting unless all Directors are attending the meeting and agree that such resolution be taken or in case of urgency.

## **9. PRESENCE AND QUORUM**

- 1.1 In order to pass resolutions, at least a majority of the Directors must be present. No attendance quorum shall be required for confirmation or amendment resolutions of the Board of Directors in connection with capital increases.
- 1.2 The Chairperson, or in his absence another Director specifically designated by the majority of the other Directors present at the meeting, shall determine the non-members who may attend the meetings as guests.

## **10. RESOLUTIONS**

- 1.1 The adoption of resolutions of the Board of Directors requires a simple majority of the votes cast. Each Director shall have one vote. In the event of a tie, the Chairperson shall have the casting vote.

- 1.2 Resolutions may be passed by way of circulation (in writing, including by PDF sent by e-mail, or through electronic board tool), provided that no Director requests oral deliberation.
- 1.3 The resolutions shall be confirmed in the minutes, which are to be signed by the acting chairperson and the Secretary.

#### **11. INFORMATION AND REPORTING**

- 1.1 Each Director shall be entitled to request information concerning all affairs of the Company. In the meetings of the Board of Directors, all Directors and all persons entrusted with the management of the Company's business shall furnish the requested information.
- 1.2 Outside the meetings of the Board of Directors, each Director may request information from the persons entrusted with the management of the Company's business concerning the course of business and, upon authorization by the Chairperson, concerning particular aspects thereof.
- 1.3 To the extent necessary to fulfil his or her duties, each Director may request that the Chairperson authorizes the inspection of the books and records of the Company. If the Chairperson rejects a request for information, hearing or inspection, the Board of Directors shall decide whether to grant such request.
- 1.4 Notwithstanding the foregoing, individual resolutions of the Board of Directors may confer upon the Directors' additional rights to request information, hearing or inspection.

### **III. CHAIRPERSON, VICE-CHAIRPERSON AND SECRETARY OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES**

#### **12. CHAIRPERSON AND VICE-CHAIRPERSON**

- 1.1 The Chairperson shall chair the meetings of the Board of Directors and the Shareholders' Meeting.
- 1.2 Should the Chairperson be temporarily unable or unavailable to exercise his or her functions, his or her functions shall be assumed by the Vice-Chairperson, or if the latter should also be temporarily unable or unavailable, another Director appointed by the Chairperson, the Vice-Chairperson or the Board of Directors.

#### **13. SECRETARY**

- 1.1 The Secretary shall keep the minutes of the meetings of the Board of Directors.

1.2 The Secretary shall also be responsible for the correct management of the share register.

#### **14. BOARD COMMITTEES**

1.1 Subject to the powers of the Shareholders' Meeting, the Board of Directors may appoint from among its members Board Committees for specific areas. Together with the appointment of a Board Committee, the Board of Directors shall establish the appropriate rules with respect to the mission, the authority and the reporting of the Board Committee. Notwithstanding the generality of the above, the following Board Committees shall be appointed:

- (i) a nomination and compensation committee (the "Nomination and Compensation Committee");
- (ii) an audit and finance committee (the "Audit and Finance Committee"); and
- (iii) a research and development committee (the "Research and Development Committee").

1.2 The Shareholder's Meeting shall elect the members of the Nomination and Compensation Committee individually for a term of office extending until completion of the next annual Shareholders' Meeting. The members of the Audit and Finance Committee and of the Research and Development Committee shall be appointed by the Board of Directors for a term of office extending until completion of the next annual Shareholders' Meeting.

1.3 Members of the Board Committees may be re-elected at any time. If there are vacancies on the Board Committees, the Board of Directors shall appoint from its members suitable substitutes for a term of office extending until completion of the next annual Shareholders' Meeting.

1.4 Further to the principle powers of the Compensation Committee set forth in Article 23 of the Articles of Association, the duties and responsibilities of the Nomination and Compensation Committee, the Audit and Finance Committee and the Research and Development Committee are attached to these Rules (Annexes 1, 2 and 3) and shall be incorporated herein by reference.

### **IV. MANAGEMENT**

#### **15. CHIEF EXECUTIVE OFFICER**

1.1 The Chief Executive Officer shall be appointed by the Board of Directors for an indeterminate term of office.

- 1.2 Subject to these Rules and the mandatory provisions of Swiss law, the Board of Directors hereby delegates the executive management of the Company to the Chief Executive Officer. Accordingly, the Chief Executive Officer shall be responsible for the executive management of the Company and its supporting functions. In particular, the Chief Executive Officer shall have the following powers and duties:
- (i) implementing the strategy of the Company and the decisions taken by the Board of Directors and the Board Committees;
  - (ii) monitoring and assessing progress against the Company's target and budget;
  - (iii) preparing and submitting to the Board of Directors for approval the following matters:
    - the Company's strategy;
    - subject to the powers and duties of the Board Committees, proposals to the Shareholders' Meeting; and
    - amendments to the Articles of Association, these Rules and signatory authorities of the Company.
  - (iv) managing, supervising and coordinating the ongoing business operations of the Company; and
  - (v) determining the communication policy of the Company and representing the overall interest of the Company towards its shareholders and third parties and the promotion of investor relations.
- 1.3 The Chief Executive Officer shall involve the Management Board in all relevant matters and resolutions pertaining to his powers and duties. He or she shall be entitled to delegate some of his or her duties to other members of the Management Board or to third parties. The tasks according to article 16 shall be delegated to the Chief Financial Officer.
- 1.4 The Chief Executive Officer shall regularly inform the Board of Directors at the meeting of the Board of Directors on the current course of business and all major business matters of the Company including anticipated opportunities and risks. Extraordinary matters including significant unanticipated developments shall immediately be reported to the Chairperson.

## **16. CHIEF FINANCIAL OFFICER**

Subject to the Rules and the mandatory provisions of Swiss law, the Chief Financial Officer shall be responsible for financial matters of the Company and shall report directly to the Chief

Executive Officer. In particular, the Chief Financial Officer shall have the following powers and duties:

- 1.1 preparing and submitting to the Board of Directors and the Chief Executive Officer for approval the annual budgets, including statements of income, cash-flow statements and balance sheets, and the annual financial statements and statutory accounts for the Company, including statements of income, cash-flow statements, and balance sheets;
- 1.2 organizing and managing the accounting system as well as the financial control, financial planning and financial reporting of the Company;
- 1.3 operating and continuously improving the internal control system;
- 1.4 regular, at least on a quarterly basis, information and reporting of the financial situation of the Company to the Board of Directors;
- 1.5 immediate reporting of extraordinary business developments and matters of urgent nature to the chairperson of the Audit and Finance Committee and to the Chief Executive Officer;
- 1.6 organizing, supervising and coordinating pension, insurance and risk management matters of the Company;
- 1.7 monitoring the optimal financing of the Company;
- 1.8 ensuring compliance with all applicable tax laws and optimizing the Company's effective tax rate;
- 1.9 maintaining investor relations, in consultation with the Chief Executive Officer and the SVP Investor Relations;
- 1.10 supervising compliance with the formal requirements of the capital markets, in particular ongoing reporting obligations with respect to the listing, disclosure and notification obligation according to the Swiss Stock Exchange Act and the Company's policies, in particular the Public Disclosure, Reporting and Securities Trading Policy; and
- 1.11 participate in the decisions with respect to disclosure of price sensitive facts (*ad hoc* publicity) and prohibition of trading in any securities relating to the Company in accordance with the laws and the Company's policies, in particular the Public Disclosure, Reporting and Securities Trading Policy.

## **17. MANAGEMENT BOARD**

- 1.1 The Management Board shall include as a minimum the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Medical Officer. Other members may be appointed by the Board of Directors from time to time. Except in the case of the Chief Executive Officer and the Chief Financial Officer, a member of the



Management Board may assume more than one of the mentioned offices. The Management Board shall be chaired by the Chief Executive Officer.

- 1.2 All members of the Management Board shall be proposed by the Chief Executive Officer and the Board of Directors shall approve their appointments.
- 1.3 The Management Board shall be responsible for the management of the Company. It shall implement the strategy of the Company decided by the Board of Directors and shall ensure the execution of the decisions of the Board of Directors in accordance with the law, the Articles of Association, these Rules and the resolutions by the Shareholders' Meeting.
- 1.4 Meetings of the Management Board shall generally take place at least every four weeks and shall be called by the Chief Executive Officer or his or her delegate or by another member of the Management Board. Every member shall be entitled to ask the Chief Executive Officer to call a meeting by indicating the items to be discussed. Meetings of the Management Board may take place as part of meetings with other members of the leadership team.
- 1.5 Notice of meetings shall be given within a reasonable time period in advance in writing or by another suitable means indicating the agenda. Every member of the Management Board may request an item to be put on the agenda and other employees of the Company to participate in the meeting.
- 1.6 In order to pass resolutions, at least a majority of the members of the Management Board, and amongst them the Chief Executive Officer or, in his or her absence, his or her delegate, must be present. Resolutions shall be taken with the absolute majority of the votes represented. In the event of a tie, the Chief Executive Officer shall have the casting vote.
- 1.7 The Chief Executive Officer shall appoint the secretary of the Management Board who shall keep the minutes.
- 1.8 Every member of the Management Board may request from the Chief Executive Officer and the other members of the Management Board, at any time in and outside of the meetings of the Management Board, to receive information about the Company's affairs and to inspect business documents.
- 1.9 The Management Board shall take note, generally on a monthly basis, of the reports of the Chief Financial Officer regarding the financial situation of the Company as well as of the other members' reports in the meetings of the Management Board.

## **V. MISCELLANEOUS**

### **18. DUTY OF CARE AND LOYALTY**

Each Director and each member of the Management Board shall be under a duty to carry out his or her responsibilities with due care and to safeguard and further the best interests of the Company.

### **19. CONFLICTS OF INTERESTS**

- 1.1 The Directors and the members of the Management Board shall arrange their personal and business affairs so as to avoid, as much as possible, a conflict of interest.
- 1.2 Each Director and each member of the Management Board shall disclose to the Chairman and the Chief Executive Officer, respectively, any conflict of interest generally arising or relating to any matter to be discussed at a meeting, as soon as the Director and member of the Management Board becomes aware of its potential existence.
- 1.3 The Chairman and the Chief Executive Officer, respectively, shall decide upon appropriate measures to avoid any interference of such conflict of interests with the forming of will and decisions of the Company. In the event of doubt, the Chairman and the Chief Executive Officer, respectively, shall request the respective corporate body to determine whether a conflict of interest exists and to decide upon appropriate measures.
- 1.4 As a rule, subject to exceptional circumstances in which the best interests of the Company dictate otherwise, the Director or member of the Management Board shall not participate in discussions and decision-making involving the matter at stake. The person with a conflict shall have the right to, or may be required by the Chairman and the Chief Executive Officer, respectively, to provide a statement of his or her view of the matter before leaving the discussion.
- 1.5 While, in minor cases, the information flow may not be affected by the conflict of interest, the Chairman and the Chief Executive Officer, respectively, may decide to limit the information flow to the relevant Director or member of the Management Board or to keep the matter entirely secret with respect to the relevant Director or member of the Management Board. The Chairman and the Chief Executive Officer, respectively, shall advise the respective corporate body of the conflict of interest.

## **20. CONFIDENTIALITY**

- 1.1 The members of the Board of Directors and the Management Board shall keep confidential and shall not disclose to any third party information and documents obtained or inspected in connection with the exercise of their function or with the performance of their duties on behalf of the Company. They shall be bound by the obligation of confidentiality even after the termination of their mandate.
- 1.2 Upon termination of their function, the members of the Board of Directors and the Management Board shall return all documents and data storage media related to the Company.

## **21. SIGNATORY POWER**

Each Director shall be entitled to sign jointly together with another Director. All other persons entrusted by the Board of Directors with the representation of the Company shall also be entitled to sign jointly together with another person.

## **22. FINANCIAL YEAR AND ACCOUNTING**

- 1.1 The Company's financial year shall correspond to the calendar year.
- 1.2 The Company's accounting policies shall be determined by the Chief Financial Officer in consultation with the Audit and Finance Committee.
- 1.3 The Company shall establish its annual financial statements as at December 31.
- 1.4 The Company shall establish semi-annual financial statements to be published to investors.
- 1.5 The Company shall establish monthly interim financial statements for internal use only.

## **23. INSURANCE**

The Company may procure directors' and officers' liability insurance for the members of the Board of Directors and the Management Board in line with best practice for Swiss and US listed companies.

## **24. FINAL PROVISIONS**

- 1.1 These Rules shall enter into force as of the first day of trading of the shares of the Company on the SIX Swiss Exchange Ltd.
- 1.2 The Board of Directors shall be entitled to issue executive regulations to these Rules.

1.3 These Rules may be amended by the Board of Directors at any time.

Schlieren, March 14, 2022

For the Board of Directors

William M. Burns, Chairman

## **Annexes**

**Annex 1:** Charter of the Nomination and Compensation Committee

**Annex 2:** Charter of the Audit and Finance Committee

**Annex 3:** Charter of the Research and Development Committee

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**DEPOSIT AGREEMENT**

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by and among

**MOLECULAR PARTNERS AG**

and

**CITIBANK, N.A.,**  
as Depositary,

and

**THE HOLDERS AND BENEFICIAL OWNERS OF  
AMERICAN DEPOSITARY SHARES  
ISSUED HEREUNDER**

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Dated as of June 18, 2021

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## DEPOSIT AGREEMENT

**DEPOSIT AGREEMENT**, dated as of June 18, 2021, by and among (i) MOLECULAR PARTNERS AG, a corporation incorporated under the laws of Switzerland, and its successors (the “Company”), (ii) CITIBANK, N.A., a national banking association organized under the laws of the United States of America (“Citibank”) acting in its capacity as depositary, and any successor depositary hereunder (Citibank in such capacity, the “Depositary”), and (iii) all Holders and Beneficial Owners of American Depositary Shares issued hereunder (all such capitalized terms as hereinafter defined).

### WITNESSETH THAT:

**WHEREAS**, the Company desires to establish with the Depositary an ADR facility to provide for the deposit of the Shares (as hereinafter defined) and the creation of American Depositary Shares representing the Shares so deposited and for the execution and Delivery (as hereinafter defined) of American Depositary Receipts (as hereinafter defined) evidencing such American Depositary Shares; and

**WHEREAS**, the Depositary is willing to act as the Depositary for such ADR facility upon the terms set forth in the Deposit Agreement (as hereinafter defined); and

**WHEREAS**, any American Depositary Receipts issued pursuant to the terms of the Deposit Agreement are to be substantially in the form of Exhibit A attached hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in the Deposit Agreement; and

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

All capitalized terms used, but not otherwise defined, herein shall have the meanings set forth below, unless otherwise clearly indicated:

**Section 1.1 “ADS Record Date”** shall have the meaning given to such term in Section 4.9.

**Section 1.2 “Affiliate”** shall have the meaning assigned to such term by the Commission (as hereinafter defined) under Regulation C promulgated under the Securities Act (as hereinafter defined), or under any successor regulation thereto.

**Section 1.3 “Agent”** shall have the meaning given to such term in Section 7.6.

**Section 1.4 “American Depositary Receipt(s)”, “ADR(s)” and “Receipt(s)”** shall mean the certificate(s) issued by the Depositary to evidence the American Depositary Shares issued under the terms of the Deposit Agreement in the form of Certificated ADS(s) (as hereinafter defined), as such ADRs may be amended from time to time in accordance with the provisions of the Deposit Agreement. An ADR may evidence any number of ADSs and may, in the case of ADSs held through a central depository such as DTC, be in the form of a “Balance Certificate.”

**Section 1.5 “American Depositary Share(s)” and “ADS(s)”** shall mean the rights and interests in the Deposited Property (as hereinafter defined) granted to the Holders and Beneficial Owners pursuant to the terms and conditions of the Deposit Agreement and, if issued as Certificated ADS(s) (as hereinafter defined), the ADR(s) issued to evidence such ADSs. ADS(s) may be issued under the terms of the Deposit Agreement in the form of (a) Certificated ADS(s) (as hereinafter defined), in which case the ADS(s) are evidenced by ADR(s), or (b) Uncertificated ADS(s) (as hereinafter defined), in which case the ADS(s) are not evidenced by

ADR(s) but are reflected on the direct registration system maintained by the Depository for such purposes under the terms of Section 2.13. Unless otherwise specified in the Deposit Agreement or in any ADR, or unless the context otherwise requires, any reference to ADS(s) shall include Certificated ADS(s) and Uncertificated ADS(s), individually or collectively, as the context may require. Each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the number of Shares specified in the form of ADR attached hereto as Exhibit A (as amended from time to time) that are on deposit with the Depository and/or the Custodian, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), until there shall occur a distribution upon Deposited Securities referred to in Section 4.2 or a change in Deposited Securities referred to in Section 4.11 with respect to which additional ADSs are not issued, and thereafter each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the applicable Deposited Property on deposit with the Depository and the Custodian determined in accordance with the terms of such Sections, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS). In addition, the ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement (which may give rise to Depository fees).

**Section 1.6 “Articles of Incorporation”** shall mean the Articles of Incorporation of the Company, as amended and restated from time to time.

**Section 1.7 “Beneficial Owner”** shall mean, as to any ADS, any person or entity having a beneficial interest deriving from the ownership of such ADS. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s) or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the Depository, the Custodian and their respective nominees are intended to be, and shall at all times during the term of the Deposit Agreement be, the record holders only of the Deposited Property represented by the ADSs for the benefit of the Holders and Beneficial Owners of the corresponding ADSs. The Depository, on its own behalf and on behalf of the Custodian and their respective nominees, disclaims any beneficial ownership interest in the Deposited Property held on behalf of the Holders and Beneficial Owners of ADSs. The beneficial ownership interests in the Deposited Property are intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property. The beneficial ownership interests in the Deposited Property shall, unless otherwise agreed by the Depository, be exercisable by the Beneficial Owners of the ADSs only through the Holders of such ADSs, by the Holders of the ADSs (on behalf of the applicable Beneficial Owners) only through the Depository, and by the Depository (on behalf of the Holders and Beneficial Owners of the corresponding ADSs) directly, or indirectly through the Custodian or their respective nominees, in each case upon the terms of the Deposit Agreement and, if applicable, the terms of the ADR(s) evidencing the ADSs. A Beneficial Owner of ADSs may or may not be the Holder of such ADSs. A Beneficial Owner shall be able to exercise any right or receive any benefit hereunder solely through the person who is the Holder of the ADSs owned by such Beneficial Owner. Unless otherwise identified to the Depository, a Holder shall be deemed to be the Beneficial Owner of all the ADSs registered in his/her/its name. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

**Section 1.8 “Certificated ADS(s)”** shall have the meaning set forth in Section 2.13.

**Section 1.9 “Citibank”** shall mean Citibank, N.A., a national banking association organized under the laws of the United States of America, and its successors.

**Section 1.10 “Commission”** shall mean the Securities and Exchange Commission of the United States or any successor governmental agency thereto in the United States.

**Section 1.11 “Company”** shall mean Molecular Partners AG, a company incorporated and existing under the laws of Switzerland, and its successors.

**Section 1.12 “Custodian”** shall mean (i) as of the date hereof, Citibank N.A. London Branch, having its principal office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, as the custodian of Deposited Property for the purposes of the Deposit Agreement, (ii) Citibank, N.A., acting as custodian of Deposited Property pursuant to the Deposit Agreement, and (iii) any other entity that may be appointed by the Depository pursuant to the terms of Section 5.5 as successor, substitute or additional custodian hereunder. The term “Custodian” shall mean any Custodian individually or all Custodians collectively, as the context requires.

**Section 1.13 “Deliver” and “Delivery”** shall mean (x) *when used in respect of Shares and other Deposited Securities*, any of (i) the physical delivery of the certificate(s) representing such securities, or (ii) the book-entry transfer and recordation of such securities on the books of the Share Registrar (as hereinafter defined) or in the applicable book-entry settlement system, and (y) *when used in respect of ADSs*, any of (i) the physical delivery of ADR(s) evidencing the ADSs, or (ii) the book-entry transfer and recordation of ADSs on the books of the Depository or any book-entry settlement system in which the ADSs are settlement-eligible.

**Section 1.14 “Deposit Agreement”** shall mean this Deposit Agreement and all exhibits hereto, as the same may from time to time be amended and supplemented from time to time in accordance with the terms of the Deposit Agreement.

**Section 1.15 “Depository”** shall mean Citibank, N.A., a national banking association organized under the laws of the United States, in its capacity as depository under the terms of the Deposit Agreement, and any successor depository hereunder.

**Section 1.16 “Deposited Property”** shall mean the Deposited Securities and any cash and other property held on deposit by the Depository and the Custodian in respect of the ADSs under the terms of the Deposit Agreement, subject, in the case of cash, to the provisions of Section 4.8. All Deposited Property shall be held by the Custodian, the Depository and their respective nominees for the benefit of the Holders and Beneficial Owners of the ADSs representing the Deposited Property. The Deposited Property is not intended to, and shall not, constitute proprietary assets of the Depository, the Custodian or their nominees. Beneficial ownership in the Deposited Property is intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property.

**Section 1.17 “Deposited Securities”** shall mean the Shares and any other securities held on deposit by the Custodian from time to time in respect of the ADSs under the Deposit Agreement and constituting Deposited Property.

**Section 1.18 “Dollars” and “\$”** shall refer to the lawful currency of the United States.

**Section 1.19 “DTC”** shall mean The Depository Trust Company, a national clearinghouse and the central book-entry settlement system for securities traded in the United States and, as such, the custodian for the securities of DTC Participants (as hereinafter defined) maintained in DTC, and any successor thereto.

**Section 1.20 “DTC Participant”** shall mean any financial institution (or any nominee of such institution) having one or more participant accounts with DTC for receiving, holding and delivering the securities and cash held in DTC. A DTC Participant may or may not be a Beneficial Owner. If a DTC Participant is not the Beneficial Owner of the ADSs credited to its account at DTC, or of the ADSs in respect of which the DTC Participant is otherwise acting, such DTC Participant shall be deemed, for all purposes hereunder, to have all requisite authority

to act on behalf of the Beneficial Owner(s) of the ADSs credited to its account at DTC or in respect of which the DTC Participant is so acting. A DTC Participant, upon acceptance in any one of its DTC accounts of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall (notwithstanding any explicit or implicit disclosure that it may be acting on behalf of another party) be deemed for all purposes to be a party to, and bound by, the terms of the Deposit Agreement and the applicable ADR(s) to the same extent as, and as if the DTC Participant were, the Holder of such ADSs.

**Section 1.21 “Exchange Act”** shall mean the United States Securities Exchange Act of 1934, as amended from time to time.

**Section 1.22 “Foreign Currency”** shall mean any currency other than Dollars.

**Section 1.23 “Full Entitlement ADR(s)”, “Full Entitlement ADS(s)” and “Full Entitlement Share(s)”** shall have the respective meanings set forth in Section 2.12.

**Section 1.24 “Holder(s)”** shall mean the person(s) in whose name the ADSs are registered on the books of the Depository (or the Registrar, if any) maintained for such purpose. A Holder may or may not be a Beneficial Owner. If a Holder is not the Beneficial Owner of the ADS(s) registered in its name, such person shall be deemed, for all purposes hereunder, to have all requisite authority to act on behalf of the Beneficial Owners of the ADSs registered in its name. The manner in which a Holder holds ADSs (e.g., in certificated vs. uncertificated form) may affect the rights and obligations of, and the manner in which, and the extent to which, the services are made available to, Holders pursuant to the terms of the Deposit Agreement.

**Section 1.25 “Partial Entitlement ADR(s)”, “Partial Entitlement ADS(s)” and “Partial Entitlement Share(s)”** shall have the respective meanings set forth in Section 2.12.

**Section 1.26 “Principal Office”** shall mean, when used with respect to the Depository, the principal office of the Depository at which at any particular time its depository receipts business shall be administered, which, at the date of the Deposit Agreement, is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

**Section 1.27 “Registrar”** shall mean the Depository or any bank or trust company having an office in the Borough of Manhattan, The City of New York, which shall be appointed by the Depository to register issuances, transfers and cancellations of ADSs as herein provided, and shall include any co-registrar appointed by the Depository for such purposes. Registrars (other than the Depository) may be removed and substitutes appointed by the Depository. Each Registrar (other than the Depository) appointed pursuant to the Deposit Agreement shall be required to give notice in writing to the Depository accepting such appointment and agreeing to be bound by the applicable terms of the Deposit Agreement.

**Section 1.28 “Restricted ADR(s)”, “Restricted ADS(s)” and “Restricted Shares”** shall have the respective meanings set forth in Section 2.14.

**Section 1.29 “Restricted Securities”** shall mean Shares, Deposited Securities or ADSs which (i) have been acquired directly or indirectly from the Company or any of its Affiliates in a transaction or chain of transactions not involving any public offering and are subject to resale limitations under the Securities Act or the rules issued thereunder, or (ii) are held by an executive officer or director (or persons performing similar functions) or other Affiliate of the Company, or (iii) are subject to other restrictions on sale or deposit under the laws of the United States, Switzerland, or under a shareholder agreement or the Articles of Incorporation of the Company or under the regulations of an applicable securities exchange unless, in each case, such Shares, Deposited Securities or ADSs are being transferred or sold to persons other than an Affiliate of the Company in a transaction (a) covered by an effective resale registration statement, or (b) exempt from the registration requirements of the Securities Act (as hereinafter defined), and the

Shares, Deposited Securities or ADSs are not, when held by such person(s), Restricted Securities.

**Section 1.30 “Securities Act”** shall mean the United States Securities Act of 1933, as amended from time to time.

**Section 1.31 “Share Registrar”** shall mean areg.ch ag, Fabrikstrasse 10, 4614 Hägendorf, a company incorporated under the laws of Switzerland, or any other institution organized under the laws of Switzerland appointed by the Company (including for the avoidance of doubt, if applicable, the Company) from time to time to carry out the duties of registrar for the Shares, and any successor thereto.

**Section 1.32 “Shares”** shall mean the Company’s common shares, with a nominal value of CHF 0.10 each, validly issued and outstanding and fully paid and may, if the Depositary so agrees after consultation with the Company, include evidence of the right to receive Shares; provided that in no event shall Shares include evidence of the right to receive Shares with respect to which the full purchase price has not been paid or Shares as to which preemptive rights have theretofore not been validly waived or exercised; provided further, however, that, if there shall occur any change in nominal or par value, split-up, consolidation, reclassification, exchange, conversion or any other event described in Section 4.11 in respect of the Shares of the Company, the term “Shares” shall thereafter, to the maximum extent permitted by law, represent the successor securities resulting from such event.

**Section 1.33 “Swiss Franc” and “CHF”** shall refer to the lawful currency of Switzerland.

**Section 1.34 “Uncertificated ADS(s)”** shall have the meaning set forth in Section 2.13.

**Section 1.35 “United States” and “U.S.”** shall have the meaning assigned to it in Regulation S as promulgated by the Commission under the Securities Act.

## ARTICLE II

### APPOINTMENT OF DEPOSITARY; FORM OF RECEIPTS; DEPOSIT OF SHARES; EXECUTION AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS

**Section 2.1 Appointment of Depositary.** The Company hereby appoints the Depositary as depositary for the Deposited Property and hereby authorizes and directs the Depositary to act in accordance with the terms and conditions set forth in the Deposit Agreement and the applicable ADRs. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

#### **Section 2.2 Form and Transferability of ADSs.**

**(a) Form.** Certificated ADSs shall be evidenced by definitive ADRs which shall be engraved, printed, lithographed or produced in such other manner as may be agreed upon by the Company and the Depositary. ADRs may be issued under the Deposit Agreement in denominations of any whole number of ADSs. The ADRs shall be substantially in the form set

forth in Exhibit A to the Deposit Agreement, with any appropriate insertions, modifications and omissions, in each case as otherwise contemplated in the Deposit Agreement or required by law. ADRs shall be (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADSs. No ADR and no Certificated ADS evidenced thereby shall be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company, unless such ADR shall have been so dated, signed, countersigned and registered. ADRs bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly-authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the Delivery of such ADR by the Depositary. The ADRs shall bear a CUSIP number that is different from any CUSIP number that was, is or may be assigned to any depositary receipts previously or subsequently issued pursuant to any other arrangement between the Depositary (or any other depositary) and the Company and which are not ADRs outstanding hereunder.

**(b) Legends.** The ADRs may be endorsed with, or have incorporated in the text thereof, such legends or recitals not inconsistent with the provisions of the Deposit Agreement as may be (i) necessary to enable the Depositary and the Company to perform their respective obligations hereunder, (ii) required to comply with any applicable laws or regulations, or with the rules and regulations of any securities exchange or market upon which ADSs may be traded, listed or quoted, or to conform with any usage with respect thereto, (iii) necessary to indicate any special limitations or restrictions to which any particular ADRs or ADSs are subject by reason of the date of issuance of the Deposited Securities or otherwise, or (iv) required by any book-entry system in which the ADSs are held. Holders and Beneficial Owners shall be deemed, for all purposes, to have notice of, and to be bound by, the terms and conditions of the legends set forth, in the case of Holders, on the ADR registered in the name of the applicable Holders or, in the case of Beneficial Owners, on the ADR representing the ADSs owned by such Beneficial Owners.

**(c) Title.** Subject to the limitations contained herein and in the ADR, title to an ADR (and to each Certificated ADS evidenced thereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, such ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of an ADS (that is, the person in whose name an ADS is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or any ADR to any holder or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

**(d) Book-Entry Systems.** The Depositary shall make arrangements for the acceptance of the ADSs into DTC. All ADSs held through DTC will be registered in the name of the nominee for DTC (currently "Cede & Co."). As such, the nominee for DTC will be the only "Holder" of all ADSs held through DTC. Unless issued by the Depositary as Uncertificated ADSs, the ADSs registered in the name of Cede & Co. will be evidenced by one or more ADR(s) in the form of a "Balance Certificate," which will provide that it represents the aggregate number of ADSs from time to time indicated in the records of the Depositary as being issued hereunder and that the aggregate number of ADSs represented thereby may from time to time be increased or decreased by making adjustments on such records of the Depositary and of DTC or its nominee as hereinafter provided. Citibank, N.A. (or such other entity as is appointed by DTC or its nominee)

may hold the “Balance Certificate” as custodian for DTC. Each Beneficial Owner of ADSs held through DTC must rely upon the procedures of DTC and the DTC Participants to exercise or be entitled to any rights attributable to such ADSs. The DTC Participants shall for all purposes be deemed to have all requisite power and authority to act on behalf of the Beneficial Owners of the ADSs held in the DTC Participants’ respective accounts in DTC and the Depository shall for all purposes be authorized to rely upon any instructions and information given to it by DTC Participants. So long as ADSs are held through DTC or unless otherwise required by law, ownership of beneficial interests in the ADSs registered in the name of the nominee for DTC will be shown on, and transfers of such ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to the interests of DTC Participants), or (ii) DTC Participants or their nominees (with respect to the interests of clients of DTC Participants). Any distributions made, and any notices given, by the Depository to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depository) satisfy the Depository’s obligations under the Deposit Agreement to make such distributions, and give such notices, in respect of the ADSs held in DTC (including, for avoidance of doubt, to the DTC Participants holding the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs).

**Section 2.3 Deposit of Shares.** Subject to the terms and conditions of the Deposit Agreement and applicable law, Shares or evidence of rights to receive Shares (other than Restricted Securities) may be deposited by any person (including the Depository in its individual capacity but subject, however, in the case of the Company or any Affiliate of the Company, to Section 5.7) at any time, whether or not the transfer books of the Company or the Share Registrar, if any, are closed, by Delivery of the Shares to the Custodian. Every deposit of Shares shall be accompanied by the following: (A) (i) *in the case of Shares represented by certificates issued in registered form*, appropriate instruments of transfer or endorsement, in a form satisfactory to the Custodian, (ii) *in the case of Shares represented by certificates in bearer form*, the requisite coupons and talons pertaining thereto, and (iii) *in the case of Shares delivered by book-entry transfer and recordation*, confirmation of such book-entry transfer and recordation in the books of the Share Registrar or of the applicable book-entry settlement entity, as applicable, to the Custodian or that irrevocable instructions have been given to cause such Shares to be so transferred and recorded, (B) such certifications and payments (including, without limitation, the Depository’s fees and related charges) and evidence of such payments (including, without limitation, stamping or otherwise marking such Shares by way of receipt) as may be required by the Depository or the Custodian in accordance with the provisions of the Deposit Agreement and applicable law, (C) if the Depository so requires, a written order directing the Depository to issue and deliver to, or upon the written order of, the person(s) stated in such order the number of ADSs representing the Shares so deposited, (D) evidence reasonably satisfactory to the Depository (which may be an opinion of counsel) that all necessary approvals have been granted by, or there has been compliance with the rules and regulations of, any applicable governmental agency in Switzerland, and (E) if the Depository so requires, (i) an agreement, assignment or instrument satisfactory to the Depository or the Custodian which provides for the prompt transfer by any person in whose name the Shares are or have been recorded to the Custodian of any distribution, or right to subscribe for additional Shares or to receive other property in respect of any such deposited Shares or, in lieu thereof, such indemnity or other agreement as shall be satisfactory to the Depository or the Custodian and (ii) if the Shares are registered in the name of the person on whose behalf they are presented for deposit, a proxy or proxies entitling the Custodian to exercise voting rights in respect of the Shares for any and all purposes until the Shares so deposited are registered in the name of the Depository, the Custodian or any nominee.

Without limiting any other provision of the Deposit Agreement, the Depository shall instruct the Custodian not to, and the Depository shall not knowingly, accept for deposit (a) any Restricted Securities (except as contemplated by Section 2.14) nor (b) any fractional Shares or fractional Deposited Securities nor (c) a number of Shares or Deposited Securities which upon application of the ADS to Shares ratio would give rise to fractional ADSs. No Shares shall be

accepted for deposit unless accompanied by evidence, if any is required by the Depositary, that is reasonably satisfactory to the Depositary or the Custodian that all conditions to such deposit have been satisfied by the person depositing such Shares under the laws and regulations of Switzerland and any necessary approval has been granted by any applicable governmental body in Switzerland, if any. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares furnished by the Company or any such custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares.

Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement (A) any Shares or other securities required to be registered under the provisions of the Securities Act, unless (i) a registration statement is in effect as to such Shares or other securities or (ii) the deposit is made upon terms contemplated in Section 2.14, or (B) any Shares or other securities the deposit of which would violate any provisions of the Articles of Incorporation of the Company or the laws and regulations of Switzerland. For purposes of the foregoing sentence, the Depositary shall be entitled to rely upon representations and warranties made or deemed made pursuant to the Deposit Agreement and shall not be required to make any further investigation. The Depositary will comply with written instructions of the Company (received by the Depositary reasonably in advance) not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws of the United States.

**Section 2.4 Registration and Safekeeping of Deposited Securities.** The Depositary shall instruct the Custodian upon each Delivery of registered Shares being deposited hereunder with the Custodian (or other Deposited Securities pursuant to Article IV hereof), together with the other documents above specified, to present such Shares, together with the appropriate instrument(s) of transfer or endorsement, duly stamped, to the Share Registrar for transfer and registration of the Shares (as soon as transfer and registration can be accomplished and at the expense of the person for whom the deposit is made) in the name of the Depositary, the Custodian or a nominee of either. Deposited Securities shall be held by the Depositary, or by a Custodian for the account and to the order of the Depositary or a nominee of the Depositary, in each case, on behalf of the Holders and Beneficial Owners, at such place(s) as the Depositary or the Custodian shall determine. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s), or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the registration of the Deposited Securities in the name of the Depositary, the Custodian or any of their respective nominees, shall, to the maximum extent permitted by applicable law, vest in the Depositary, the Custodian or the applicable nominee the record ownership in the applicable Deposited Securities with the beneficial ownership rights and interests in such Deposited Securities being at all times vested with the Beneficial Owners of the ADSs representing the Deposited Securities. Notwithstanding the foregoing, the Depositary, the Custodian and the applicable nominee shall at all times be entitled to exercise the beneficial ownership rights in all Deposited Property, in each case only on behalf of the Holders and Beneficial Owners of the ADSs representing the Deposited Property, upon the terms set forth in the Deposit Agreement and, if applicable, the ADR(s) representing the ADSs. The Depositary, the Custodian and their respective nominees shall for all purposes be deemed to have all requisite power and authority to act in respect of Deposited Property on behalf of the Holders and Beneficial Owners of ADSs representing the Deposited Property, and upon making payments to, or acting upon instructions from, or information provided by, the Depositary, the Custodian or their respective nominees all persons shall be authorized to rely upon such power and authority.



**Section 2.5 Issuance of ADSs.** The Depositary has made arrangements with the Custodian for the Custodian to confirm to the Depositary upon receipt of a deposit of Shares (i) that a deposit of Shares has been made pursuant to Section 2.3, (ii) that such Deposited Securities have been recorded in the name of the Depositary, the Custodian or a nominee of either on the shareholders' register maintained by or on behalf of the Company by the Share Registrar or on the books of the applicable book-entry settlement entity, (iii) that all required documents have been received, and (iv) the person(s) to whom or upon whose order ADSs are deliverable in respect thereof and the number of ADSs to be so delivered. Such notification may be made by letter, cable, telex, SWIFT message or, at the risk and expense of the person making the deposit, by facsimile or other means of electronic transmission. Upon receiving such notice from the Custodian, the Depositary, subject to the terms and conditions of the Deposit Agreement and applicable law, shall issue the ADSs representing the Shares so deposited to or upon the order of the person(s) named in the notice delivered to the Depositary and, if applicable, shall execute and deliver at its Principal Office Receipt(s) registered in the name(s) requested by such person(s) and evidencing the aggregate number of ADSs to which such person(s) is/are entitled, but, in each case, only upon payment to the Depositary of the charges of the Depositary for accepting a deposit of Shares and issuing ADSs (as set forth in Section 5.9 and Exhibit B hereto) and all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Shares and the issuance of the ADS(s). The Depositary shall only issue ADSs in whole numbers and deliver, if applicable, ADR(s) evidencing whole numbers of ADSs.

**Section 2.6 Transfer, Combination and Split-up of ADRs.**

**(a) Transfer.** The Registrar shall register the transfer of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall (x) cancel such ADRs and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by the ADRs canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) the surrendered ADRs have been properly endorsed or are accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) the surrendered ADRs have been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.*

**(b) Combination & Split-Up.** The Registrar shall register the split-up or combination of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall (x) cancel such ADRs and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by the ADRs canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination thereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.*

**Section 2.7 Surrender of ADSs and Withdrawal of Deposited Securities.** The Holder of ADSs shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depository at its Principal Office (and if applicable, the ADRs evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depository, the ADRs Delivered to the Depository for such purpose have been properly endorsed in blank or are accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depository, the Holder of the ADSs has executed and delivered to the Depository a written order directing the Depository to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depository and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B) have been paid, *subject, however, in each case*, to the terms and conditions of the ADRs evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Incorporation and of any applicable laws and the rules of the applicable book-entry settlement entity, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depository (i) shall cancel the ADSs Delivered to it (and, if applicable, the ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depository for such purpose, *subject however, in each case*, to the terms and conditions of the Deposit Agreement, of the ADRs evidencing the ADSs so canceled, of the Articles of Incorporation of the Company, of any applicable laws and of the rules of the applicable book-entry settlement entity, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depository shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depository shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depository, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depository and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in any ADR or the Deposit Agreement, the Depository may make delivery at the Principal Office of the Depository of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depository in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs, and for the account of such Holder, the Depository shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depository for delivery at the Principal Office of the Depository. Such direction

shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

**Section 2.8 Limitations on Execution and Delivery, Transfer, etc. of ADSs; Suspension of Delivery, Transfer, etc.**

**(a) Additional Requirements.** As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of an ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 and Exhibit B, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of ADRs or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of the representative ADR, if applicable, the Deposit Agreement and applicable law.

**(b) Additional Limitations.** The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfers of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or the representative ADR(s), if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases, to Section 7.8(a).

**(c) Regulatory Restrictions.** Notwithstanding any provision of the Deposit Agreement or any ADR(s) to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated herewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(1) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

**Section 2.9 Lost ADRs, etc.** In case any ADR shall be mutilated, destroyed, lost, or stolen, the Depositary shall execute and deliver a new ADR of like tenor at the expense of the Holder (a) *in the case of a mutilated ADR*, in exchange of and substitution for such mutilated ADR upon cancellation thereof, or (b) *in the case of a destroyed, lost or stolen ADR*, in lieu of and in substitution for such destroyed, lost, or stolen ADR, after the Holder thereof (i) has submitted to the Depositary a written request for such exchange and substitution before the Depositary has notice that the ADR has been acquired by a bona fide purchaser, (ii) has provided such security or indemnity (including an indemnity bond) as may be required by the Depositary to save it and any of its agents harmless, and (iii) has satisfied any other reasonable requirements imposed by the Depositary, including, without limitation, evidence satisfactory to the Depositary

of such destruction, loss or theft of such ADR, the authenticity thereof and the Holder's ownership thereof.

**Section 2.10 Cancellation and Destruction of Surrendered ADRs; Maintenance of Records.** All ADRs surrendered to the Depository shall be canceled by the Depository. Canceled ADRs shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable against the Depository for any purpose. The Depository is authorized to destroy ADRs so canceled, provided the Depository maintains a record of all destroyed ADRs. Any ADSs held in book-entry form (*e.g.*, through accounts at DTC) shall be deemed canceled when the Depository causes the number of ADSs evidenced by the Balance Certificate to be reduced by the number of ADSs surrendered (without the need to physically destroy the Balance Certificate).

**Section 2.11 Escheatment.** In the event any unclaimed property relating to the ADSs, for any reason, is in the possession of Depository and has not been claimed by the Holder thereof or cannot be delivered to the Holder thereof through usual channels, the Depository shall, upon expiration of any applicable statutory period relating to abandoned property laws, escheat such unclaimed property to the relevant authorities in accordance with the laws of each of the relevant States of the United States.

**Section 2.12 Partial Entitlement ADSs.** In the event any Shares are deposited which (i) entitle the holders thereof to receive a per-share distribution or other entitlement in an amount different from the Shares then on deposit or (ii) are not fully fungible (including, without limitation, as to settlement or trading) with the Shares then on deposit (the Shares then on deposit collectively, "Full Entitlement Shares" and the Shares with different entitlement, "Partial Entitlement Shares"), the Depository shall (i) cause the Custodian to hold Partial Entitlement Shares separate and distinct from Full Entitlement Shares, and (ii) subject to the terms of the Deposit Agreement, issue ADSs representing Partial Entitlement Shares which are separate and distinct from the ADSs representing Full Entitlement Shares, by means of separate CUSIP numbering and legending (if necessary) and, if applicable, by issuing ADRs evidencing such ADSs with applicable notations thereon ("Partial Entitlement ADSs/ADRs" and "Full Entitlement ADSs/ADRs", respectively). If and when Partial Entitlement Shares become Full Entitlement Shares, the Depository shall (a) give notice thereof to Holders of Partial Entitlement ADSs and give Holders of Partial Entitlement ADRs the opportunity to exchange such Partial Entitlement ADRs for Full Entitlement ADRs, (b) cause the Custodian to transfer the Partial Entitlement Shares into the account of the Full Entitlement Shares, and (c) take such actions as are necessary to remove the distinctions between (i) the Partial Entitlement ADRs and ADSs, on the one hand, and (ii) the Full Entitlement ADRs and ADSs on the other. Holders and Beneficial Owners of Partial Entitlement ADSs shall only be entitled to the entitlements of Partial Entitlement Shares. Holders and Beneficial Owners of Full Entitlement ADSs shall be entitled only to the entitlements of Full Entitlement Shares. All provisions and conditions of the Deposit Agreement shall apply to Partial Entitlement ADRs and ADSs to the same extent as Full Entitlement ADRs and ADSs, except as contemplated by this Section 2.12. The Depository is authorized to take any and all other actions as may be necessary (including, without limitation, making the necessary notations on ADRs) to give effect to the terms of this Section 2.12. The Company agrees to give timely written notice to the Depository if any Shares issued or to be issued are Partial Entitlement Shares and shall assist the Depository with the establishment of procedures enabling the identification of Partial Entitlement Shares upon Delivery to the Custodian.

**Section 2.13 Certificated/Uncertificated ADSs.** Notwithstanding any other provision of the Deposit Agreement, the Depository may, at any time and from time to time, issue ADSs that are not evidenced by ADRs (such ADSs, the "Uncertificated ADS(s)" and the ADS(s) evidenced by ADR(s), the "Certificated ADS(s)"). When issuing and maintaining Uncertificated ADS(s) under the Deposit Agreement, the Depository shall at all times be subject to (i) the standards

applicable to registrars and transfer agents maintaining direct registration systems for equity securities in New York and issuing uncertificated securities under New York law, and (ii) the terms of New York law applicable to uncertificated equity securities. Uncertificated ADSs shall not be represented by any instruments but shall be evidenced by registration in the books of the Depository maintained for such purpose. Holders of Uncertificated ADSs, that are not subject to any registered pledges, liens, restrictions or adverse claims of which the Depository has notice at such time, shall at all times have the right to exchange the Uncertificated ADS(s) for Certificated ADS(s) of the same type and class, subject in each case to (x) applicable laws and any rules and regulations the Depository may have established in respect of the Uncertificated ADSs, and (y) the continued availability of Certificated ADSs in the U.S. Holders of Certificated ADSs shall, if the Depository maintains a direct registration system for the ADSs, have the right to exchange the Certificated ADSs for Uncertificated ADSs upon (i) the due surrender of the Certificated ADS(s) to the Depository for such purpose and (ii) the presentation of a written request to that effect to the Depository, subject in each case to (a) all liens and restrictions noted on the ADR evidencing the Certificated ADS(s) and all adverse claims of which the Depository then has notice, (b) the terms of the Deposit Agreement and the rules and regulations that the Depository may establish for such purposes hereunder, (c) applicable law, and (d) payment of the Depository fees and expenses applicable to such exchange of Certificated ADS(s) for Uncertificated ADS(s). Uncertificated ADSs shall in all material respects be identical to Certificated ADS(s) of the same type and class, except that (i) no ADR(s) shall be, or shall need to be, issued to evidence Uncertificated ADS(s), (ii) Uncertificated ADS(s) shall, subject to the terms of the Deposit Agreement, be transferable upon the same terms and conditions as uncertificated securities under New York law, (iii) the ownership of Uncertificated ADS(s) shall be recorded on the books of the Depository maintained for such purpose and evidence of such ownership shall be reflected in periodic statements provided by the Depository to the Holder(s) in accordance with applicable New York law, (iv) the Depository may from time to time, upon notice to the Holders of Uncertificated ADSs affected thereby, establish rules and regulations, and amend or supplement existing rules and regulations, as may be deemed reasonably necessary to maintain Uncertificated ADS(s) on behalf of Holders, provided that (a) such rules and regulations do not conflict with the terms of the Deposit Agreement and applicable law, and (b) the terms of such rules and regulations are readily available to Holders upon request, (v) the Uncertificated ADS(s) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depository or the Company unless such Uncertificated ADS(s) is/are registered on the books of the Depository maintained for such purpose, (vi) the Depository may, in connection with any deposit of Shares resulting in the issuance of Uncertificated ADSs and with any transfer, pledge, release and cancellation of Uncertificated ADSs, require the prior receipt of such documentation as the Depository may deem reasonably appropriate, and (vii) upon termination of the Deposit Agreement, the Depository shall not require Holders of Uncertificated ADSs to affirmatively instruct the Depository before remitting proceeds from the sale of the Deposited Property represented by such Holders' Uncertificated ADSs under the terms of Section 6.2. When issuing ADSs under the terms of the Deposit Agreement, including, without limitation, issuances pursuant to Sections 2.5, 4.2, 4.3, 4.4, 4.5 and 4.11, the Depository may in its discretion determine to issue Uncertificated ADSs rather than Certificated ADSs, unless otherwise specifically instructed by the applicable Holder to issue Certificated ADSs. All provisions and conditions of the Deposit Agreement shall apply to Uncertificated ADSs to the same extent as to Certificated ADSs, except as contemplated by this Section 2.13. The Depository is authorized and directed to take any and all actions and establish any and all procedures deemed reasonably necessary to give effect to the terms of this Section 2.13. Any references in the Deposit Agreement or any ADR(s) to the terms "American Depositary Share(s)" or "ADS(s)" shall, unless the context otherwise requires, include Certificated ADS(s) and Uncertificated ADS(s). Except as set forth in this Section 2.13 and except as required by applicable law, the Uncertificated ADSs shall be treated as ADSs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations of parties hereto with respect to any Uncertificated ADSs, any conflict arises between (a) the

terms of the Deposit Agreement (other than this Section 2.13) and (b) the terms of this Section 2.13, the terms and conditions set forth in this Section 2.13 shall be controlling and shall govern the rights and obligations of the parties to the Deposit Agreement pertaining to the Uncertificated ADSs.

**Section 2.14 Restricted ADSs.** The Depositary shall, at the request and expense of the Company, establish procedures enabling the deposit hereunder of Shares that are Restricted Securities in order to enable the holder of such Shares to hold its ownership interests in such Restricted Securities in the form of ADSs issued under the terms hereof (such Shares, “Restricted Shares”). Upon receipt of a written request from the Company to accept Restricted Shares for deposit hereunder, the Depositary agrees to establish procedures permitting the deposit of such Restricted Shares and the issuance of ADSs representing the right to receive, subject to the terms of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), such deposited Restricted Shares (such ADSs, the “Restricted ADSs,” and the ADRs evidencing such Restricted ADSs, the “Restricted ADRs”). Notwithstanding anything contained in this Section 2.14, the Depositary and the Company may, to the extent not prohibited by law, agree to issue the Restricted ADSs in uncertificated form (“Uncertificated Restricted ADSs”) upon such terms and conditions as the Company and the Depositary may deem necessary and appropriate. The Company shall assist the Depositary in the establishment of such procedures and agrees that it shall take all steps necessary and satisfactory to the Depositary to ensure that the establishment of such procedures does not violate the provisions of the Securities Act or any other applicable laws. The depositors of such Restricted Shares and the Holders of the Restricted ADSs may be required prior to the deposit of such Restricted Shares, the transfer of the Restricted ADRs and Restricted ADSs or the withdrawal of the Restricted Shares represented by Restricted ADSs to provide such written certifications or agreements as the Depositary or the Company may require. The Company shall provide to the Depositary in writing the legend(s) to be affixed to the Restricted ADRs (if the Restricted ADSs are to be issued as Certificated ADSs), or to be included in the statements issued from time to time to Holders of Uncertificated ADSs (if issued as Uncertificated Restricted ADSs), which legends shall (i) be in a form reasonably satisfactory to the Depositary and (ii) contain the specific circumstances under which the Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, may be transferred or the Restricted Shares withdrawn. The Restricted ADSs issued upon the deposit of Restricted Shares shall be separately identified on the books of the Depositary and the Restricted Shares so deposited shall, to the extent required by law, be held separate and distinct from the other Deposited Securities held hereunder. The Restricted ADSs shall not be eligible for inclusion in any book-entry settlement system, including, without limitation, DTC (unless (x) otherwise agreed by the Company and the Depositary, (y) the inclusion of Restricted ADSs is acceptable to the applicable clearing system, and (z) the terms of such inclusion are generally accepted by the Commission for Restricted Securities of that type), and shall not in any way be fungible with the ADSs issued under the terms hereof that are not Restricted ADSs. The Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, shall be transferable only by the Holder thereof upon delivery to the Depositary of (i) all documentation otherwise contemplated by the Deposit Agreement and (ii) an opinion of counsel reasonably satisfactory to the Depositary setting forth, *inter alia*, the conditions upon which the Restricted ADSs presented, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, are transferable by the Holder thereof under applicable securities laws and the transfer restrictions contained in the legend applicable to the Restricted ADSs presented for transfer. Except as set forth in this Section 2.14 and except as required by applicable law, the Restricted ADSs and the Restricted ADRs evidencing Restricted ADSs shall be treated as ADSs and ADRs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations of parties hereto with respect to any Restricted ADSs, any conflict arises between (a) the terms of the Deposit Agreement (other than this Section 2.14) and (b) the terms of (i) this Section 2.14 or (ii) the applicable Restricted ADR, the terms and conditions set forth in this Section 2.14 and of the Restricted ADR shall be controlling and shall govern the rights and

obligations of the parties to the Deposit Agreement pertaining to the deposited Restricted Shares, the Restricted ADSs and Restricted ADRs.

If the Restricted ADRs, the Restricted ADSs and the Restricted Shares cease to be Restricted Securities, the Depositary, upon receipt of (x) an opinion of counsel reasonably satisfactory to the Depositary setting forth, *inter alia*, that the Restricted ADRs, the Restricted ADSs and the Restricted Shares are not as of such time Restricted Securities, and (y) instructions from the Company to remove the restrictions applicable to the Restricted ADRs, the Restricted ADSs and the Restricted Shares, shall (i) eliminate the distinctions and separations that may have been established between the applicable Restricted Shares held on deposit under this Section 2.14 and the other Shares held on deposit under the terms of the Deposit Agreement that are not Restricted Shares, (ii) treat the newly unrestricted ADRs and ADSs on the same terms as, and fully fungible with, the other ADRs and ADSs issued and outstanding under the terms of the Deposit Agreement that are not Restricted ADRs or Restricted ADSs, and (iii) take all actions necessary to remove any distinctions, limitations and restrictions previously existing under this Section 2.14 between the applicable Restricted ADRs and Restricted ADSs, respectively, on the one hand, and the other ADRs and ADSs that are not Restricted ADRs or Restricted ADSs, respectively, on the other hand, including, without limitation, by making the newly-unrestricted ADSs eligible for inclusion in the applicable book-entry settlement systems.

### ARTICLE III

#### CERTAIN OBLIGATIONS OF HOLDERS AND BENEFICIAL OWNERS OF ADSs

**Section 3.1 Proofs, Certificates and Other Information.** Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or the ADR(s) evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and the applicable ADR(s). The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by the terms of Section 7.8(a), the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

**Section 3.2 Liability for Taxes and Other Charges.** Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or ADRs shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and ADRs, the Holder and the Beneficial Owner remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to Section 7.8(a)) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from (i) any ADSs held by such Holder and/or owned by such Beneficial Owner, (ii) the Deposited Property represented by the ADSs, and (iii) any transaction entered into by such Holder and/or Beneficial Owner in respect of the ADSs and/or the Deposited Property represented thereby. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, the obligations of Holders and Beneficial Owners under this Section 3.2 shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

**Section 3.3 Representations and Warranties on Deposit of Shares.** Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14), (vi) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vii) the deposit of the Shares does not violate any applicable provisions of the laws of Switzerland. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

**Section 3.4 Compliance with Information Requests.** Notwithstanding any provision included or incorporated by reference in the Deposit Agreement or any ADR(s) to any other effect, each Holder and Beneficial Owner agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of any stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed or the Articles of Incorporation of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and Shares as the case may be) and regarding the identity of any other person(s) interested in such ADSs and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.



**Section 3.5 Ownership Restrictions.** Notwithstanding any provision included or incorporated by reference in the Deposit Agreement or any ADR(s) to any other effect, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described in this Section 3.5.

**Section 3.6 Reporting Obligations and Regulatory Approvals.** Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

## ARTICLE IV

### THE DEPOSITED SECURITIES

**Section 4.1 Cash Distributions.** Whenever the Company intends to make a distribution of a cash dividend or other cash distribution in respect of any Deposited Securities, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable for determining the holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon confirmation of the receipt of (x) any cash dividend or other cash distribution in respect of any Deposited Property (whether from the Company or otherwise), or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms hereof, the Depositary will (i) if any amounts are received in a Foreign Currency, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (subject to the terms and conditions of Section 4.8), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges set forth in the Fee Schedule attached hereto as Exhibit B, and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold

and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.1, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.1, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.1 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.2 Distribution in Shares.** Whenever the Company intends to make a distribution that consists of a dividend in, or free distribution of, Shares, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution, specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice from the Company, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1. In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligation under Section 5.7, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.2, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.2,

and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.2 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.3 Elective Distributions in Cash or Shares.** Whenever the Company intends to make a distribution payable at the election of the holders of Deposited Securities in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such elective distribution and whether or not it wishes such elective distribution to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7. If the above conditions are not satisfied or if the Company requests such elective distribution not to be made available to Holders of ADSs, the Depositary shall establish the ADS Record Date on the terms described in Section 4.9 and, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in Switzerland in respect of the Shares for which no election is made, either (X) cash upon the terms described in Section 4.1 or (Y) additional ADSs representing such additional Shares upon the terms described in Section 4.2. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date on the terms described in Section 4.9 and establish procedures to enable Holders to elect the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed distribution (X) in cash, the distribution shall be made upon the terms described in Section 4.1, or (Y) in ADSs, the distribution shall be made upon the terms described in Section 4.2. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.3, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.3, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.3 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.4 Distribution of Rights to Purchase Additional ADSs.**

**(a) Distribution to ADS Holders.** Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution and whether or not it wishes such rights to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such rights to be made available to Holders of ADSs, the Depositary shall consult with the Company

to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) below. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs).

**(b) Sale of Rights.** If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7, or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Section 4.1.

**(c) Lapse of Rights.** If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) or to arrange for the sale of the rights upon the terms described in Section 4.4(b), the Depositary shall allow such rights to lapse.

The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in this Section 4.4, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws.

In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders

of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

#### **Section 4.5 Distributions Other Than Cash, Shares or Rights to Purchase Shares.**

**(a)** Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give timely notice thereof to the Depositary and shall indicate whether or not it wishes such distribution to be made to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such distribution to be made to Holders of ADSs, the Depositary shall consult with the Company, and the Company shall assist the Depositary, to determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

**(b)** Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders of ADSs and after making the requisite determinations set forth in (a) above, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

**(c)** If (i) the Company does not request the Depositary to make such distribution to Holders or requests the Depositary not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms of Section 4.1. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

**(d)** Neither the Depositary nor the Company shall be liable for (i) any failure to accurately determine whether it is lawful or practicable to make the property described in this

Section 4.5 available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

**Section 4.6 Distributions with Respect to Deposited Securities in Bearer Form.** Subject to the terms of this Article IV, distributions in respect of Deposited Securities that are held by the Depositary or the Custodian in bearer form shall be made to the Depositary for the account of the respective Holders of ADS(s) with respect to which any such distribution is made upon due presentation by the Depositary or the Custodian to the Company of any relevant coupons, talons, or certificates. The Company shall promptly notify the Depositary of such distributions. The Depositary or the Custodian shall promptly present such coupons, talons or certificates, as the case may be, in connection with any such distribution.

**Section 4.7 Redemption.** If the Company intends to exercise any right of redemption in respect of any of the Deposited Securities, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the intended date of redemption which notice shall set forth the particulars of the proposed redemption. Upon timely receipt of (i) such notice and (ii) satisfactory documentation given by the Company to the Depositary within the terms of Section 5.7, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in this Section 4.7, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.7, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.7 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.8 Conversion of Foreign Currency.** Whenever the Depositary or the Custodian shall receive Foreign Currency, by way of dividends or other distributions or the net proceeds from the sale of Deposited Property, which in the judgment of the Depositary can at such time be converted on a practicable basis, by sale or in any other manner that it may determine in accordance with applicable law, into Dollars transferable to the United States and distributable to the Holders entitled thereto, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may reasonably determine, such Foreign Currency into Dollars, and shall distribute such Dollars (net of the fees and charges set forth in the Fee Schedule attached hereto as Exhibit B, and applicable taxes withheld) in accordance with the terms of the applicable sections of the Deposit Agreement. The Depositary and/or its agent

(which may be a division, branch or Affiliate of the Depositary) may act as principal for any conversion of Foreign Currency. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise.

If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have authority to file such application for approval or license, if any, as it may deem desirable. In no event, however, shall the Depositary be obligated to make such a filing.

If at any time the Depositary shall determine that in its judgment the conversion of any Foreign Currency and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer and distribution is denied or, in the opinion of the Depositary, not obtainable at a reasonable cost or within a reasonable period, the Depositary may, in its discretion, (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, or (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

**Section 4.9 Fixing of ADS Record Date.** Whenever (a) the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights, or other distribution), (b) for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, (c) the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or (d) the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the “ADS Record Date”) for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in Switzerland and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law and the provisions of Section 4.1 through 4.8 and to the other terms and conditions of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

**Section 4.10 Voting of Deposited Securities.** As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such meeting or consent or proxy solicitation), at the Company’s expense and provided no U.S. legal

prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given.

Notwithstanding anything contained in the Deposit Agreement or any ADR, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (*e.g.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, Articles of Incorporation of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs in accordance with such voting instructions.

Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted. Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to take all steps necessary to enable the independent proxy holder, as elected by the shareholders of the Company, to vote in accordance with the written proposals or recommendations of the Company's Board of Directors.

Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or any ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the law of Switzerland to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions reasonably requested to be taken if so requested by the Depositary.



There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depository, or otherwise take action, in a timely manner.

**Section 4.11 Changes Affecting Deposited Securities.** Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depository or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and the ADSs shall, subject to the provisions of the Deposit Agreement, any ADR(s) evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities,

recapitalization, reorganization, merger, consolidation or sale of assets, the Depository may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depository, and (b) applicable taxes) and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depository that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depository, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADRs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depository may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel reasonably satisfactory to the Depository that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depository and (b) applicable taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1. The Depository shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such Deposited Property.

**Section 4.12 Available Information.** The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website ([www.sec.gov](http://www.sec.gov)) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549.

**Section 4.13 Reports.** The Depository shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depository, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depository shall also

provide or make available to Holders copies of such reports when furnished by the Company pursuant to Section 5.6.

**Section 4.14 List of Holders.** Promptly upon written request by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of ADSs of all Holders.

**Section 4.15 Taxation.** The Depositary will, and will instruct the Custodian to, forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file the necessary tax reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Property under applicable tax treaties or laws for the Holders and Beneficial Owners. In accordance with instructions from the Company and to the extent practicable, the Depositary or the Custodian will take reasonable administrative actions to obtain tax refunds, reduced withholding of tax at source on dividends and other benefits under applicable tax treaties or laws with respect to dividends and other distributions on the Deposited Property. As a condition to receiving such benefits, Holders and Beneficial Owners of ADSs may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law. The Depositary and the Company shall have no obligation or liability to any person if any Holder or Beneficial Owner fails to provide such information or if such information does not reach the relevant tax authorities in time for any Holder or Beneficial Owner to obtain the benefits of any tax treatment. The Holders and Beneficial Owners shall indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

If the Company (or any of its agents) withholds from any distribution any amount on account of taxes or governmental charges, or pays any other tax in respect of such distribution (*e.g.*, stamp duty tax, capital gains or other similar tax), the Company shall (or shall cause such agent to) remit promptly to the Depositary information about such taxes or governmental charges withheld or paid, and, if so requested, the tax receipt (or other proof of payment to the applicable governmental authority) therefor, in each case, in a form reasonably satisfactory to the Depositary. The Depositary shall, to the extent required by U.S. law, report to Holders any taxes withheld by it or the Custodian, and, if such information is provided to it by the Company, any taxes withheld by the Company. The Depositary and the Custodian shall not be required to provide the Holders with any evidence of the remittance by the Company (or its agents) of any taxes withheld, or of the payment of taxes by the Company, except to the extent the evidence is provided by the Company to the Depositary or the Custodian, as applicable. Neither the Depositary nor the Custodian shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability.

The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the ADSs, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Passive Foreign Investment Company" (in each case as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.

## ARTICLE V

### THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

**Section 5.1 Maintenance of Office and Transfer Books by the Registrar.** Until termination of the Deposit Agreement in accordance with its terms, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the issuance and delivery of ADSs, the acceptance for surrender of ADS(s) for the purpose of withdrawal of Deposited Securities, the registration of issuances, cancellations, transfers, combinations and split-ups of ADS(s) and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in each case in accordance with the provisions of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to Section 7.8(a).

If any ADSs are listed on one or more stock exchanges or automated quotation systems in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registration of issuances, cancellations, transfers, combinations and split-ups of ADSs and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in accordance with any requirements of such exchanges or systems. Such Registrar or co-registrars may be removed and a substitute or substitutes appointed by the Depositary. As promptly as practicable, the Depositary shall notify the Company of any such removal or appointment.

**Section 5.2 Exoneration.** Notwithstanding anything contained in the Deposit Agreement or any ADR, neither the Depositary nor the Company shall be obligated to do or perform any act or thing which is inconsistent with the provisions of the Deposit Agreement or incur any liability (to the extent not limited by Section 7.8(b)) (i) if the Depositary, the Custodian, the Company or their respective agents shall be prevented or forbidden from, hindered or delayed in, doing or performing any act or thing required or contemplated by the terms of the Deposit Agreement, by reason of any provision of any present or future law or regulation of the United States, Switzerland or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Incorporation of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or other event or circumstance beyond its control (including, without limitation, fire, flood, earthquake, tornado, hurricane, tsunami, explosion, or other natural disaster, nationalization, expropriation, currency restriction, work stoppage, strikes, civil unrest, act of war (whether declared or not) or terrorism, revolution, rebellion, embargo, computer failure, failure of public infrastructure (including communication or utility failure), failure of common carriers, nuclear, cyber or biochemical incident, any pandemic, epidemic or other prevalent disease or illness with an actual or probable threat to human life, any quarantine order or travel restriction imposed by a governmental authority or other competent public health authority, or the failure or unavailability of the United States Federal Reserve Bank (or other central banking system) or DTC (or other clearing system)), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Incorporation of the Company or provisions of

or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, (v) for any action or inaction of any clearing or settlement system (and any participant thereof) for the Deposited Property or the ADSs, or (vi) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement.

The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

**Section 5.3 Standard of Care.** The Company and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreement or any ADRs to any Holder(s) or Beneficial Owner(s), except that the Company and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreement or the applicable ADRs without negligence or bad faith.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with

any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

**Section 5.4 Resignation and Removal of the Depositary; Appointment of Successor Depositary.** The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its commercially reasonable efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9). The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall, (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9), (ii) duly assign, transfer and deliver all of the Depositary's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders.

Any entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

**Section 5.5 The Custodian.** The Depositary has initially appointed Citibank N.A. London Branch as Custodian for the purpose of the Deposit Agreement. The Custodian or its successors in acting hereunder shall be authorized to act as custodian in Switzerland and shall be subject at all times and in all respects to the direction of the Depositary for the Deposited Property for which the Custodian acts as custodian and shall be responsible solely to it. If any Custodian resigns or is discharged from its duties hereunder with respect to any Deposited Property and no other Custodian has previously been appointed hereunder, the Depositary shall promptly appoint a substitute custodian. The Depositary shall require such resigning or discharged Custodian to Deliver, or cause the Delivery of, the Deposited Property held by it, together with all such records maintained by it as Custodian with respect to such Deposited Property as the Depositary may request, to the Custodian designated by the Depositary. Whenever the Depositary determines, in its discretion, that it is appropriate to do so, it may appoint an additional custodian with respect to any Deposited Property, or discharge the Custodian with respect to any Deposited Property and appoint a substitute custodian, which shall thereafter be Custodian hereunder with respect to the Deposited Property. Immediately upon any such change, the Depositary shall give notice thereof in writing to all Holders of ADSs, each other Custodian and the Company.

Citibank may at any time act as Custodian of the Deposited Property pursuant to the Deposit Agreement, in which case any reference to Custodian shall mean Citibank solely in its capacity as Custodian pursuant to the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement or any ADR to the contrary, the Depositary shall not be obligated to give notice to the Company, any Holders of ADSs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreement.

Upon the appointment of any successor depositary, any Custodian then acting hereunder shall, unless otherwise instructed by the Depositary, continue to be the Custodian of the Deposited Property without any further act or writing, and shall be subject to the direction of the successor depositary. The successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority to act on the direction of such successor depositary.

**Section 5.6 Notices and Reports.** On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of Deposited Securities, the Company shall transmit to the Depositary and the Custodian a copy of the notice thereof in the English language but otherwise in the form given or to be given to holders of Shares or other Deposited Securities. The Company shall also furnish to the Custodian and the Depositary a summary, in English, of any applicable provisions or proposed provisions of the Articles of Incorporation of the Company that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The Company will also transmit to the Depositary (a) an English language version of the other notices, reports and communications which are made generally available by the Company to holders of its Shares or other Deposited Securities and (b) the English-language versions of the Company's annual and semi-annual reports prepared in accordance with the applicable requirements of the Commission to the extent such notices, reports and communications are not available on the Company's website or are not otherwise publicly available. The Depositary shall arrange, at the request of the Company and at the Company's expense, to provide copies thereof to all Holders or make such notices, reports and other communications available to all Holders on a basis similar to that for holders of Shares or other Deposited Securities or on such other basis as the Company may advise the Depositary or as may be required by any applicable law, regulation or stock exchange requirement. The Company has made available to the Depositary and the Custodian a copy of the Company's Articles of Incorporation along with the provisions of or governing the Shares and any other Deposited Securities issued by the Company in connection with such Shares, and promptly upon any amendment thereto or change therein, the Company shall deliver to the Depositary and the Custodian a copy of such amendment thereto or change therein. The Depositary may rely upon such copy for all purposes of the Deposit Agreement.

The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders of the ADSs at the Depositary's Principal Office, at the office of the Custodian and at any other designated transfer office.

**Section 5.7 Issuance of Additional Shares, ADSs etc.** The Company agrees that in the event it or any of its Affiliates proposes (i) an issuance, sale or distribution of additional Shares, (ii) an offering of rights to subscribe for Shares or other Deposited Securities, (iii) an issuance or assumption of securities convertible into or exchangeable for Shares, (iv) an issuance of rights to subscribe for securities convertible into or exchangeable for Shares, (v) an elective dividend of cash or Shares, (vi) a redemption of Deposited Securities, (vii) a meeting of holders of Deposited

Securities, or solicitation of consents or proxies, relating to any reclassification of securities, merger or consolidation or transfer of assets, (viii) any assumption, reclassification, recapitalization, reorganization, merger, consolidation or sale of assets which affects the Deposited Securities, or (ix) a distribution of securities other than Shares, it will obtain U.S. legal advice and take all steps necessary to ensure that the application of the proposed transaction to Holders and Beneficial Owners does not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.). In support of the foregoing, the Company will furnish to the Depositary (a) a written opinion of U.S. counsel (reasonably satisfactory to the Depositary) stating whether such transaction (1) requires a registration statement under the Securities Act to be in effect or (2) is exempt from the registration requirements of the Securities Act and (b) an opinion of Swiss counsel stating that (1) making the transaction available to Holders and Beneficial Owners does not violate the laws or regulations of Switzerland and (2) all requisite regulatory consents and approvals have been obtained in Switzerland. If the filing of a registration statement is required, the Depositary shall not have any obligation to proceed with the transaction unless it shall have received evidence reasonably satisfactory to it that such registration statement has been declared effective. If, being advised by counsel, the Company determines that a transaction is required to be registered under the Securities Act, the Company will either (i) register such transaction to the extent necessary, (ii) alter the terms of the transaction to avoid the registration requirements of the Securities Act or (iii) direct the Depositary to take specific measures, in each case as contemplated in the Deposit Agreement, to prevent such transaction from violating the registration requirements of the Securities Act. The Company agrees with the Depositary that neither the Company nor any of its Affiliates will at any time (i) deposit any Shares or other Deposited Securities, either upon original issuance or upon a sale of Shares or other Deposited Securities previously issued and reacquired by the Company or by any such Affiliate, or (ii) issue additional Shares, rights to subscribe for such Shares, securities convertible into or exchangeable for Shares or rights to subscribe for such securities or distribute securities other than Shares, unless such transaction and the securities issuable in such transaction do not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.).

Notwithstanding anything else contained in the Deposit Agreement, nothing in the Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

**Section 5.8 Indemnification.** The Depositary agrees to indemnify the Company and its directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the documented reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary under the terms hereof due to the negligence or bad faith of the Depositary.

The Company agrees to indemnify the Depositary, the Custodian and any of their respective directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the documented reasonable fees and expenses of counsel) that may arise (a) out of, or in connection with, any offer, issuance, sale, resale, transfer, deposit or withdrawal of ADRs, ADSs, the Shares, or other Deposited Securities, as the case may be, (b) out of, or as a result of, any offering documents in respect thereof or (c) out of acts performed or

omitted, including, but not limited to, any delivery by the Depositary on behalf of the Company of information regarding the Company, in connection with the Deposit Agreement, any ancillary or supplemental agreement entered into between the Company and the Depositary, the ADRs, the

ADSs, the Shares, or any Deposited Property, in any such case (i) by the Depositary, the Custodian or any of their respective directors, officers, employees, agents and Affiliates, except to the extent such loss, liability, tax, charge or expense is due to the negligence or bad faith of any of them, or (ii) by the Company or any of its directors, officers, employees, agents and Affiliates. The Company shall not indemnify the Depositary or the Custodian (for so long as the Custodian is a branch of Citibank) against (x) any liability or expense arising out of information relating to the Depositary or such Custodian, as the case may be, furnished in a signed writing to the Company, executed by the Depositary expressly for use in any registration statement, prospectus or preliminary prospectus relating to any Deposited Securities represented by the ADSs, or (y) any fees, charges or expenses payable by Holders or Beneficial Owners other than the Company under this Deposit Agreement.

The obligations set forth in this Section shall survive the termination of the Deposit Agreement and the succession or substitution of any party hereto.

Any person seeking indemnification hereunder (an “indemnified person”) shall notify the person from whom it is seeking indemnification (the “indemnifying person”) of the commencement of any indemnifiable action or claim promptly after such indemnified person becomes aware of such commencement (provided that the failure to make such notification shall not affect such indemnified person’s rights to seek indemnification except to the extent the indemnifying person is materially prejudiced by such failure) and shall consult in good faith with the indemnifying person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable in the circumstances. No indemnified person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the indemnifying person, which consent shall not be unreasonably withheld.

**Section 5.9 ADS Fees and Charges.** The Company, the Holders, the Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with the issuance and cancellation of ADSs, and persons receiving ADSs upon issuance or whose ADSs are being cancelled shall be required to pay the Depositary’s fees and related charges identified as payable by them respectively in the Fee Schedule attached hereto as Exhibit B. All ADS fees and charges so payable may be deducted from distributions or must be remitted to the Depositary, or its designee, and may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated in Section 6.1. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and



may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

**Section 5.10 Restricted Securities Owners.** The Company agrees to advise in writing each of the persons or entities who, to the knowledge of the Company, holds Restricted Securities that such Restricted Securities are ineligible for deposit hereunder (except under the circumstances contemplated in Section 2.14) and, to the extent practicable, shall require each of such persons to represent in writing that such person will not deposit Restricted Securities hereunder (except under the circumstances contemplated in Section 2.14).

## ARTICLE VI

### AMENDMENT AND TERMINATION

**Section 6.1 Amendment/Supplement.** Subject to the terms and conditions of this Section 6.1 and applicable law, the ADRs outstanding at any time, the provisions of the Deposit Agreement and the form of ADR attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (*e.g.*,

upon retrieval from the Commission's, the Depository's or the Company's website or upon request from the Depository). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depository) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial existing rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and the ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depository may amend or supplement the Deposit Agreement and any ADRs at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and any ADRs in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

**Section 6.2 Termination.** The Depository shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If (i) ninety (90) days shall have expired after the Depository shall have delivered to the Company a written notice of its election to resign, or (ii) ninety (90) days shall have expired after the Company shall have delivered to the Depository a written notice of the removal of the Depository, and, in either case, a successor depository shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depository may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depository to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depository shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement.

If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depository shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depository shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depository (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depository, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depository under the Deposit Agreement.

At any time after the Termination Date, the Depository may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement,

in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

## ARTICLE VII MISCELLANEOUS

**Section 7.1 Counterparts.** The Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts together shall constitute one and the same agreement. Copies of the Deposit Agreement shall be maintained with the Depositary and shall be open to inspection by any Holder during business hours.

**Section 7.2 No Third-Party Beneficiaries/Acknowledgments.** The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may own and deal in any class of securities of the Company and its Affiliates and in ADSs, and may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such transactions or relationships, (v) the Depositary shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates, and (vi) the Company, the Depositary, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and Switzerland, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

The Depositary may execute transactions contemplated herein (*e.g.*, foreign currency conversions, and sales of Deposited Property) through one or more divisions of Citibank or through one or more Citibank Affiliates, and any such entity may act as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and may earn and retain revenue from such transactions, including, without, without limitation, transaction spreads, commissions, etc. The Depositary does not guarantee or represent that the price or rate obtained in any such transaction, or the method for obtaining such price or rate, will be the most favorable that could be obtained at that time.

**Section 7.3 Severability.** In case any one or more of the provisions contained in the Deposit Agreement or in the ADRs should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

**Section 7.4 Holders and Beneficial Owners as Parties; Binding Effect.** The Holders and Beneficial Owners from time to time of ADSs issued hereunder shall be parties to the Deposit Agreement and shall be bound by all of the terms and conditions hereof and of any ADR evidencing their ADSs by acceptance thereof or any beneficial interest therein.

**Section 7.5 Notices.** Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Molecular Partners AG, Wagistrasse 14, 8952 Schlieren, Switzerland, Attention: Company Secretary, or to any other address which the Company may specify in writing to the Depositary.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Citibank, N.A., 388 Greenwich Street, New York, New York 10013, U.S.A., Attention: Depositary Receipts Department, or to any other address which the Depositary may specify in writing to the Company.

Any and all notices to be given to any Holder shall be deemed to have been duly given (a) if personally delivered or sent by mail or cable, telex or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of ADSs held by such other Holders. Any notices given to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depositary) constitute notice to the DTC Participants who hold the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs.

Delivery of a notice sent by mail, air courier or cable, telex or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any cable, telex or facsimile transmission received by it from any Holder, the

Custodian, the Depositary, or the Company, notwithstanding that such cable, telex or facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

**Section 7.6 Governing Law and Jurisdiction.** The Deposit Agreement, the ADRs and the ADSs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement to the contrary, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of Switzerland (or, if applicable, such other laws as may govern the Deposited Securities).

Except as set forth in the following paragraph of this Section 7.6, the Company and the Depositary agree that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with the Deposit Agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts. The Company hereby irrevocably designates, appoints and empowers Molecular Partners Inc. (the "Agent") now at 245 Main Street, Cambridge, Massachusetts 02142, United States of America as its authorized agent to receive and accept for and on its behalf, and on behalf of its properties, assets and revenues, service by mail of any and all legal process, summons, notices and documents that may be served in any suit, action or proceeding brought against the Company in any federal or state court as described in the preceding sentence or in the next paragraph of this Section 7.6. If for any reason the Agent shall cease to be available to act as such, the Company agrees to designate a new agent in New York on the terms and for the purposes of this Section 7.6 reasonably satisfactory to the Depositary. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding against the Company, by service by mail of a copy thereof upon the Agent (whether or not the appointment of such Agent shall for any reason prove to be ineffective or such Agent shall fail to accept or acknowledge such service), with a copy mailed to the Company by registered or certified air mail, postage prepaid, to its address provided in Section 7.5. The Company agrees that the failure of the Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

Notwithstanding the foregoing, the Depositary and the Company unconditionally agree that in the event that any Holder or Beneficial Owner, or any third-party, brings a suit, action or proceeding against (a) the Company, (b) the Depositary in its capacity as Depositary under the Deposit Agreement or (c) against both the Company and the Depositary, in any such case, in any state or federal court of the United States, and the Depositary or the Company have any claim, for indemnification or otherwise, against each other arising out of the subject matter of such suit, action or proceeding, then the Company and the Depositary may pursue such claim against each other in the state or federal court in the United States in which such suit, action, or proceeding is pending and, for such purposes, the Company and the Depositary irrevocably submit to the non-exclusive jurisdiction of such courts. The Company agrees that service of process upon the Agent in the manner set forth in the preceding paragraph shall be effective service upon it for any suit, action or proceeding brought against it as described in this paragraph.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any actions, suits or proceedings brought in any court as provided in this Section 7.6, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of immunity from legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, from execution of judgment, or from any other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, and consents to such relief and enforcement against it, its assets and its revenues in any jurisdiction, in each case with respect to any matter arising out of, or in connection with, the Deposit Agreement, any ADR or the Deposited Property.

**EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).**

The provisions of this Section 7.6 shall survive any termination of the Deposit Agreement, in whole or in part.

**Section 7.7 Assignment.** Subject to the provisions of Section 5.4, the Deposit Agreement may not be assigned by either the Company or the Depositary.

**Section 7.8 Compliance with, and No Disclaimer under, U.S. Securities Laws.**

(a) Notwithstanding anything in the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner), acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

**Section 7.9 Switzerland Law References.** Any summary of the laws and regulations of Switzerland and of the terms of the Company's Articles of Incorporation set forth in the Deposit Agreement have been provided by the Company solely for the convenience of Holders, Beneficial Owners and the Depositary. While such summaries are believed by the Company to be accurate as of the date of the Deposit Agreement, (i) they are summaries and as such may not include all aspects of the materials summarized applicable to a Holder or Beneficial Owner, and (ii) these laws and regulations and the Company's Articles of Incorporation may change after the date of the Deposit Agreement. Neither the Depositary nor the Company has any obligation under the terms of the Deposit Agreement to update any such summaries.

**Section 7.10 Titles and References.**

**(a) Deposit Agreement.** All references in the Deposit Agreement to exhibits, articles, sections, subsections, and other subdivisions refer to the exhibits, articles, sections, subsections and other subdivisions of the Deposit Agreement unless expressly provided otherwise. The words “the Deposit Agreement”, “herein”, “hereof”, “hereby”, “hereunder”, and words of similar import refer to the Deposit Agreement as a whole as in effect at the relevant time between the Company, the Depositary and the Holders and Beneficial Owners of ADSs and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to sections of the Deposit Agreement are included for convenience only and shall be disregarded in construing the language contained in the Deposit Agreement. References to “applicable laws and regulations” shall refer to laws and regulations applicable to ADRs, ADSs or Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

**(b) ADRs.** All references in any ADR(s) to paragraphs, exhibits, articles, sections, subsections, and other subdivisions refer to the paragraphs, exhibits, articles, sections, subsections and other subdivisions of the ADR(s) in question unless expressly provided otherwise. The words “the Receipt”, “the ADR”, “herein”, “hereof”, “hereby”, “hereunder”, and words of similar import used in any ADR refer to the ADR as a whole and as in effect at the relevant time, and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender in any ADR shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to paragraphs of any ADR are included for convenience only and shall be disregarded in construing the language contained in the ADR. References to “applicable laws and regulations” shall refer to laws and regulations applicable to

the Company, the Depositary, the Custodian, their agents and controlling persons, the ADRs, the ADSs and the Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, MOLECULAR PARTNERS AG and CITIBANK, N.A. have duly executed the Deposit Agreement as of the day and year first above set forth and all Holders and Beneficial Owners shall become parties hereto upon acceptance by them of ADSs issued in accordance with the terms hereof, or upon acquisition of any beneficial interest therein.

MOLECULAR PARTNERS AG

By: \_\_\_\_\_  
Name:  
Title:

CITIBANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

[DEPOSIT AGREEMENT]

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**EXHIBIT A**

**[FORM OF ADR]**

Number \_\_\_\_\_

CUSIP NUMBER: \_\_\_\_\_

American Depositary Shares (each American Depositary Share representing the right to receive one (1) fully paid common share)

AMERICAN DEPOSITARY RECEIPT

for

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED COMMON SHARES

of

MOLECULAR PARTNERS AG

(Incorporated under the laws of Switzerland)

CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America, as depositary (the "Depositary"), hereby certifies that \_\_\_\_\_ is the owner of \_\_\_\_\_ American Depositary Shares (hereinafter "ADS") representing deposited common shares, including evidence of rights to receive such common shares (the "Shares"), of Molecular Partners AG, a corporation incorporated under the laws of Switzerland (the "Company"). As of the date of issuance of this ADR, each ADS represents the right to receive one Share deposited under the Deposit Agreement (as hereinafter defined) with the Custodian, which at the date of issuance of this ADR is Citibank N.A. London Branch (the "Custodian"). The ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement. The Depositary's Principal Office is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

**(1) The Deposit Agreement.** This American Depositary Receipt is one of an issue of American Depositary Receipts ("ADRs"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of \_\_\_\_\_, 2021 (as amended and supplemented from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of ADSs issued thereunder. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of ADSs and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other Deposited Property (as defined in the Deposit Agreement) from time to time received and held on deposit in respect of the ADSs. Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and with the Custodian. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and

(b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

The statements made on the face and reverse of this ADR are summaries of certain provisions of the Deposit Agreement and the Articles of Incorporation (as in effect on the date of the signing of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement and the Articles of Incorporation, to which reference is hereby made.

All capitalized terms not defined herein shall have the meanings ascribed thereto in the Deposit Agreement.

The Depositary makes no representation or warranty as to the validity or worth of the Deposited Property. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs. The Depositary may issue Uncertificated ADSs subject, however, to the terms and conditions of Section 2.13 of the Deposit Agreement.

**(2) Surrender of ADSs and Withdrawal of Deposited Securities.** The Holder of this ADR (and of the ADSs evidenced hereby) shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs evidenced hereby upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office the ADSs evidenced hereby (and, if applicable, this ADR evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depositary, this ADR Delivered to the Depositary for such purpose has been properly endorsed in blank or is accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Incorporation and of any applicable laws and the rules of the applicable book-entry settlement entity, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, this ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, *subject however, in each case*, to the terms and conditions of the

Deposit Agreement, of this ADR evidencing the ADS so canceled, of the Articles of Incorporation of the Company, of any applicable laws and of the rules of the applicable book-entry settlement entity, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in this ADR or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs represented by this ADR, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

**(3) Transfer, Combination and Split-up of ADRs.** The Registrar shall register the transfer of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) this surrendered ADR has been properly endorsed or is accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) this surrendered ADR has been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

The Registrar shall register the split-up or combination of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination hereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and

conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

**(4) Pre-Conditions to Registration, Transfer, Etc.** As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of this ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 of, and Exhibit B to, the Deposit Agreement and in this ADR, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 of the Deposit Agreement, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of this ADR or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of this ADR, if applicable, the Deposit Agreement and applicable law.

The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfer of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or this ADR, if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases to Section 7.8(a) of the Deposit Agreement and paragraph (25) of this ADR. Notwithstanding any provision of the Deposit Agreement or this ADR to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated therewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(1) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

**(5) Compliance with Information Requests.** Notwithstanding any other provision included or incorporated by reference in the Deposit Agreement or this ADR to any other effect, each Holder and Beneficial Owner of the ADSs represented hereby agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of any stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed, or the Articles of Incorporation of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and the Shares represented by such ADSs, as the case may be) and regarding the identity of any other person(s) interested in such ADSs (and the Shares represented by such ADSs, as the case may be) and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

**(6) Ownership Restrictions.** Notwithstanding any provision included or incorporated by reference in this ADR or of the Deposit Agreement to any other effect, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein or in the Deposit Agreement shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described herein or in Section 3.5 of the Deposit Agreement.

**(7) Reporting Obligations and Regulatory Approvals.** Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

**(8) Liability for Taxes and Other Charges.** Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or this ADR shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and this ADR, the Holder and the Beneficial Owner hereof remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to paragraph (25) of this ADR and Section 7.8(a) of the Deposit Agreement) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from (i) any ADSs held by such Holder and/or owned by such Beneficial Owner, (ii) the Deposited Property represented by the ADSs, and (iii) any transaction entered into by such Holder and/or Beneficial Owner in respect of the ADSs and/or the Deposited Property represented thereby. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, the obligations of Holders and Beneficial Owners under Section 3.2 of the Deposit Agreement shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

**(9) Representations and Warranties on Deposit of Shares.** Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14 of the Deposit Agreement), (vi) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vii) the deposit of the Shares does not violate any applicable provisions of the laws of Switzerland. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

**(10) Proofs, Certificates and Other Information.** Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or this ADR evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and this ADR. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by paragraph (25) and Section 7.8(a) of the Deposit Agreement, the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

**(11) ADS Fees and Charges.** The following ADS fees are payable under the terms of the Deposit Agreement:

- (i) **ADS Issuance Fee:** by any person for whom ADSs are issued (*e.g.*, an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (iv) below, a fee not in excess of U.S. \$5.00 per

100 ADSs (or fraction thereof) issued under the terms of the Deposit Agreement;

- (ii) ADS Cancellation Fee: by any person for whom ADSs are being cancelled (*e.g.*, a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) cancelled;
- (iii) Cash Distribution Fee: by any Holder of ADSs, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (*e.g.*, upon a sale of rights and other entitlements);
- (iv) Stock Distribution /Rights Exercise Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of ADSs pursuant to (a) stock dividends or other free stock distributions, or (b) an exercise of rights to purchase additional ADSs;
- (v) Other Distribution Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of securities other than ADSs or rights to purchase additional ADSs (*e.g.*, spin-off shares);
- (vi) ADS Services Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary;
- (vii) Registration of ADS Transfer Fee: by any Holder of ADS(s) being transferred or by any person to whom ADSs are transferred, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) transferred (*e.g.*, upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and *vice versa*, or for any other reason); and
- (viii) ADS Conversion Fee: by any Holder of ADS(s) being converted or by any person to whom the converted ADSs are delivered, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) converted from one ADS series to another ADS series (*e.g.*, upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferrable ADSs, and *vice versa*).

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

- (a) taxes (including applicable interest and penalties) and other governmental charges;
- (b) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;
- (c) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the



person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of ADSs;

- (d) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depository and/or conversion service providers (which may be a division, branch or Affiliate of the Depository). Such fees, expenses, spreads, taxes and other charges shall be deducted from the Foreign Currency;
- (e) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and
- (f) the fees, charges, costs and expenses incurred by the Depository, the Custodian, or any nominee in connection with the ADR program.

All ADS fees and charges so payable maybe deducted from distributions or must be remitted to the Depository, or its designee, and may, at any time and from time to time, be changed by agreement between the Depository and Company but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated by paragraph (23) of this ADR and as contemplated in Section 6.1 of the Deposit Agreement. The Depository shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depository (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depository into DTC or presented to the Depository via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depository or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depository. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depository will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

The Depository may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depository agree from time to time. The

Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 of the Deposit Agreement, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

**(12) Title to ADRs.** Subject to the limitations contained in the Deposit Agreement and in this ADR, it is a condition of this ADR, and every successive Holder of this ADR by accepting or holding the same consents and agrees, that title to this ADR (and to each Certificated ADS evidenced hereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, this ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of this ADR (that is, the person in whose name this ADR is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or this ADR to any holder of this ADR or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder of this ADR registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

**(13) Validity of ADR.** The Holder(s) of this ADR (and the ADSs represented hereby) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless this ADR has been (i) dated, (ii) signed by the manual or facsimile signature of a duly-authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly-authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADRs. An ADR bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such ADR by the Depositary.

**(14) Available Information; Reports; Inspection of Transfer Books.**

The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website ([www.sec.gov](http://www.sec.gov)) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549. The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depositary shall also provide or make available to the Holders copies of such reports when furnished by the Company pursuant to Section 5.6 of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to paragraph (25) and Section 7.8(a) of the Deposit Agreement.

Dated:

CITIBANK, N.A.  
Transfer Agent and Registrar

CITIBANK, N.A.  
as Depositary

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

The address of the Principal Office of the Depositary is 388 Greenwich Street, New York, New York 10013, U.S.A.

**[FORM OF REVERSE OF ADR]**

**SUMMARY OF CERTAIN ADDITIONAL PROVISIONS  
OF THE DEPOSIT AGREEMENT**

**(15) Dividends and Distributions in Cash, Shares, etc.** (a) **Cash Distributions:** Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution of a cash dividend or other cash distribution, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon confirmation of the receipt of (x) any cash dividend or other cash distribution in respect of any Deposited Property (whether from the Company or otherwise), or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms of the Deposit Agreement, the Depositary will (i) if any amounts are received in a Foreign Currency, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (subject to the terms and conditions of Section 4.8 of the Deposit Agreement), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges set forth in the Fee Schedule attached as Exhibit B to the Deposit Agreement and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.1 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.1 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.1 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(b) **Share Distributions:** Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution that consists of a dividend in, or free distribution of Shares, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9 of the Deposit Agreement, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the

applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1 of the Deposit Agreement.

In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligations under Section 5.7 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and the expenses incurred by, the Depositary) to Holders entitled thereto upon the terms of Section 4.1 of the Deposit Agreement. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.2 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.2 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.2 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(c) ***Elective Distributions in Cash or Shares:*** Upon the timely receipt of a notice indicating that the Company wishes an elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement. If the above conditions are satisfied, the Depositary shall, subject to the terms and conditions of the Deposit Agreement, establish the ADS Record Date on the terms described in paragraph (17) and Section 4.9 of the Deposit Agreement and establish procedures to enable the Holder hereof to elect to the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the distribution in cash, the distribution shall be made as in the case of a distribution in cash. If the Holder hereof elects to receive the distribution in additional ADSs, the distribution shall be made as in the case of a distribution in Shares upon the terms described in the Deposit Agreement. If such elective distribution is not reasonably practicable or if the Depositary did not receive satisfactory documentation set forth in the Deposit Agreement, the Depositary shall establish an ADS Record Date upon the terms of Section 4.9 of the Deposit Agreement and, to the extent permitted by law, distribute to Holders, on the basis of the same determination as is made in Switzerland in respect of the Shares for which no election is made,

either (x) in cash, upon the terms described in Section 4.1 of the Deposit Agreement or (y) additional ADSs representing such additional Shares, in each case, upon the terms described in Section 4.2 of the Deposit Agreement. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holder hereof a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that the Holder hereof, or any Holders generally, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.3 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.3 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.3 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(d) **Distribution of Rights to Purchase Additional ADSs:** Upon the timely receipt by the Depositary of a notice indicating that the Company wishes rights to subscribe for additional Shares to be made available to Holders of ADSs, the Depositary upon consultation with the Company, shall determine, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to any Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. If such conditions are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of rights as described in Section 4.4(b) of the Deposit Agreement. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9 of the Deposit Agreement) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs). If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) of the Deposit Agreement or to arrange for the sale of the rights upon the terms described in Section 4.4(b) of the Deposit Agreement, the Depositary shall allow such rights to lapse. The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything herein or in Section 4.4 of the Deposit Agreement to the contrary, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein or in the Deposit Agreement shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

**(e) Distributions other than Cash, Shares or Rights to Purchase Shares:** Upon receipt of a notice indicating that the Company wishes property other than cash, Shares or rights to purchase additional Shares to be made to Holders of ADSs, the Depositary shall determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation contemplated in Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is reasonably practicable. Upon satisfaction of such conditions, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If the conditions above are not satisfied, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

Neither the Depositary nor the Company shall be responsible for (i) any failure to determine whether it is lawful or practicable to make the property described in Section 4.5 of the Deposit Agreement available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

**(16) Redemption.** Upon timely receipt of notice from the Company that it intends to exercise its right of redemption in respect of any of the Deposited Securities, and satisfactory documentation, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the Company's intention to exercise the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2 of the Deposit Agreement. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in Section 4.7 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.7 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.7 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**(17) Fixing of ADS Record Date.** Whenever (a) the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights or other distribution), (b) for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, (c) the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or (d) the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the "ADS Record Date") for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in Switzerland and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law, the terms and conditions of this ADR and Sections 4.1 through 4.8 of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to



receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

**(18) Voting of Deposited Securities.** As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9 of the Deposit Agreement. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such meeting or consent or proxy solicitation), at the Company's expense and provided no U.S. legal prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given.

Notwithstanding anything contained in the Deposit Agreement or this ADR, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (e.g., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs in accordance with such voting instructions.

Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted. Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated in the Deposit Agreement or herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to take all steps necessary to enable the independent proxy holder, as elected by the shareholders of the Company, to vote in accordance with the written proposals or recommendations of the Company's Board of Directors.

Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or this ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the law of Switzerland to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions reasonably requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary, or otherwise take action, in a timely manner.

**(19) Changes Affecting Deposited Securities.** Upon any change in nominal or par value, split up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depositary or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and this ADR shall, subject to the provisions of the Deposit Agreement, this ADR evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes) and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depositary that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADSs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel reasonably satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1 of the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale or (iii) any liability to the purchaser of such Deposited Property.

**(20) Exoneration.** Notwithstanding anything contained in the Deposit Agreement or this ADR, neither the Depositary nor the Company shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or incur any liability (to the extent

not limited by paragraph (25) hereof and Section 7.8(b) of the Deposit Agreement) (i) if the Depository, the Custodian, the Company or their respective agents shall be prevented or forbidden from, hindered or delayed in, doing or performing any act or thing required or contemplated by the terms of the Deposit Agreement and this ADR, by reason of any provision of any present or future law or regulation of the United States, Switzerland or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Incorporation of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or other event or circumstances beyond its control (including, without limitation, fire, flood, earthquake, tornado, hurricane, tsunami, explosion, or other natural disaster, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, act of war (whether declared or not) or terrorism, revolutions, rebellion, embargo, computer failure, failure of public infrastructure (including communication or utility failure), failure of common carriers, nuclear, cyber or biochemical incident, any pandemic, epidemic or other prevalent disease or illness with an actual or probable threat to human life, any quarantine order or travel restriction imposed by a governmental authority or other competent public health authority, or the failure or unavailability of the United States Federal Reserve Bank (or other central banking system) or DTC (or other clearing system), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Incorporation of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, (v) for any action or inaction of any clearing or settlement system (and any participant thereof) for the Deposited Property or the ADSs, or (vi) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement. The Depository, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

**(21) Standard of Care.** The Company and the Depository assume no obligation and shall not be subject to any liability under the Deposit Agreement or this ADR to any Holder(s) or Beneficial Owner(s), except that the Company and the Depository agree to perform their respective obligations specifically set forth in the Deposit Agreement or this ADR without negligence or bad faith. Without limitation of the foregoing, neither the Depository, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depository).

The Depository and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depository shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any

investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with any matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

The Depository shall not be liable for any acts or omissions made by a predecessor depository whether in connection with an act or omission of the Depository or in connection with any matter arising wholly prior to the appointment of the Depository or after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

**(22) Resignation and Removal of the Depository; Appointment of Successor Depository.** The Depository may at any time resign as Depository under the Deposit Agreement by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depository shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) the appointment by the Company of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depository may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depository (whereupon the Depository shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. In case at any time the Depository acting hereunder shall resign or be removed, the Company shall use its commercially reasonable efforts to appoint a successor depository, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depository shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depository, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement). The predecessor depository, upon payment of all sums due it and on the written request of the Company shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement), (ii) duly assign, transfer and deliver all of the Depository's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depository shall promptly provide notice of its appointment to such Holders. Any entity into or with which the Depository may be merged or consolidated shall be the successor of the Depository without the execution or filing of any document or any further act.

**(23) Amendment/Supplement.** Subject to the terms and conditions of this paragraph 23, and Section 6.1 of the Deposit Agreement and applicable law, this ADR and any provisions of the Deposit Agreement may at any time and from time to time be amended or supplemented by

written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (e.g., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial existing rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and this ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and this ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and this ADR in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

**(24) Termination.** The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If (i) ninety (90) days shall have expired after the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) ninety (90) days shall have expired after the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depositary may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depositary to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement. If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited

Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement. At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

**(25) Compliance with, and No Disclaimer under, U.S. Securities Laws.** (a) Notwithstanding any provisions in this ADR or the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner) acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

**(26) No Third Party Beneficiaries/Acknowledgements.** The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may own and deal in any class of securities of the Company and its Affiliates and in ADSs, and may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such

transactions or relationships, (v) the Depositary shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates, and (vi) the Company, the Depositary, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and Switzerland, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

The Depositary may execute transactions contemplated herein (*e.g.*, foreign currency conversions, and sales of Deposited Property) through one or more divisions of Citibank or through one or more Citibank Affiliates, and any such entity may act as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and may earn and retain revenue from such transactions, including, without, without limitation, transaction spreads, commissions, etc. The Depositary does not guarantee or represent that the price or rate obtained in any such transaction, or the method for obtaining such price or rate, will be the most favorable that could be obtained at that time.

**(27) Governing Law / Waiver of Jury Trial.** The Deposit Agreement, the ADRs and the ADSs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement to the contrary, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of Switzerland (or, if applicable, such other laws as may govern the Deposited Securities).

**EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).**

**(ASSIGNMENT AND TRANSFER SIGNATURE LINES)**

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto \_\_\_\_\_ whose taxpayer identification number is \_\_\_\_\_ and whose address including postal zip code is \_\_\_\_\_, the within ADR and all rights thereunder, hereby irrevocably constituting and appointing \_\_\_\_\_ attorney-in-fact to transfer said ADR on the books of the Depositary with full power of substitution in the premises.

Dated:

Name: \_\_\_\_\_

By:

Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depository, must be forwarded with this ADR.

\_\_\_\_\_  
SIGNATURE GUARANTEED

All endorsements or assignments of ADRs must be guaranteed by a member of a Medallion Signature Program approved by the Securities Transfer Association, Inc.

#### **Legends**

**[The ADRs issued in respect of Partial Entitlement American Depositary Shares shall bear the following legend on the face of the ADR: “This ADR evidences ADSs representing 'partial entitlement' Shares of Molecular Partners AG and as such do not entitle the holders thereof to the same per-share entitlement as other Shares (which are 'full entitlement' Shares) issued and outstanding at such time. The ADSs represented by this ADR shall entitle holders to distributions and entitlements identical to other ADSs when the Shares represented by such ADSs become 'full entitlement' Shares.”]**



**EXHIBIT B**  
**FEE SCHEDULE**

**ADS FEES AND RELATED CHARGES**

All capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Deposit Agreement. Except as otherwise specified herein, any reference to ADSs herein includes Partial Entitlement ADSs, Full Entitlement ADSs, Certificated ADSs, Uncertificated ADSs, and Restricted ADSs.

**I. ADS Fees**

The following ADS fees are payable under the terms of the Deposit Agreement:

<b>Service</b>	<b>Rate</b>	<b>By Whom Paid</b>
(1) Issuance of ADSs ( <i>e.g.</i> , an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (4) below.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) issued.	Person for whom ADSs are issued.
(2) Cancellation of ADSs ( <i>e.g.</i> , a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) cancelled.	Person for whom ADSs are being cancelled.
(3) Distribution of cash dividends or other cash distributions ( <i>e.g.</i> , upon a sale of rights and other entitlements).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(4) Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) an exercise of rights to purchase additional ADSs.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(5) Distribution of securities other than ADSs or rights to purchase additional ADSs ( <i>e.g.</i> , spin-off shares).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.

(6) ADS Services.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depository.	Person holding ADSs on the applicable record date(s) established by the Depository.
(7) Registration of ADS Transfers ( <i>e.g.</i> , upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and <i>vice versa</i> , or for any other reason).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) transferred.	Person for whom or to whom ADSs are transferred.
(8) Conversion of ADSs of one series for ADSs of another series ( <i>e.g.</i> , upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferable ADSs, and <i>vice versa</i> ).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) converted.	Person for whom ADSs are converted or to whom the converted ADSs are delivered.

## **II. Charges**

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
- (ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depository or any nominees upon the making of deposits and withdrawals, respectively;
- (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of ADSs;
- (iv) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depository and/or conversion service providers (which may be a division, branch or Affiliate of the Depository). Such fees, expenses, spreads, taxes, and other charges shall be deducted from the Foreign Currency;
- (v) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and
- (vi) the fees, charges, costs and expenses incurred by the Depository, the Custodian, or any nominee in connection with the ADR program.

The above fees and charges may at any time and from time to time be changed by agreement between the Company and the Depository.

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**DEPOSIT AGREEMENT**

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by and among

**MOLECULAR PARTNERS AG**

and

**CITIBANK, N.A.,**  
as Depositary,

and

**THE HOLDERS AND BENEFICIAL OWNERS OF  
AMERICAN DEPOSITARY SHARES  
ISSUED HEREUNDER**

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Dated as of [], 2021

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## DEPOSIT AGREEMENT

**DEPOSIT AGREEMENT**, dated as of \_\_\_\_\_, 2021, by and among (i) MOLECULAR PARTNERS AG, a corporation incorporated under the laws of Switzerland, and its successors (the “Company”), (ii) CITIBANK, N.A., a national banking association organized under the laws of the United States of America (“Citibank”) acting in its capacity as depository, and any successor depository hereunder (Citibank in such capacity, the “Depository”), and (iii) all Holders and Beneficial Owners of American Depositary Shares issued hereunder (all such capitalized terms as hereinafter defined).

### WITNESSETHAT:

**WHEREAS**, the Company desires to establish with the Depository an ADR facility to provide for the deposit of the Shares (as hereinafter defined) and the creation of American Depositary Shares representing the Shares so deposited and for the execution and Delivery (as hereinafter defined) of American Depositary Receipts (as hereinafter defined) evidencing such American Depositary Shares; and

**WHEREAS**, the Depository is willing to act as the Depository for such ADR facility upon the terms set forth in the Deposit Agreement (as hereinafter defined); and

**WHEREAS**, any American Depositary Receipts issued pursuant to the terms of the Deposit Agreement are to be substantially in the form of Exhibit A attached hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in the Deposit Agreement; and

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

All capitalized terms used, but not otherwise defined, herein shall have the meanings set forth below, unless otherwise clearly indicated:

**Section 1.1 “ADS Record Date”** shall have the meaning given to such term in Section 4.9.

**Section 1.2 “Affiliate”** shall have the meaning assigned to such term by the Commission (as hereinafter defined) under Regulation C promulgated under the Securities Act (as hereinafter defined), or under any successor regulation thereto.

**Section 1.3 “Agent”** shall have the meaning given to such term in Section 7.6.

**Section 1.4 “American Depositary Receipt(s)”, “ADR(s)” and “Receipt(s)”** shall mean the certificate(s) issued by the Depository to evidence the American Depositary Shares issued under the terms of the Deposit Agreement in the form of Certificated ADS(s) (as hereinafter defined), as such ADRs may be amended from time to time in accordance with the provisions of the Deposit Agreement. An ADR may evidence any number of ADSs and may, in the case of ADSs held through a central depository such as DTC, be in the form of a “Balance Certificate.”

**Section 1.5 “American Depositary Share(s)” and “ADS(s)”** shall mean the rights and interests in the Deposited Property (as hereinafter defined) granted to the Holders and Beneficial Owners pursuant to the terms and conditions of the Deposit Agreement and, if issued as Certificated ADS(s) (as hereinafter defined), the ADR(s) issued to evidence such ADSs. ADS(s) may be issued under the terms of the Deposit Agreement in the form of (a) Certificated ADS(s) (as hereinafter defined), in which case the ADS(s) are evidenced by ADR(s), or (b)

Uncertificated ADS(s) (as hereinafter defined), in which case the ADS(s) are not evidenced by ADR(s) but are reflected on the direct registration system maintained by the Depositary for such purposes under the terms of Section 2.13. Unless otherwise specified in the Deposit Agreement or in any ADR, or unless the context otherwise requires, any reference to ADS(s) shall include Certificated ADS(s) and Uncertificated ADS(s), individually or collectively, as the context may require. Each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the number of Shares specified in the form of ADR attached hereto as Exhibit A (as amended from time to time) that are on deposit with the Depositary and/or the Custodian, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), until there shall occur a distribution upon Deposited Securities referred to in Section 4.2 or a change in Deposited Securities referred to in Section 4.11 with respect to which additional ADSs are not issued, and thereafter each ADS shall represent the right to receive, and to exercise the beneficial ownership interests in, the applicable Deposited Property on deposit with the Depositary and the Custodian determined in accordance with the terms of such Sections, subject, in each case, to the terms and conditions of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS). In addition, the ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement (which may give rise to Depositary fees).

**Section 1.6 “Articles of Incorporation”** shall mean the Articles of Incorporation of the Company, as amended and restated from time to time.

**Section 1.7 “Beneficial Owner”** shall mean, as to any ADS, any person or entity having a beneficial interest deriving from the ownership of such ADS. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s) or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the Depositary, the Custodian and their respective nominees are intended to be, and shall at all times during the term of the Deposit Agreement be, the record holders only of the Deposited Property represented by the ADSs for the benefit of the Holders and Beneficial Owners of the corresponding ADSs. The Depositary, on its own behalf and on behalf of the Custodian and their respective nominees, disclaims any beneficial ownership interest in the Deposited Property held on behalf of the Holders and Beneficial Owners of ADSs. The beneficial ownership interests in the Deposited Property are intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property. The beneficial ownership interests in the Deposited Property shall, unless otherwise agreed by the Depositary, be exercisable by the Beneficial Owners of the ADSs only through the Holders of such ADSs, by the Holders of the ADSs (on behalf of the applicable Beneficial Owners) only through the Depositary, and by the Depositary (on behalf of the Holders and Beneficial Owners of the corresponding ADSs) directly, or indirectly through the Custodian or their respective nominees, in each case upon the terms of the Deposit Agreement and, if applicable, the terms of the ADR(s) evidencing the ADSs. A Beneficial Owner of ADSs may or may not be the Holder of such ADSs. A Beneficial Owner shall be able to exercise any right or receive any benefit hereunder solely through the person who is the Holder of the ADSs owned by such Beneficial Owner. Unless otherwise identified to the Depositary, a Holder shall be deemed to be the Beneficial Owner of all the ADSs registered in his/her/its name. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

**Section 1.8 “Certificated ADS(s)”** shall have the meaning set forth in Section 2.13.

**Section 1.9 “Citibank”** shall mean Citibank, N.A., a national banking association organized under the laws of the United States of America, and its successors.



**Section 1.10 “Commission”** shall mean the Securities and Exchange Commission of the United States or any successor governmental agency thereto in the United States.

**Section 1.11 “Company”** shall mean Molecular Partners AG, a company incorporated and existing under the laws of Switzerland, and its successors.

**Section 1.12 “Custodian”** shall mean (i) as of the date hereof, Citibank N.A. London Branch, having its principal office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, as the custodian of Deposited Property for the purposes of the Deposit Agreement, (ii) Citibank, N.A., acting as custodian of Deposited Property pursuant to the Deposit Agreement, and (iii) any other entity that may be appointed by the Depository pursuant to the terms of Section 5.5 as successor, substitute or additional custodian hereunder. The term “Custodian” shall mean any Custodian individually or all Custodians collectively, as the context requires.

**Section 1.13 “Deliver” and “Delivery”** shall mean (x) *when used in respect of Shares and other Deposited Securities*, any of (i) the physical delivery of the certificate(s) representing such securities, or (ii) the book-entry transfer and recordation of such securities on the books of the Share Registrar (as hereinafter defined) or in the applicable book-entry settlement system, and (y) *when used in respect of ADSs*, any of (i) the physical delivery of ADR(s) evidencing the ADSs, or (ii) the book-entry transfer and recordation of ADSs on the books of the Depository or any book-entry settlement system in which the ADSs are settlement-eligible.

**Section 1.14 “Deposit Agreement”** shall mean this Deposit Agreement and all exhibits hereto, as the same may from time to time be amended and supplemented from time to time in accordance with the terms of the Deposit Agreement.

**Section 1.15 “Depository”** shall mean Citibank, N.A., a national banking association organized under the laws of the United States, in its capacity as depository under the terms of the Deposit Agreement, and any successor depository hereunder.

**Section 1.16 “Deposited Property”** shall mean the Deposited Securities and any cash and other property held on deposit by the Depository and the Custodian in respect of the ADSs under the terms of the Deposit Agreement, subject, in the case of cash, to the provisions of Section 4.8. All Deposited Property shall be held by the Custodian, the Depository and their respective nominees for the benefit of the Holders and Beneficial Owners of the ADSs representing the Deposited Property. The Deposited Property is not intended to, and shall not, constitute proprietary assets of the Depository, the Custodian or their nominees. Beneficial ownership in the Deposited Property is intended to be, and shall at all times during the term of the Deposit Agreement continue to be, vested in the Beneficial Owners of the ADSs representing the Deposited Property.

**Section 1.17 “Deposited Securities”** shall mean the Shares and any other securities held on deposit by the Custodian from time to time in respect of the ADSs under the Deposit Agreement and constituting Deposited Property.

**Section 1.18 “Dollars” and “₹”** shall refer to the lawful currency of the United States.

**Section 1.19 “DTC”** shall mean The Depository Trust Company, a national clearinghouse and the central book-entry settlement system for securities traded in the United States and, as such, the custodian for the securities of DTC Participants (as hereinafter defined) maintained in DTC, and any successor thereto.

**Section 1.20 “DTC Participant”** shall mean any financial institution (or any nominee of such institution) having one or more participant accounts with DTC for receiving, holding and delivering the securities and cash held in DTC. A DTC Participant may or may not be a

Beneficial Owner. If a DTC Participant is not the Beneficial Owner of the ADSs credited to its account at DTC, or of the ADSs in respect of which the DTC Participant is otherwise acting, such DTC Participant shall be deemed, for all purposes hereunder, to have all requisite authority to act on behalf of the Beneficial Owner(s) of the ADSs credited to its account at DTC or in respect of which the DTC Participant is so acting. A DTC Participant, upon acceptance in any one of its DTC accounts of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall (notwithstanding any explicit or implicit disclosure that it may be acting on behalf of another party) be deemed for all purposes to be a party to, and bound by, the terms of the Deposit Agreement and the applicable ADR(s) to the same extent as, and as if the DTC Participant were, the Holder of such ADSs.

**Section 1.21 “Exchange Act”** shall mean the United States Securities Exchange Act of 1934, as amended from time to time.

**Section 1.22 “Foreign Currency”** shall mean any currency other than Dollars.

**Section 1.23 “Full Entitlement ADR(s)”, “Full Entitlement ADS(s)” and “Full Entitlement Share(s)”** shall have the respective meanings set forth in Section 2.12.

**Section 1.24 “Holder(s)”** shall mean the person(s) in whose name the ADSs are registered on the books of the Depository (or the Registrar, if any) maintained for such purpose. A Holder may or may not be a Beneficial Owner. If a Holder is not the Beneficial Owner of the ADS(s) registered in its name, such person shall be deemed, for all purposes hereunder, to have all requisite authority to act on behalf of the Beneficial Owners of the ADSs registered in its name. The manner in which a Holder holds ADSs (e.g., in certificated vs. uncertificated form) may affect the rights and obligations of, and the manner in which, and the extent to which, the services are made available to, Holders pursuant to the terms of the Deposit Agreement.

**Section 1.25 “Partial Entitlement ADR(s)”, “Partial Entitlement ADS(s)” and “Partial Entitlement Share(s)”** shall have the respective meanings set forth in Section 2.12.

**Section 1.26 “Principal Office”** shall mean, when used with respect to the Depository, the principal office of the Depository at which at any particular time its depository receipts business shall be administered, which, at the date of the Deposit Agreement, is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

**Section 1.27 “Registrar”** shall mean the Depository or any bank or trust company having an office in the Borough of Manhattan, The City of New York, which shall be appointed by the Depository to register issuances, transfers and cancellations of ADSs as herein provided, and shall include any co-registrar appointed by the Depository for such purposes. Registrars (other than the Depository) may be removed and substitutes appointed by the Depository. Each Registrar (other than the Depository) appointed pursuant to the Deposit Agreement shall be required to give notice in writing to the Depository accepting such appointment and agreeing to be bound by the applicable terms of the Deposit Agreement.

**Section 1.28 “Restricted ADR(s)”, “Restricted ADS(s)” and “Restricted Shares”** shall have the respective meanings set forth in Section 2.14.

**Section 1.29 “Restricted Securities”** shall mean Shares, Deposited Securities or ADSs which (i) have been acquired directly or indirectly from the Company or any of its Affiliates in a transaction or chain of transactions not involving any public offering and are subject to resale limitations under the Securities Act or the rules issued thereunder, or (ii) are held by an executive officer or director (or persons performing similar functions) or other Affiliate of the Company, or (iii) are subject to other restrictions on sale or deposit under the laws of the United States, Switzerland, or under a shareholder agreement or the Articles of Incorporation of the Company or under the regulations of an applicable securities exchange unless, in each case, such Shares,

Deposited Securities or ADSs are being transferred or sold to persons other than an Affiliate of the Company in a transaction (a) covered by an effective resale registration statement, or (b) exempt from the registration requirements of the Securities Act (as hereinafter defined), and the Shares, Deposited Securities or ADSs are not, when held by such person(s), Restricted Securities.

**Section 1.30 “Securities Act”** shall mean the United States Securities Act of 1933, as amended from time to time.

**Section 1.31 “Share Registrar”** shall mean areg.ch ag, Fabrikstrasse 10, 4614 Hägendorf, a company incorporated under the laws of Switzerland, or any other institution organized under the laws of Switzerland appointed by the Company (including for the avoidance of doubt, if applicable, the Company) from time to time to carry out the duties of registrar for the Shares, and any successor thereto.

**Section 1.32 “Shares”** shall mean the Company’s common shares, with a nominal value of CHF 0.10 each, validly issued and outstanding and fully paid and may, if the Depository so agrees after consultation with the Company, include evidence of the right to receive Shares; provided that in no event shall Shares include evidence of the right to receive Shares with respect to which the full purchase price has not been paid or Shares as to which preemptive rights have theretofore not been validly waived or exercised; provided further, however, that, if there shall occur any change in nominal or par value, split-up, consolidation, reclassification, exchange, conversion or any other event described in Section 4.11 in respect of the Shares of the Company, the term “Shares” shall thereafter, to the maximum extent permitted by law, represent the successor securities resulting from such event.

**Section 1.33 “Swiss Franc”** and **“CHF”** shall refer to the lawful currency of Switzerland.

**Section 1.34 “Uncertificated ADS(s)”** shall have the meaning set forth in Section 2.13.

**Section 1.35 “United States”** and **“U.S.”** shall have the meaning assigned to it in Regulation S as promulgated by the Commission under the Securities Act.

## ARTICLE II

### APPOINTMENT OF DEPOSITARY; FORM OF RECEIPTS; DEPOSIT OF SHARES; EXECUTION AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS

**Section 2.1 Appointment of Depositary.** The Company hereby appoints the Depository as depositary for the Deposited Property and hereby authorizes and directs the Depository to act in accordance with the terms and conditions set forth in the Deposit Agreement and the applicable ADRs. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and (b) appoint the Depository its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depository in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

**Section 2.2 Form and Transferability of ADSs.**

**(a) Form.** Certificated ADSs shall be evidenced by definitive ADRs which shall be engraved, printed, lithographed or produced in such other manner as may be agreed upon by the Company and the Depositary. ADRs may be issued under the Deposit Agreement in denominations of any whole number of ADSs. The ADRs shall be substantially in the form set forth in Exhibit A to the Deposit Agreement, with any appropriate insertions, modifications and omissions, in each case as otherwise contemplated in the Deposit Agreement or required by law. ADRs shall be (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADSs. No ADR and no Certificated ADS evidenced thereby shall be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company, unless such ADR shall have been so dated, signed, countersigned and registered. ADRs bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly-authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the Delivery of such ADR by the Depositary. The ADRs shall bear a CUSIP number that is different from any CUSIP number that was, is or may be assigned to any depositary receipts previously or subsequently issued pursuant to any other arrangement between the Depositary (or any other depositary) and the Company and which are not ADRs outstanding hereunder.

**(b) Legends.** The ADRs may be endorsed with, or have incorporated in the text thereof, such legends or recitals not inconsistent with the provisions of the Deposit Agreement as may be (i) necessary to enable the Depositary and the Company to perform their respective obligations hereunder, (ii) required to comply with any applicable laws or regulations, or with the rules and regulations of any securities exchange or market upon which ADSs may be traded, listed or quoted, or to conform with any usage with respect thereto, (iii) necessary to indicate any special limitations or restrictions to which any particular ADRs or ADSs are subject by reason of the date of issuance of the Deposited Securities or otherwise, or (iv) required by any book-entry system in which the ADSs are held. Holders and Beneficial Owners shall be deemed, for all purposes, to have notice of, and to be bound by, the terms and conditions of the legends set forth, in the case of Holders, on the ADR registered in the name of the applicable Holders or, in the case of Beneficial Owners, on the ADR representing the ADSs owned by such Beneficial Owners.

**(c) Title.** Subject to the limitations contained herein and in the ADR, title to an ADR (and to each Certificated ADS evidenced thereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, such ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of an ADS (that is, the person in whose name an ADS is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or any ADR to any holder or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

**(d) Book-Entry Systems.** The Depositary shall make arrangements for the acceptance of the ADSs into DTC. All ADSs held through DTC will be registered in the name of the nominee for DTC (currently "Cede & Co."). As such, the nominee for DTC will be the only "Holder" of all ADSs held through DTC. Unless issued by the Depositary as Uncertificated ADSs, the ADSs registered in the name of Cede & Co. will be evidenced by one or more ADR(s) in the form of a "Balance Certificate," which will provide that it represents the aggregate number of ADSs from

time to time indicated in the records of the Depository as being issued hereunder and that the aggregate number of ADSs represented thereby may from time to time be increased or decreased by making adjustments on such records of the Depository and of DTC or its nominee as hereinafter provided. Citibank, N.A. (or such other entity as is appointed by DTC or its nominee) may hold the "Balance Certificate" as custodian for DTC. Each Beneficial Owner of ADSs held through DTC must rely upon the procedures of DTC and the DTC Participants to exercise or be entitled to any rights attributable to such ADSs. The DTC Participants shall for all purposes be deemed to have all requisite power and authority to act on behalf of the Beneficial Owners of the ADSs held in the DTC Participants' respective accounts in DTC and the Depository shall for all purposes be authorized to rely upon any instructions and information given to it by DTC Participants. So long as ADSs are held through DTC or unless otherwise required by law, ownership of beneficial interests in the ADSs registered in the name of the nominee for DTC will be shown on, and transfers of such ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to the interests of DTC Participants), or (ii) DTC Participants or their nominees (with respect to the interests of clients of DTC Participants). Any distributions made, and any notices given, by the Depository to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depository) satisfy the Depository's obligations under the Deposit Agreement to make such distributions, and give such notices, in respect of the ADSs held in DTC (including, for avoidance of doubt, to the DTC Participants holding the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs).

**Section 2.3 Deposit of Shares.** Subject to the terms and conditions of the Deposit Agreement and applicable law, Shares or evidence of rights to receive Shares (other than Restricted Securities) may be deposited by any person (including the Depository in its individual capacity but subject, however, in the case of the Company or any Affiliate of the Company, to Section 5.7) at any time, whether or not the transfer books of the Company or the Share Registrar, if any, are closed, by Delivery of the Shares to the Custodian. Every deposit of Shares shall be accompanied by the following: (A) (i) *in the case of Shares represented by certificates issued in registered form*, appropriate instruments of transfer or endorsement, in a form satisfactory to the Custodian, (ii) *in the case of Shares represented by certificates in bearer form*, the requisite coupons and talons pertaining thereto, and (iii) *in the case of Shares delivered by book-entry transfer and recordation*, confirmation of such book-entry transfer and recordation in the books of the Share Registrar or of the applicable book-entry settlement entity, as applicable, to the Custodian or that irrevocable instructions have been given to cause such Shares to be so transferred and recorded, (B) such certifications and payments (including, without limitation, the Depository's fees and related charges) and evidence of such payments (including, without limitation, stamping or otherwise marking such Shares by way of receipt) as may be required by the Depository or the Custodian in accordance with the provisions of the Deposit Agreement and applicable law, (C) if the Depository so requires, a written order directing the Depository to issue and deliver to, or upon the written order of, the person(s) stated in such order the number of ADSs representing the Shares so deposited, (D) evidence reasonably satisfactory to the Depository (which may be an opinion of counsel) that all necessary approvals have been granted by, or there has been compliance with the rules and regulations of, any applicable governmental agency in Switzerland, and (E) if the Depository so requires, (i) an agreement, assignment or instrument satisfactory to the Depository or the Custodian which provides for the prompt transfer by any person in whose name the Shares are or have been recorded to the Custodian of any distribution, or right to subscribe for additional Shares or to receive other property in respect of any such deposited Shares or, in lieu thereof, such indemnity or other agreement as shall be satisfactory to the Depository or the Custodian and (ii) if the Shares are registered in the name of the person on whose behalf they are presented for deposit, a proxy or proxies entitling the Custodian to exercise voting rights in respect of the Shares for any and all purposes until the Shares so deposited are registered in the name of the Depository, the Custodian or any nominee.

Without limiting any other provision of the Deposit Agreement, the Depositary shall instruct the Custodian not to, and the Depositary shall not knowingly, accept for deposit (a) any Restricted Securities (except as contemplated by Section 2.14) nor (b) any fractional Shares or fractional Deposited Securities nor (c) a number of Shares or Deposited Securities which upon application of the ADS to Shares ratio would give rise to fractional ADSs. No Shares shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary, that is reasonably satisfactory to the Depositary or the Custodian that all conditions to such deposit have been satisfied by the person depositing such Shares under the laws and regulations of Switzerland and any necessary approval has been granted by any applicable governmental body in Switzerland, if any. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares furnished by the Company or any such custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares.

Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement (A) any Shares or other securities required to be registered under the provisions of the Securities Act, unless (i) a registration statement is in effect as to such Shares or other securities or (ii) the deposit is made upon terms contemplated in Section 2.14, or (B) any Shares or other securities the deposit of which would violate any provisions of the Articles of Incorporation of the Company or the laws and regulations of Switzerland. For purposes of the foregoing sentence, the Depositary shall be entitled to rely upon representations and warranties made or deemed made pursuant to the Deposit Agreement and shall not be required to make any further investigation. The Depositary will comply with written instructions of the Company (received by the Depositary reasonably in advance) not to accept for deposit hereunder any Shares identified in such instructions at such times and under such circumstances as may reasonably be specified in such instructions in order to facilitate the Company's compliance with the securities laws of the United States.

**Section 2.4 Registration and Safekeeping of Deposited Securities.** The Depositary shall instruct the Custodian upon each Delivery of registered Shares being deposited hereunder with the Custodian (or other Deposited Securities pursuant to Article IV hereof), together with the other documents above specified, to present such Shares, together with the appropriate instrument(s) of transfer or endorsement, duly stamped, to the Share Registrar for transfer and registration of the Shares (as soon as transfer and registration can be accomplished and at the expense of the person for whom the deposit is made) in the name of the Depositary, the Custodian or a nominee of either. Deposited Securities shall be held by the Depositary, or by a Custodian for the account and to the order of the Depositary or a nominee of the Depositary, in each case, on behalf of the Holders and Beneficial Owners, at such place(s) as the Depositary or the Custodian shall determine. Notwithstanding anything else contained in the Deposit Agreement, any ADR(s), or any other instruments or agreements relating to the ADSs and the corresponding Deposited Property, the registration of the Deposited Securities in the name of the Depositary, the Custodian or any of their respective nominees, shall, to the maximum extent permitted by applicable law, vest in the Depositary, the Custodian or the applicable nominee the record ownership in the applicable Deposited Securities with the beneficial ownership rights and interests in such Deposited Securities being at all times vested with the Beneficial Owners of the ADSs representing the Deposited Securities. Notwithstanding the foregoing, the Depositary, the Custodian and the applicable nominee shall at all times be entitled to exercise the beneficial ownership rights in all Deposited Property, in each case only on behalf of the Holders and Beneficial Owners of the ADSs representing the Deposited Property, upon the terms set forth in the Deposit Agreement and, if applicable, the ADR(s) representing the ADSs. The Depositary, the Custodian and their respective nominees shall for all purposes be deemed to have all requisite

power and authority to act in respect of Deposited Property on behalf of the Holders and Beneficial Owners of ADSs representing the Deposited Property, and upon making payments to, or acting upon instructions from, or information provided by, the Depository, the Custodian or their respective nominees all persons shall be authorized to rely upon such power and authority.

**Section 2.5 Issuance of ADSs.** The Depository has made arrangements with the Custodian for the Custodian to confirm to the Depository upon receipt of a deposit of Shares (i) that a deposit of Shares has been made pursuant to Section 2.3, (ii) that such Deposited Securities have been recorded in the name of the Depository, the Custodian or a nominee of either on the shareholders' register maintained by or on behalf of the Company by the Share Registrar or on the books of the applicable book-entry settlement entity, (iii) that all required documents have been received, and (iv) the person(s) to whom or upon whose order ADSs are deliverable in respect thereof and the number of ADSs to be so delivered. Such notification may be made by letter, cable, telex, SWIFT message or, at the risk and expense of the person making the deposit, by facsimile or other means of electronic transmission. Upon receiving such notice from the Custodian, the Depository, subject to the terms and conditions of the Deposit Agreement and applicable law, shall issue the ADSs representing the Shares so deposited to or upon the order of the person(s) named in the notice delivered to the Depository and, if applicable, shall execute and deliver at its Principal Office Receipt(s) registered in the name(s) requested by such person(s) and evidencing the aggregate number of ADSs to which such person(s) is/are entitled, but, in each case, only upon payment to the Depository of the charges of the Depository for accepting a deposit of Shares and issuing ADSs (as set forth in Section 5.9 and Exhibit B hereto) and all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Shares and the issuance of the ADS(s). The Depository shall only issue ADSs in whole numbers and deliver, if applicable, ADR(s) evidencing whole numbers of ADSs.

### **Section 2.6 Transfer, Combination and Split-up of ADRs.**

**(a) Transfer.** The Registrar shall register the transfer of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depository shall (x) cancel such ADRs and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by the ADRs canceled by the Depository, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depository at its Principal Office for the purpose of effecting a transfer thereof, (ii) the surrendered ADRs have been properly endorsed or are accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) the surrendered ADRs have been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depository and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.*

**(b) Combination & Split-Up.** The Registrar shall register the split-up or combination of ADRs (and of the ADSs represented thereby) on the books maintained for such purpose and the Depository shall (x) cancel such ADRs and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by the ADRs canceled by the Depository, (y) cause the Registrar to countersign such new ADRs and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) the ADRs have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depository at its Principal Office for the purpose of effecting a split-up or combination thereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depository and all applicable taxes and governmental charges (as are

set forth in Section 5.9 and Exhibit B hereto) have been paid, *subject, however, in each case*, to the terms and conditions of the applicable ADRs, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

**Section 2.7 Surrender of ADSs and Withdrawal of Deposited Securities.** The Holder of ADSs shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depository at its Principal Office (and if applicable, the ADRs evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depository, the ADRs Delivered to the Depository for such purpose have been properly endorsed in blank or are accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depository, the Holder of the ADSs has executed and delivered to the Depository a written order directing the Depository to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depository and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B) have been paid, *subject, however, in each case*, to the terms and conditions of the ADRs evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Incorporation and of any applicable laws and the rules of the applicable book-entry settlement entity, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depository (i) shall cancel the ADSs Delivered to it (and, if applicable, the ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depository for such purpose, *subject however, in each case*, to the terms and conditions of the Deposit Agreement, of the ADRs evidencing the ADSs so canceled, of the Articles of Incorporation of the Company, of any applicable laws and of the rules of the applicable book-entry settlement entity, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depository shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depository shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depository, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depository and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in any ADR or the Deposit Agreement, the Depository may make delivery at the Principal Office of the Depository of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depository in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs, and for the account of such Holder, the Depository shall direct the Custodian to forward (to the extent permitted by law) any



Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depository for delivery at the Principal Office of the Depository. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

**Section 2.8 Limitations on Execution and Delivery, Transfer, etc. of ADSs; Suspension of Delivery, Transfer, etc.**

**(a) Additional Requirements.** As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depository or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of an ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depository as provided in Section 5.9 and Exhibit B, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of ADRs or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depository and the Company may establish consistent with the provisions of the representative ADR, if applicable, the Deposit Agreement and applicable law.

**(b) Additional Limitations.** The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfers of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depository, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depository or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or the representative ADR(s), if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases, to Section 7.8(a).

**(c) Regulatory Restrictions.** Notwithstanding any provision of the Deposit Agreement or any ADR(s) to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated herewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depository or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(1) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

**Section 2.9 Lost ADRs, etc.** In case any ADR shall be mutilated, destroyed, lost, or stolen, the Depository shall execute and deliver a new ADR of like tenor at the expense of the Holder (a) *in the case of a mutilated ADR*, in exchange of and substitution for such mutilated ADR upon cancellation thereof, or (b) *in the case of a destroyed, lost or stolen ADR*, in lieu of and in substitution for such destroyed, lost, or stolen ADR, after the Holder thereof (i) has submitted to the Depository a written request for such exchange and substitution before the Depository has notice that the ADR has been acquired by a bona fide purchaser, (ii) has provided such security or indemnity (including an indemnity bond) as may be required by the Depository to save it and any of its agents harmless, and (iii) has satisfied any other reasonable requirements

imposed by the Depositary, including, without limitation, evidence satisfactory to the Depositary of such destruction, loss or theft of such ADR, the authenticity thereof and the Holder's ownership thereof.

**Section 2.10 Cancellation and Destruction of Surrendered ADRs; Maintenance of Records.** All ADRs surrendered to the Depositary shall be canceled by the Depositary. Canceled ADRs shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable against the Depositary for any purpose. The Depositary is authorized to destroy ADRs so canceled, provided the Depositary maintains a record of all destroyed ADRs. Any ADSs held in book-entry form (*e.g.*, through accounts at DTC) shall be deemed canceled when the Depositary causes the number of ADSs evidenced by the Balance Certificate to be reduced by the number of ADSs surrendered (without the need to physically destroy the Balance Certificate).

**Section 2.11 Escheatment.** In the event any unclaimed property relating to the ADSs, for any reason, is in the possession of Depositary and has not been claimed by the Holder thereof or cannot be delivered to the Holder thereof through usual channels, the Depositary shall, upon expiration of any applicable statutory period relating to abandoned property laws, escheat such unclaimed property to the relevant authorities in accordance with the laws of each of the relevant States of the United States.

**Section 2.12 Partial Entitlement ADSs.** In the event any Shares are deposited which (i) entitle the holders thereof to receive a per-share distribution or other entitlement in an amount different from the Shares then on deposit or (ii) are not fully fungible (including, without limitation, as to settlement or trading) with the Shares then on deposit (the Shares then on deposit collectively, "Full Entitlement Shares" and the Shares with different entitlement, "Partial Entitlement Shares"), the Depositary shall (i) cause the Custodian to hold Partial Entitlement Shares separate and distinct from Full Entitlement Shares, and (ii) subject to the terms of the Deposit Agreement, issue ADSs representing Partial Entitlement Shares which are separate and distinct from the ADSs representing Full Entitlement Shares, by means of separate CUSIP numbering and legending (if necessary) and, if applicable, by issuing ADRs evidencing such ADSs with applicable notations thereon ("Partial Entitlement ADSs/ADRs" and "Full Entitlement ADSs/ADRs", respectively). If and when Partial Entitlement Shares become Full Entitlement Shares, the Depositary shall (a) give notice thereof to Holders of Partial Entitlement ADSs and give Holders of Partial Entitlement ADRs the opportunity to exchange such Partial Entitlement ADRs for Full Entitlement ADRs, (b) cause the Custodian to transfer the Partial Entitlement Shares into the account of the Full Entitlement Shares, and (c) take such actions as are necessary to remove the distinctions between (i) the Partial Entitlement ADRs and ADSs, on the one hand, and (ii) the Full Entitlement ADRs and ADSs on the other. Holders and Beneficial Owners of Partial Entitlement ADSs shall only be entitled to the entitlements of Partial Entitlement Shares. Holders and Beneficial Owners of Full Entitlement ADSs shall be entitled only to the entitlements of Full Entitlement Shares. All provisions and conditions of the Deposit Agreement shall apply to Partial Entitlement ADRs and ADSs to the same extent as Full Entitlement ADRs and ADSs, except as contemplated by this Section 2.12. The Depositary is authorized to take any and all other actions as may be necessary (including, without limitation, making the necessary notations on ADRs) to give effect to the terms of this Section 2.12. The Company agrees to give timely written notice to the Depositary if any Shares issued or to be issued are Partial Entitlement Shares and shall assist the Depositary with the establishment of procedures enabling the identification of Partial Entitlement Shares upon Delivery to the Custodian.

**Section 2.13 Certificated/Uncertificated ADSs.** Notwithstanding any other provision of the Deposit Agreement, the Depositary may, at any time and from time to time, issue ADSs that are not evidenced by ADRs (such ADSs, the "Uncertificated ADS(s)") and the ADS(s) evidenced by ADR(s), the "Certificated ADS(s)"). When issuing and maintaining Uncertificated ADS(s)

under the Deposit Agreement, the Depositary shall at all times be subject to (i) the standards applicable to registrars and transfer agents maintaining direct registration systems for equity securities in New York and issuing uncertificated securities under New York law, and (ii) the terms of New York law applicable to uncertificated equity securities. Uncertificated ADSs shall not be represented by any instruments but shall be evidenced by registration in the books of the Depositary maintained for such purpose. Holders of Uncertificated ADSs, that are not subject to any registered pledges, liens, restrictions or adverse claims of which the Depositary has notice at such time, shall at all times have the right to exchange the Uncertificated ADS(s) for Certificated ADS(s) of the same type and class, subject in each case to (x) applicable laws and any rules and regulations the Depositary may have established in respect of the Uncertificated ADSs, and (y) the continued availability of Certificated ADSs in the U.S. Holders of Certificated ADSs shall, if the Depositary maintains a direct registration system for the ADSs, have the right to exchange the Certificated ADSs for Uncertificated ADSs upon (i) the due surrender of the Certificated ADS(s) to the Depositary for such purpose and (ii) the presentation of a written request to that effect to the Depositary, subject in each case to (a) all liens and restrictions noted on the ADR evidencing the Certificated ADS(s) and all adverse claims of which the Depositary then has notice, (b) the terms of the Deposit Agreement and the rules and regulations that the Depositary may establish for such purposes hereunder, (c) applicable law, and (d) payment of the Depositary fees and expenses applicable to such exchange of Certificated ADS(s) for Uncertificated ADS(s). Uncertificated ADSs shall in all material respects be identical to Certificated ADS(s) of the same type and class, except that (i) no ADR(s) shall be, or shall need to be, issued to evidence Uncertificated ADS(s), (ii) Uncertificated ADS(s) shall, subject to the terms of the Deposit Agreement, be transferable upon the same terms and conditions as uncertificated securities under New York law, (iii) the ownership of Uncertificated ADS(s) shall be recorded on the books of the Depositary maintained for such purpose and evidence of such ownership shall be reflected in periodic statements provided by the Depositary to the Holder(s) in accordance with applicable New York law, (iv) the Depositary may from time to time, upon notice to the Holders of Uncertificated ADSs affected thereby, establish rules and regulations, and amend or supplement existing rules and regulations, as may be deemed reasonably necessary to maintain Uncertificated ADS(s) on behalf of Holders, provided that (a) such rules and regulations do not conflict with the terms of the Deposit Agreement and applicable law, and (b) the terms of such rules and regulations are readily available to Holders upon request, (v) the Uncertificated ADS(s) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless such Uncertificated ADS(s) is/are registered on the books of the Depositary maintained for such purpose, (vi) the Depositary may, in connection with any deposit of Shares resulting in the issuance of Uncertificated ADSs and with any transfer, pledge, release and cancellation of Uncertificated ADSs, require the prior receipt of such documentation as the Depositary may deem reasonably appropriate, and (vii) upon termination of the Deposit Agreement, the Depositary shall not require Holders of Uncertificated ADSs to affirmatively instruct the Depositary before remitting proceeds from the sale of the Deposited Property represented by such Holders' Uncertificated ADSs under the terms of Section 6.2. When issuing ADSs under the terms of the Deposit Agreement, including, without limitation, issuances pursuant to Sections 2.5, 4.2, 4.3, 4.4, 4.5 and 4.11, the Depositary may in its discretion determine to issue Uncertificated ADSs rather than Certificated ADSs, unless otherwise specifically instructed by the applicable Holder to issue Certificated ADSs. All provisions and conditions of the Deposit Agreement shall apply to Uncertificated ADSs to the same extent as to Certificated ADSs, except as contemplated by this Section 2.13. The Depositary is authorized and directed to take any and all actions and establish any and all procedures deemed reasonably necessary to give effect to the terms of this Section 2.13. Any references in the Deposit Agreement or any ADR(s) to the terms "American Depositary Share(s)" or "ADS(s)" shall, unless the context otherwise requires, include Certificated ADS(s) and Uncertificated ADS(s). Except as set forth in this Section 2.13 and except as required by applicable law, the Uncertificated ADSs shall be treated as ADSs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations

of parties hereto with respect to any Uncertificated ADSs, any conflict arises between (a) the terms of the Deposit Agreement (other than this Section 2.13) and (b) the terms of this Section 2.13, the terms and conditions set forth in this Section 2.13 shall be controlling and shall govern the rights and obligations of the parties to the Deposit Agreement pertaining to the Uncertificated ADSs.

**Section 2.14 Restricted ADSs.** The Depositary shall, at the request and expense of the Company, establish procedures enabling the deposit hereunder of Shares that are Restricted Securities in order to enable the holder of such Shares to hold its ownership interests in such Restricted Securities in the form of ADSs issued under the terms hereof (such Shares, “Restricted Shares”). Upon receipt of a written request from the Company to accept Restricted Shares for deposit hereunder, the Depositary agrees to establish procedures permitting the deposit of such Restricted Shares and the issuance of ADSs representing the right to receive, subject to the terms of the Deposit Agreement and the applicable ADR (if issued as a Certificated ADS), such deposited Restricted Shares (such ADSs, the “Restricted ADSs,” and the ADRs evidencing such Restricted ADSs, the “Restricted ADRs”). Notwithstanding anything contained in this Section 2.14, the Depositary and the Company may, to the extent not prohibited by law, agree to issue the Restricted ADSs in uncertificated form (“Uncertificated Restricted ADSs”) upon such terms and conditions as the Company and the Depositary may deem necessary and appropriate. The Company shall assist the Depositary in the establishment of such procedures and agrees that it shall take all steps necessary and satisfactory to the Depositary to ensure that the establishment of such procedures does not violate the provisions of the Securities Act or any other applicable laws. The depositors of such Restricted Shares and the Holders of the Restricted ADSs may be required prior to the deposit of such Restricted Shares, the transfer of the Restricted ADRs and Restricted ADSs or the withdrawal of the Restricted Shares represented by Restricted ADSs to provide such written certifications or agreements as the Depositary or the Company may require. The Company shall provide to the Depositary in writing the legend(s) to be affixed to the Restricted ADRs (if the Restricted ADSs are to be issued as Certificated ADSs), or to be included in the statements issued from time to time to Holders of Uncertificated ADSs (if issued as Uncertificated Restricted ADSs), which legends shall (i) be in a form reasonably satisfactory to the Depositary and (ii) contain the specific circumstances under which the Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, may be transferred or the Restricted Shares withdrawn. The Restricted ADSs issued upon the deposit of Restricted Shares shall be separately identified on the books of the Depositary and the Restricted Shares so deposited shall, to the extent required by law, be held separate and distinct from the other Deposited Securities held hereunder. The Restricted ADSs shall not be eligible for inclusion in any book-entry settlement system, including, without limitation, DTC (unless (x) otherwise agreed by the Company and the Depositary, (y) the inclusion of Restricted ADSs is acceptable to the applicable clearing system, and (z) the terms of such inclusion are generally accepted by the Commission for Restricted Securities of that type), and shall not in any way be fungible with the ADSs issued under the terms hereof that are not Restricted ADSs. The Restricted ADSs, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, shall be transferable only by the Holder thereof upon delivery to the Depositary of (i) all documentation otherwise contemplated by the Deposit Agreement and (ii) an opinion of counsel reasonably satisfactory to the Depositary setting forth, *inter alia*, the conditions upon which the Restricted ADSs presented, and, if applicable, the Restricted ADRs evidencing the Restricted ADSs, are transferable by the Holder thereof under applicable securities laws and the transfer restrictions contained in the legend applicable to the Restricted ADSs presented for transfer. Except as set forth in this Section 2.14 and except as required by applicable law, the Restricted ADSs and the Restricted ADRs evidencing Restricted ADSs shall be treated as ADSs and ADRs issued and outstanding under the terms of the Deposit Agreement. In the event that, in determining the rights and obligations of parties hereto with respect to any Restricted ADSs, any conflict arises between (a) the terms of the Deposit Agreement (other than this Section 2.14) and (b) the terms of (i) this Section 2.14 or (ii) the applicable Restricted ADR, the terms and conditions set forth in this

Section 2.14 and of the Restricted ADR shall be controlling and shall govern the rights and obligations of the parties to the Deposit Agreement pertaining to the deposited Restricted Shares, the Restricted ADSs and Restricted ADRs.

If the Restricted ADRs, the Restricted ADSs and the Restricted Shares cease to be Restricted Securities, the Depositary, upon receipt of (x) an opinion of counsel reasonably satisfactory to the Depositary setting forth, *inter alia*, that the Restricted ADRs, the Restricted ADSs and the Restricted Shares are not as of such time Restricted Securities, and (y) instructions from the Company to remove the restrictions applicable to the Restricted ADRs, the Restricted ADSs and the Restricted Shares, shall (i) eliminate the distinctions and separations that may have been established between the applicable Restricted Shares held on deposit under this Section 2.14 and the other Shares held on deposit under the terms of the Deposit Agreement that are not Restricted Shares, (ii) treat the newly unrestricted ADRs and ADSs on the same terms as, and fully fungible with, the other ADRs and ADSs issued and outstanding under the terms of the Deposit Agreement that are not Restricted ADRs or Restricted ADSs, and (iii) take all actions necessary to remove any distinctions, limitations and restrictions previously existing under this Section 2.14 between the applicable Restricted ADRs and Restricted ADSs, respectively, on the one hand, and the other ADRs and ADSs that are not Restricted ADRs or Restricted ADSs, respectively, on the other hand, including, without limitation, by making the newly-unrestricted ADSs eligible for inclusion in the applicable book-entry settlement systems.

### ARTICLE III

#### CERTAIN OBLIGATIONS OF HOLDERS AND BENEFICIAL OWNERS OF ADSs

**Section 3.1 Proofs, Certificates and Other Information.** Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or the ADR(s) evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and the applicable ADR(s). The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by the terms of Section 7.8(a), the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

**Section 3.2 Liability for Taxes and Other Charges.** Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or ADRs shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and ADRs, the Holder and the Beneficial Owner remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to Section 7.8(a)) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from (i) any ADSs held by such Holder and/or owned by such Beneficial Owner, (ii) the Deposited Property represented by the ADSs, and (iii) any transaction entered into by such Holder and/or Beneficial Owner in respect of the ADSs and/or the Deposited Property represented thereby. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, the obligations of Holders and Beneficial Owners under this Section 3.2 shall survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

**Section 3.3 Representations and Warranties on Deposit of Shares.** Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14), (vi) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vii) the deposit of the Shares does not violate any applicable provisions of the laws of Switzerland. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

**Section 3.4 Compliance with Information Requests.** Notwithstanding any provision included or incorporated by reference in the Deposit Agreement or any ADR(s) to any other effect, each Holder and Beneficial Owner agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of any stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed or the Articles of Incorporation of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and Shares as the case may be) and regarding the identity of any other person(s) interested in such ADSs and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

**Section 3.5 Ownership Restrictions.** Notwithstanding any provision included or incorporated by reference in the Deposit Agreement or any ADR(s) to any other effect, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described in this Section 3.5.

**Section 3.6 Reporting Obligations and Regulatory Approvals.** Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

## ARTICLE IV

### THE DEPOSITED SECURITIES

**Section 4.1 Cash Distributions.** Whenever the Company intends to make a distribution of a cash dividend or other cash distribution in respect of any Deposited Securities, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable for determining the holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon confirmation of the receipt of (x) any cash dividend or other cash distribution in respect of any Deposited Property (whether from the Company or otherwise), or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms hereof, the Depositary will (i) if any amounts are received in a Foreign Currency, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (subject to the terms and conditions of Section 4.8), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges set forth in the Fee Schedule attached hereto as Exhibit B, and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold

and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.1, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.1, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.1 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.2 Distribution in Shares.** Whenever the Company intends to make a distribution that consists of a dividend in, or free distribution of, Shares, the Company shall give notice thereof to the Depositary at least twenty (20) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution, specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution. Upon the timely receipt of such notice from the Company, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1. In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligation under Section 5.7, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.2, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.2,



and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.2 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.3 Elective Distributions in Cash or Shares.** Whenever the Company intends to make a distribution payable at the election of the holders of Deposited Securities in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such elective distribution and whether or not it wishes such elective distribution to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7. If the above conditions are not satisfied or if the Company requests such elective distribution not to be made available to Holders of ADSs, the Depositary shall establish the ADS Record Date on the terms described in Section 4.9 and, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in Switzerland in respect of the Shares for which no election is made, either (X) cash upon the terms described in Section 4.1 or (Y) additional ADSs representing such additional Shares upon the terms described in Section 4.2. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date on the terms described in Section 4.9 and establish procedures to enable Holders to elect the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed distribution (X) in cash, the distribution shall be made upon the terms described in Section 4.1, or (Y) in ADSs, the distribution shall be made upon the terms described in Section 4.2. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in this Section 4.3, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.3, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.3 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.4 Distribution of Rights to Purchase Additional ADSs.**

**(a) Distribution to ADS Holders.** Whenever the Company intends to distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the proposed distribution specifying, *inter alia*, the record date applicable to holders of Deposited Securities entitled to receive such distribution and whether or not it wishes such rights to be made available to Holders of ADSs. Upon the timely receipt of a notice indicating that the Company wishes such rights to be made available to Holders of ADSs, the Depositary shall consult with the Company

to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) below. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs).

**(b) Sale of Rights.** If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7, or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Section 4.1.

**(c) Lapse of Rights.** If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) or to arrange for the sale of the rights upon the terms described in Section 4.4(b), the Depositary shall allow such rights to lapse.

The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in this Section 4.4, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws.

In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders

of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

#### **Section 4.5 Distributions Other Than Cash, Shares or Rights to Purchase Shares.**

**(a)** Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give timely notice thereof to the Depositary and shall indicate whether or not it wishes such distribution to be made to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such distribution to be made to Holders of ADSs, the Depositary shall consult with the Company, and the Company shall assist the Depositary, to determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

**(b)** Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders of ADSs and after making the requisite determinations set forth in (a) above, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

**(c)** If (i) the Company does not request the Depositary to make such distribution to Holders or requests the Depositary not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms of Section 4.1. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

**(d)** Neither the Depositary nor the Company shall be liable for (i) any failure to accurately determine whether it is lawful or practicable to make the property described in this

Section 4.5 available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

**Section 4.6 Distributions with Respect to Deposited Securities in Bearer Form.** Subject to the terms of this Article IV, distributions in respect of Deposited Securities that are held by the Depositary or the Custodian in bearer form shall be made to the Depositary for the account of the respective Holders of ADS(s) with respect to which any such distribution is made upon due presentation by the Depositary or the Custodian to the Company of any relevant coupons, talons, or certificates. The Company shall promptly notify the Depositary of such distributions. The Depositary or the Custodian shall promptly present such coupons, talons or certificates, as the case may be, in connection with any such distribution.

**Section 4.7 Redemption.** If the Company intends to exercise any right of redemption in respect of any of the Deposited Securities, the Company shall give notice thereof to the Depositary at least sixty (60) days (or such other number of days as mutually agreed to in writing by the Depositary and the Company) prior to the intended date of redemption which notice shall set forth the particulars of the proposed redemption. Upon timely receipt of (i) such notice and (ii) satisfactory documentation given by the Company to the Depositary within the terms of Section 5.7, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in this Section 4.7, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in this Section 4.7, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in this Section 4.7 where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**Section 4.8 Conversion of Foreign Currency.** Whenever the Depositary or the Custodian shall receive Foreign Currency, by way of dividends or other distributions or the net proceeds from the sale of Deposited Property, which in the judgment of the Depositary can at such time be converted on a practicable basis, by sale or in any other manner that it may determine in accordance with applicable law, into Dollars transferable to the United States and distributable to the Holders entitled thereto, the Depositary shall convert or cause to be converted, by sale or in any other manner that it may reasonably determine, such Foreign Currency into Dollars, and shall distribute such Dollars (net of the fees and charges set forth in the Fee Schedule attached hereto as Exhibit B, and applicable taxes withheld) in accordance with the terms of the applicable sections of the Deposit Agreement. The Depositary and/or its agent

(which may be a division, branch or Affiliate of the Depositary) may act as principal for any conversion of Foreign Currency. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise.

If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have authority to file such application for approval or license, if any, as it may deem desirable. In no event, however, shall the Depositary be obligated to make such a filing.

If at any time the Depositary shall determine that in its judgment the conversion of any Foreign Currency and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer and distribution is denied or, in the opinion of the Depositary, not obtainable at a reasonable cost or within a reasonable period, the Depositary may, in its discretion, (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, or (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

**Section 4.9 Fixing of ADS Record Date.** Whenever (a) the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights, or other distribution), (b) for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, (c) the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or (d) the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the “ADS Record Date”) for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in Switzerland and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law and the provisions of Section 4.1 through 4.8 and to the other terms and conditions of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

**Section 4.10 Voting of Deposited Securities.** As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such meeting or consent or proxy solicitation), at the Company’s expense and provided no U.S. legal

prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given.

Notwithstanding anything contained in the Deposit Agreement or any ADR, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (*e.g.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, Articles of Incorporation of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs in accordance with such voting instructions.

Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted. Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to take all steps necessary to enable the independent proxy holder, as elected by the shareholders of the Company, to vote in accordance with the written proposals or recommendations of the Company's Board of Directors.

Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or any ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the law of Switzerland to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions reasonably requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depository, or otherwise take action, in a timely manner.

**Section 4.11 Changes Affecting Deposited Securities.** Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depository or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and the ADSs shall, subject to the provisions of the Deposit Agreement, any ADR(s) evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depository may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depository, and (b) applicable taxes) and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depository that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depository, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADRs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depository may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel reasonably satisfactory to the Depository that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depository and (b) applicable taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1. The Depository shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such Deposited Property.

**Section 4.12 Available Information.** The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website ([www.sec.gov](http://www.sec.gov)) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549.

**Section 4.13 Reports.** The Depository shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depository, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depository shall also

provide or make available to Holders copies of such reports when furnished by the Company pursuant to Section 5.6.

**Section 4.14 List of Holders.** Promptly upon written request by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of ADSs of all Holders.

**Section 4.15 Taxation.** The Depositary will, and will instruct the Custodian to, forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file the necessary tax reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Property under applicable tax treaties or laws for the Holders and Beneficial Owners. In accordance with instructions from the Company and to the extent practicable, the Depositary or the Custodian will take reasonable administrative actions to obtain tax refunds, reduced withholding of tax at source on dividends and other benefits under applicable tax treaties or laws with respect to dividends and other distributions on the Deposited Property. As a condition to receiving such benefits, Holders and Beneficial Owners of ADSs may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law. The Depositary and the Company shall have no obligation or liability to any person if any Holder or Beneficial Owner fails to provide such information or if such information does not reach the relevant tax authorities in time for any Holder or Beneficial Owner to obtain the benefits of any tax treatment. The Holders and Beneficial Owners shall indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

If the Company (or any of its agents) withholds from any distribution any amount on account of taxes or governmental charges, or pays any other tax in respect of such distribution (*e.g.*, stamp duty tax, capital gains or other similar tax), the Company shall (or shall cause such agent to) remit promptly to the Depositary information about such taxes or governmental charges withheld or paid, and, if so requested, the tax receipt (or other proof of payment to the applicable governmental authority) therefor, in each case, in a form reasonably satisfactory to the Depositary. The Depositary shall, to the extent required by U.S. law, report to Holders any taxes withheld by it or the Custodian, and, if such information is provided to it by the Company, any taxes withheld by the Company. The Depositary and the Custodian shall not be required to provide the Holders with any evidence of the remittance by the Company (or its agents) of any taxes withheld, or of the payment of taxes by the Company, except to the extent the evidence is provided by the Company to the Depositary or the Custodian, as applicable. Neither the Depositary nor the Custodian shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability.

The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the ADSs, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Passive Foreign Investment Company" (in each case as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.



## ARTICLE V

### THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

**Section 5.1 Maintenance of Office and Transfer Books by the Registrar.** Until termination of the Deposit Agreement in accordance with its terms, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the issuance and delivery of ADSs, the acceptance for surrender of ADS(s) for the purpose of withdrawal of Deposited Securities, the registration of issuances, cancellations, transfers, combinations and split-ups of ADS(s) and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in each case in accordance with the provisions of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to Section 7.8(a).

If any ADSs are listed on one or more stock exchanges or automated quotation systems in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registration of issuances, cancellations, transfers, combinations and split-ups of ADSs and, if applicable, to countersign ADRs evidencing the ADSs so issued, transferred, combined or split-up, in accordance with any requirements of such exchanges or systems. Such Registrar or co-registrars may be removed and a substitute or substitutes appointed by the Depositary. As promptly as practicable, the Depositary shall notify the Company of any such removal or appointment.

**Section 5.2 Exoneration.** Notwithstanding anything contained in the Deposit Agreement or any ADR, neither the Depositary nor the Company shall be obligated to do or perform any act or thing which is inconsistent with the provisions of the Deposit Agreement or incur any liability (to the extent not limited by Section 7.8(b)) (i) if the Depositary, the Custodian, the Company or their respective agents shall be prevented or forbidden from, hindered or delayed in, doing or performing any act or thing required or contemplated by the terms of the Deposit Agreement, by reason of any provision of any present or future law or regulation of the United States, Switzerland or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Incorporation of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or other event or circumstance beyond its control (including, without limitation, fire, flood, earthquake, tornado, hurricane, tsunami, explosion, or other natural disaster, nationalization, expropriation, currency restriction, work stoppage, strikes, civil unrest, act of war (whether declared or not) or terrorism, revolution, rebellion, embargo, computer failure, failure of public infrastructure (including communication or utility failure), failure of common carriers, nuclear, cyber or biochemical incident, any pandemic, epidemic or other prevalent disease or illness with an actual or probable threat to human life, any quarantine order or travel restriction imposed by a governmental authority or other competent public health authority, or the failure or unavailability of the United States Federal Reserve Bank (or other central banking system) or DTC (or other clearing system)), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Incorporation of the Company or provisions of

or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, (v) for any action or inaction of any clearing or settlement system (and any participant thereof) for the Deposited Property or the ADSs, or (vi) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement.

The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

**Section 5.3 Standard of Care.** The Company and the Depositary assume no obligation and shall not be subject to any liability under the Deposit Agreement or any ADRs to any Holder(s) or Beneficial Owner(s), except that the Company and the Depositary agree to perform their respective obligations specifically set forth in the Deposit Agreement or the applicable ADRs without negligence or bad faith.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with

any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

**Section 5.4 Resignation and Removal of the Depositary; Appointment of Successor Depositary.** The Depositary may at any time resign as Depositary hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its commercially reasonable efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9). The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall, (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9), (ii) duly assign, transfer and deliver all of the Depositary's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders.

Any entity into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

**Section 5.5 The Custodian.** The Depositary has initially appointed Citibank N.A. London Branch as Custodian for the purpose of the Deposit Agreement. The Custodian or its successors in acting hereunder shall be authorized to act as custodian in Switzerland and shall be subject at all times and in all respects to the direction of the Depositary for the Deposited Property for which the Custodian acts as custodian and shall be responsible solely to it. If any Custodian resigns or is discharged from its duties hereunder with respect to any Deposited Property and no other Custodian has previously been appointed hereunder, the Depositary shall promptly appoint a substitute custodian. The Depositary shall require such resigning or discharged Custodian to Deliver, or cause the Delivery of, the Deposited Property held by it, together with all such records maintained by it as Custodian with respect to such Deposited Property as the Depositary may request, to the Custodian designated by the Depositary. Whenever the Depositary determines, in its discretion, that it is appropriate to do so, it may appoint an additional custodian with respect to any Deposited Property, or discharge the Custodian with respect to any Deposited Property and appoint a substitute custodian, which shall thereafter be Custodian hereunder with respect to the Deposited Property. Immediately upon any such change, the Depositary shall give notice thereof in writing to all Holders of ADSs, each other Custodian and the Company.

Citibank may at any time act as Custodian of the Deposited Property pursuant to the Deposit Agreement, in which case any reference to Custodian shall mean Citibank solely in its capacity as Custodian pursuant to the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement or any ADR to the contrary, the Depositary shall not be obligated to give notice to the Company, any Holders of ADSs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreement.

Upon the appointment of any successor depositary, any Custodian then acting hereunder shall, unless otherwise instructed by the Depositary, continue to be the Custodian of the Deposited Property without any further act or writing, and shall be subject to the direction of the successor depositary. The successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority to act on the direction of such successor depositary.

**Section 5.6 Notices and Reports.** On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of Deposited Securities, the Company shall transmit to the Depositary and the Custodian a copy of the notice thereof in the English language but otherwise in the form given or to be given to holders of Shares or other Deposited Securities. The Company shall also furnish to the Custodian and the Depositary a summary, in English, of any applicable provisions or proposed provisions of the Articles of Incorporation of the Company that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The Company will also transmit to the Depositary (a) an English language version of the other notices, reports and communications which are made generally available by the Company to holders of its Shares or other Deposited Securities and (b) the English-language versions of the Company's annual and semi-annual reports prepared in accordance with the applicable requirements of the Commission to the extent such notices, reports and communications are not available on the Company's website or are not otherwise publicly available. The Depositary shall arrange, at the request of the Company and at the Company's expense, to provide copies thereof to all Holders or make such notices, reports and other communications available to all Holders on a basis similar to that for holders of Shares or other Deposited Securities or on such other basis as the Company may advise the Depositary or as may be required by any applicable law, regulation or stock exchange requirement. The Company has made available to the Depositary and the Custodian a copy of the Company's Articles of Incorporation along with the provisions of or governing the Shares and any other Deposited Securities issued by the Company in connection with such Shares, and promptly upon any amendment thereto or change therein, the Company shall deliver to the Depositary and the Custodian a copy of such amendment thereto or change therein. The Depositary may rely upon such copy for all purposes of the Deposit Agreement.

The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders of the ADSs at the Depositary's Principal Office, at the office of the Custodian and at any other designated transfer office.

**Section 5.7 Issuance of Additional Shares, ADSs etc.** The Company agrees that in the event it or any of its Affiliates proposes (i) an issuance, sale or distribution of additional Shares, (ii) an offering of rights to subscribe for Shares or other Deposited Securities, (iii) an issuance or assumption of securities convertible into or exchangeable for Shares, (iv) an issuance of rights to

subscribe for securities convertible into or exchangeable for Shares, (v) an elective dividend of cash or Shares, (vi) a redemption of Deposited Securities, (vii) a meeting of holders of Deposited Securities, or solicitation of consents or proxies, relating to any reclassification of securities, merger or consolidation or transfer of assets, (viii) any assumption, reclassification, recapitalization, reorganization, merger, consolidation or sale of assets which affects the Deposited Securities, or (ix) a distribution of securities other than Shares, it will obtain U.S. legal advice and take all steps necessary to ensure that the application of the proposed transaction to Holders and Beneficial Owners does not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.). In support of the foregoing, the Company will furnish to the Depositary (a) a written opinion of U.S. counsel (reasonably satisfactory to the Depositary) stating whether such transaction (1) requires a registration statement under the Securities Act to be in effect or (2) is exempt from the registration requirements of the Securities Act and (b) an opinion of Swiss counsel stating that (1) making the transaction available to Holders and Beneficial Owners does not violate the laws or regulations of Switzerland and (2) all requisite regulatory consents and approvals have been obtained in Switzerland. If the filing of a registration statement is required, the Depositary shall not have any obligation to proceed with the transaction unless it shall have received evidence reasonably satisfactory to it that such registration statement has been declared effective. If, being advised by counsel, the Company determines that a transaction is required to be registered under the Securities Act, the Company will either (i) register such transaction to the extent necessary, (ii) alter the terms of the transaction to avoid the registration requirements of the Securities Act or (iii) direct the Depositary to take specific measures, in each case as contemplated in the Deposit Agreement, to prevent such transaction from violating the registration requirements of the Securities Act. The Company agrees with the Depositary that neither the Company nor any of its Affiliates will at any time (i) deposit any Shares or other Deposited Securities, either upon original issuance or upon a sale of Shares or other Deposited Securities previously issued and reacquired by the Company or by any such Affiliate, or (ii) issue additional Shares, rights to subscribe for such Shares, securities convertible into or exchangeable for Shares or rights to subscribe for such securities or distribute securities other than Shares, unless such transaction and the securities issuable in such transaction do not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act and the securities laws of the states of the U.S.).

Notwithstanding anything else contained in the Deposit Agreement, nothing in the Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

**Section 5.8 Indemnification.** The Depositary agrees to indemnify the Company and its directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the documented reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary under the terms hereof due to the negligence or bad faith of the Depositary.

The Company agrees to indemnify the Depositary, the Custodian and any of their respective directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the documented reasonable fees and expenses of counsel) that may arise (a) out of, or in connection with, any offer, issuance, sale, resale, transfer, deposit or withdrawal of ADRs, ADSs, the Shares, or other Deposited Securities, as the case may be, (b) out of, or as a result of, any offering documents in respect thereof or (c) out of acts performed or omitted, including, but not limited to, any delivery by the Depositary on behalf of the Company of information regarding the Company, in connection with the Deposit Agreement, any ancillary

or supplemental agreement entered into between the Company and the Depositary, the ADRs, the ADSs, the Shares, or any Deposited Property, in any such case (i) by the Depositary, the Custodian or any of their respective directors, officers, employees, agents and Affiliates, except to the extent such loss, liability, tax, charge or expense is due to the negligence or bad faith of any of them, or (ii) by the Company or any of its directors, officers, employees, agents and Affiliates. The Company shall not indemnify the Depositary or the Custodian (for so long as the Custodian is a branch of Citibank) against (x) any liability or expense arising out of information relating to the Depositary or such Custodian, as the case may be, furnished in a signed writing to the Company, executed by the Depositary expressly for use in any registration statement, prospectus or preliminary prospectus relating to any Deposited Securities represented by the ADSs, or (y) any fees, charges or expenses payable by Holders or Beneficial Owners other than the Company under this Deposit Agreement.

The obligations set forth in this Section shall survive the termination of the Deposit Agreement and the succession or substitution of any party hereto.

Any person seeking indemnification hereunder (an “indemnified person”) shall notify the person from whom it is seeking indemnification (the “indemnifying person”) of the commencement of any indemnifiable action or claim promptly after such indemnified person becomes aware of such commencement (provided that the failure to make such notification shall not affect such indemnified person’s rights to seek indemnification except to the extent the indemnifying person is materially prejudiced by such failure) and shall consult in good faith with the indemnifying person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable in the circumstances. No indemnified person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the indemnifying person, which consent shall not be unreasonably withheld.

**Section 5.9 ADS Fees and Charges.** The Company, the Holders, the Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with the issuance and cancellation of ADSs, and persons receiving ADSs upon issuance or whose ADSs are being cancelled shall be required to pay the Depositary’s fees and related charges identified as payable by them respectively in the Fee Schedule attached hereto as Exhibit B. All ADS fees and charges so payable may be deducted from distributions or must be remitted to the Depositary, or its designee, and may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated in Section 6.1. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other

than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

**Section 5.10 Restricted Securities Owners.** The Company agrees to advise in writing each of the persons or entities who, to the knowledge of the Company, holds Restricted Securities that such Restricted Securities are ineligible for deposit hereunder (except under the circumstances contemplated in Section 2.14) and, to the extent practicable, shall require each of such persons to represent in writing that such person will not deposit Restricted Securities hereunder (except under the circumstances contemplated in Section 2.14).

## ARTICLE VI

### AMENDMENT AND TERMINATION

**Section 6.1 Amendment/Supplement.** Subject to the terms and conditions of this Section 6.1 and applicable law, the ADRs outstanding at any time, the provisions of the Deposit Agreement and the form of ADR attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice

invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (*e.g.*, upon retrieval from the Commission's, the Depository's or the Company's website or upon request from the Depository). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depository) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial existing rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and the ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depository may amend or supplement the Deposit Agreement and any ADRs at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and any ADRs in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

**Section 6.2 Termination.** The Depository shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If (i) ninety (90) days shall have expired after the Depository shall have delivered to the Company a written notice of its election to resign, or (ii) ninety (90) days shall have expired after the Company shall have delivered to the Depository a written notice of the removal of the Depository, and, in either case, a successor depository shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depository may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depository to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depository shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement.

If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depository shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depository shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depository (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depository, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depository under the Deposit Agreement.



At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

## ARTICLE VII

### MISCELLANEOUS

**Section 7.1 Counterparts.** The Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts together shall constitute one and the same agreement. Copies of the Deposit Agreement shall be maintained with the Depositary and shall be open to inspection by any Holder during business hours.

**Section 7.2 No Third-Party Beneficiaries/Acknowledgments.** The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may own and deal in any class of securities of the Company and its Affiliates and in ADSs, and may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such transactions or relationships, (v) the Depositary shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates, and (vi) the Company, the Depositary, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and Switzerland, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders

of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

The Depository may execute transactions contemplated herein (*e.g.*, foreign currency conversions, and sales of Deposited Property) through one or more divisions of Citibank or through one or more Citibank Affiliates, and any such entity may act as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and may earn and retain revenue from such transactions, including, without, without limitation, transaction spreads, commissions, etc. The Depository does not guarantee or represent that the price or rate obtained in any such transaction, or the method for obtaining such price or rate, will be the most favorable that could be obtained at that time.

**Section 7.3 Severability.** In case any one or more of the provisions contained in the Deposit Agreement or in the ADRs should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

**Section 7.4 Holders and Beneficial Owners as Parties; Binding Effect.** The Holders and Beneficial Owners from time to time of ADSs issued hereunder shall be parties to the Deposit Agreement and shall be bound by all of the terms and conditions hereof and of any ADR evidencing their ADSs by acceptance thereof or any beneficial interest therein.

**Section 7.5 Notices.** Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Molecular Partners AG, Wagistrasse 14, 8952 Schlieren, Switzerland, Attention: Company Secretary, or to any other address which the Company may specify in writing to the Depository.

Any and all notices to be given to the Depository shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter personally delivered or sent by mail or air courier, addressed to Citibank, N.A., 388 Greenwich Street, New York, New York 10013, U.S.A., Attention: Depository Receipts Department, or to any other address which the Depository may specify in writing to the Company.

Any and all notices to be given to any Holder shall be deemed to have been duly given (a) if personally delivered or sent by mail or cable, telex or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the books of the Depository or, if such Holder shall have filed with the Depository a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of ADSs held by such other Holders. Any notices given to DTC under the terms of the Deposit Agreement shall (unless otherwise specified by the Depository) constitute notice to the DTC Participants who hold the ADSs in their DTC accounts and to the Beneficial Owners of such ADSs.

Delivery of a notice sent by mail, air courier or cable, telex or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage

prepaid, in a post-office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any cable, telex or facsimile transmission received by it from any Holder, the Custodian, the Depositary, or the Company, notwithstanding that such cable, telex or facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

**Section 7.6 Governing Law and Jurisdiction.** The Deposit Agreement, the ADRs and the ADSs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement to the contrary, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of Switzerland (or, if applicable, such other laws as may govern the Deposited Securities).

Except as set forth in the following paragraph of this Section 7.6, the Company and the Depositary agree that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with the Deposit Agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts. The Company hereby irrevocably designates, appoints and empowers Molecular Partners Inc. (the "Agent") now at 245 Main Street, Cambridge, Massachusetts 02142, United States of America as its authorized agent to receive and accept for and on its behalf, and on behalf of its properties, assets and revenues, service by mail of any and all legal process, summons, notices and documents that may be served in any suit, action or proceeding brought against the Company in any federal or state court as described in the preceding sentence or in the next paragraph of this Section 7.6. If for any reason the Agent shall cease to be available to act as such, the Company agrees to designate a new agent in New York on the terms and for the purposes of this Section 7.6 reasonably satisfactory to the Depositary. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding against the Company, by service by mail of a copy thereof upon the Agent (whether or not the appointment of such Agent shall for any reason prove to be ineffective or such Agent shall fail to accept or acknowledge such service), with a copy mailed to the Company by registered or certified air mail, postage prepaid, to its address provided in Section 7.5. The Company agrees that the failure of the Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

Notwithstanding the foregoing, the Depositary and the Company unconditionally agree that in the event that any Holder or Beneficial Owner, or any third-party, brings a suit, action or proceeding against (a) the Company, (b) the Depositary in its capacity as Depositary under the Deposit Agreement or (c) against both the Company and the Depositary, in any such case, in any state or federal court of the United States, and the Depositary or the Company have any claim, for indemnification or otherwise, against each other arising out of the subject matter of such suit, action or proceeding, then the Company and the Depositary may pursue such claim against each other in the state or federal court in the United States in which such suit, action, or proceeding is pending and, for such purposes, the Company and the Depositary irrevocably submit to the non-exclusive jurisdiction of such courts. The Company agrees that service of process upon the Agent

in the manner set forth in the preceding paragraph shall be effective service upon it for any suit, action or proceeding brought against it as described in this paragraph.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any actions, suits or proceedings brought in any court as provided in this Section 7.6, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of immunity from legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, from execution of judgment, or from any other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, and consents to such relief and enforcement against it, its assets and its revenues in any jurisdiction, in each case with respect to any matter arising out of, or in connection with, the Deposit Agreement, any ADR or the Deposited Property.

**EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).**

The provisions of this Section 7.6 shall survive any termination of the Deposit Agreement, in whole or in part.

**Section 7.7 Assignment.** Subject to the provisions of Section 5.4, the Deposit Agreement may not be assigned by either the Company or the Depositary.

**Section 7.8 Compliance with, and No Disclaimer under, U.S. Securities Laws.**

(a) Notwithstanding anything in the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner), acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

**Section 7.9 Switzerland Law References.** Any summary of the laws and regulations of Switzerland and of the terms of the Company's Articles of Incorporation set forth in the Deposit Agreement have been provided by the Company solely for the convenience of Holders, Beneficial Owners and the Depositary. While such summaries are believed by the Company to be accurate as of the date of the Deposit Agreement, (i) they are summaries and as such may not include all aspects of the materials summarized applicable to a Holder or Beneficial Owner, and (ii) these laws and regulations and the Company's Articles of Incorporation may change after the date of the Deposit Agreement. Neither the Depositary nor the Company has any obligation under the terms of the Deposit Agreement to update any such summaries.

## **Section 7.10 Titles and References.**

**(a) Deposit Agreement.** All references in the Deposit Agreement to exhibits, articles, sections, subsections, and other subdivisions refer to the exhibits, articles, sections, subsections and other subdivisions of the Deposit Agreement unless expressly provided otherwise. The words “the Deposit Agreement”, “herein”, “hereof”, “hereby”, “hereunder”, and words of similar import refer to the Deposit Agreement as a whole as in effect at the relevant time between the Company, the Depository and the Holders and Beneficial Owners of ADSs and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to sections of the Deposit Agreement are included for convenience only and shall be disregarded in construing the language contained in the Deposit Agreement. References to “applicable laws and regulations” shall refer to laws and regulations applicable to ADRs, ADSs or Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

**(b) ADRs.** All references in any ADR(s) to paragraphs, exhibits, articles, sections, subsections, and other subdivisions refer to the paragraphs, exhibits, articles, sections, subsections and other subdivisions of the ADR(s) in question unless expressly provided otherwise. The words “the Receipt”, “the ADR”, “herein”, “hereof”, “hereby”, “hereunder”, and words of similar import used in any ADR refer to the ADR as a whole and as in effect at the relevant time, and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender in any ADR shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and *vice versa* unless the context otherwise requires. Titles to paragraphs of any ADR are included for convenience only and shall be disregarded in construing the language contained in the ADR. References to “applicable laws and regulations” shall refer to laws and regulations applicable to the Company, the Depository, the Custodian, their agents and controlling persons, the ADRs, the ADSs and the Deposited Property as in effect at the relevant time of determination, unless otherwise required by law or regulation.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, MOLECULAR PARTNERS AG and CITIBANK, N.A. have duly executed the Deposit Agreement as of the day and year first above set forth and all Holders and Beneficial Owners shall become parties hereto upon acceptance by them of ADSs issued in accordance with the terms hereof, or upon acquisition of any beneficial interest therein.

MOLECULAR PARTNERS AG

By: /s/ Andreas Emmenegger  
Name: Andreas Emmenegger  
Title: Chief Financial Officer

CITIBANK, N.A.

By: /s/ Keith Galfo  
Name: Keith Galfo  
Title: Vice President

[DEPOSIT AGREEMENT]

**EXHIBIT A  
[FORM OF ADR]**

Number \_\_\_\_\_

CUSIP NUMBER: \_\_\_\_\_

American Depositary Shares (each American  
Depositary Share representing the right to receive  
one (1) fully paid common share)

AMERICAN DEPOSITARY RECEIPT

for

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED COMMON SHARES

of

MOLECULAR PARTNERS AG

(Incorporated under the laws of Switzerland)

CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America, as depositary (the "Depositary"), hereby certifies that \_\_\_\_\_ is the owner of \_\_\_\_\_ American Depositary Shares (hereinafter "ADS") representing deposited common shares, including evidence of rights to receive such common shares (the "Shares"), of Molecular Partners AG, a corporation incorporated under the laws of Switzerland (the "Company"). As of the date of issuance of this ADR, each ADS represents the right to receive one Share deposited under the Deposit Agreement (as hereinafter defined) with the Custodian, which at the date of issuance of this ADR is Citibank N.A. London Branch (the "Custodian"). The ADS(s)-to-Share(s) ratio is subject to amendment as provided in Articles IV and VI of the Deposit Agreement. The Depositary's Principal Office is located at 388 Greenwich Street, New York, New York 10013, U.S.A.

**(1) The Deposit Agreement.** This American Depositary Receipt is one of an issue of American Depositary Receipts ("ADRs"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of \_\_\_\_\_, 2021 (as amended and supplemented from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of ADSs issued thereunder. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of ADSs and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other Deposited Property (as defined in the Deposit Agreement) from time to time received and held on deposit in respect of the ADSs. Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and with the Custodian. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement, shall be deemed for all purposes to (a) be a party to and bound by the terms of the Deposit Agreement and the applicable ADR(s), and

(b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable ADR(s), to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable ADR(s), the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof. The manner in which a Beneficial Owner holds ADSs (e.g., in a brokerage account vs. as registered holder) may affect the rights and obligations of, the manner in which, and the extent to which, services are made available to, Beneficial Owners pursuant to the terms of the Deposit Agreement.

The statements made on the face and reverse of this ADR are summaries of certain provisions of the Deposit Agreement and the Articles of Incorporation (as in effect on the date of the signing of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement and the Articles of Incorporation, to which reference is hereby made.

All capitalized terms not defined herein shall have the meanings ascribed thereto in the Deposit Agreement.

The Depositary makes no representation or warranty as to the validity or worth of the Deposited Property. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs. The Depositary may issue Uncertificated ADSs subject, however, to the terms and conditions of Section 2.13 of the Deposit Agreement.

**(2) Surrender of ADSs and Withdrawal of Deposited Securities.** The Holder of this ADR (and of the ADSs evidenced hereby) shall be entitled to Delivery (at the Custodian's designated office) of the Deposited Securities at the time represented by the ADSs evidenced hereby upon satisfaction of each of the following conditions: (i) the Holder (or a duly-authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office the ADSs evidenced hereby (and, if applicable, this ADR evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if applicable and so required by the Depositary, this ADR Delivered to the Depositary for such purpose has been properly endorsed in blank or is accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Incorporation and of any applicable laws and the rules of the applicable book-entry settlement entity, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, this ADR(s) evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver, or cause the Delivery of, in each case, without unreasonable delay, the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, *subject however, in each case*, to the terms and conditions of the



Deposit Agreement, of this ADR evidencing the ADS so canceled, of the Articles of Incorporation of the Company, of any applicable laws and of the rules of the applicable book-entry settlement entity, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one (1) Share. In the case of Delivery to it of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADSs so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in this ADR or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of Deposited Property consisting of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any non-cash distributions, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs represented by this ADR, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any Deposited Property (other than Deposited Securities) held by the Custodian in respect of such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

**(3) Transfer, Combination and Split-up of ADRs.** The Registrar shall register the transfer of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs evidencing the same aggregate number of ADSs as those evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) this surrendered ADR has been properly endorsed or is accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) this surrendered ADR has been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to, the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

The Registrar shall register the split-up or combination of this ADR (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall (x) cancel this ADR and execute new ADRs for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by this ADR canceled by the Depositary, (y) cause the Registrar to countersign such new ADRs, and (z) Deliver such new ADRs to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) this ADR has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination hereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 of, and Exhibit B to,

the Deposit Agreement) have been paid, *subject, however, in each case*, to the terms and conditions of this ADR, of the Deposit Agreement and of applicable law, in each case as in effect at the time thereof.

**(4) Pre-Conditions to Registration, Transfer, Etc.** As a condition precedent to the execution and Delivery, the registration of issuance, transfer, split-up, combination or surrender, of any ADS, the delivery of any distribution thereon, or the withdrawal of any Deposited Property, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of this ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 of, and Exhibit B to, the Deposit Agreement and in this ADR, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 of the Deposit Agreement, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and Delivery of this ADR or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of this ADR, if applicable, the Deposit Agreement and applicable law.

The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of ADSs in particular instances may be refused, or the registration of transfer of ADSs generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law or regulation, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of the Deposit Agreement or this ADR, if applicable, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases to Section 7.8(a) of the Deposit Agreement and paragraph (25) of this ADR. Notwithstanding any provision of the Deposit Agreement or this ADR to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities associated therewith at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Instruction I.A.(1) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

**(5) Compliance with Information Requests.** Notwithstanding any other provision included or incorporated by reference in the Deposit Agreement or this ADR to any other effect, each Holder and Beneficial Owner of the ADSs represented hereby agrees to comply with requests from the Company pursuant to applicable law, the rules and requirements of any stock exchange on which the Shares or ADSs are, or will be, registered, traded or listed, or the Articles of Incorporation of the Company, which are made to provide information, *inter alia*, as to the capacity in which such Holder or Beneficial Owner owns ADSs (and the Shares represented by such ADSs, as the case may be) and regarding the identity of any other person(s) interested in such ADSs (and the Shares represented by such ADSs, as the case may be) and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to use its reasonable efforts to forward, upon the request of the Company and at the Company's expense, any such request from

the Company to the Holders and to forward to the Company any such responses to such requests received by the Depositary.

**(6) Ownership Restrictions.** Notwithstanding any provision included or incorporated by reference in this ADR or of the Deposit Agreement to any other effect, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law or the Articles of Incorporation of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Incorporation of the Company. Nothing herein or in the Deposit Agreement shall be interpreted as obligating the Depositary or the Company to ensure compliance with the ownership restrictions described herein or in Section 3.5 of the Deposit Agreement.

**(7) Reporting Obligations and Regulatory Approvals.** Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of ADSs, to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of ADSs are solely responsible for determining and complying with such reporting requirements and obtaining such approvals. Each Holder and each Beneficial Owner hereby agrees to make such determination, file such reports, and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. Neither the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to determine or satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

**(8) Liability for Taxes and Other Charges.** Any tax or other governmental charge payable by the Custodian or by the Depositary with respect to any Deposited Property, ADSs or this ADR shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Property held on behalf of such Holder and/or Beneficial Owner, and may sell for the account of a Holder and/or Beneficial Owner any or all of such Deposited Property and apply such distributions and sale proceeds in payment of, any taxes (including applicable interest and penalties) or charges that are or may be payable by Holders or Beneficial Owners in respect of the ADSs, Deposited Property and this ADR, the Holder and the Beneficial Owner hereof remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer of ADSs, register the split-up or combination of ADRs and (subject to paragraph (25) of this ADR and Section 7.8(a) of the Deposit Agreement) the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner agrees to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from (i) any ADSs held by such Holder and/or owned by such Beneficial Owner, (ii) the Deposited Property represented by the ADSs, and (iii) any transaction entered into by such Holder and/or Beneficial Owner in respect of the ADSs and/or the Deposited Property represented thereby. Notwithstanding anything to the contrary contained in the Deposit Agreement or any ADR, the obligations of Holders and Beneficial Owners under Section 3.2 of the Deposit Agreement shall

survive any transfer of ADSs, any cancellation of ADSs and withdrawal of Deposited Securities, and the termination of the Deposit Agreement.

**(9) Representations and Warranties on Deposit of Shares.** Each person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that (i) such Shares and the certificates therefor are duly authorized, validly issued, fully paid, non-assessable and legally obtained by such person, (ii) all preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorized so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit are not, and the ADSs issuable upon such deposit will not be, Restricted Securities (except as contemplated in Section 2.14 of the Deposit Agreement), (vi) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vii) the deposit of the Shares does not violate any applicable provisions of the laws of Switzerland. Such representations and warranties shall survive the deposit and withdrawal of Shares, the issuance and cancellation of ADSs in respect thereof and the transfer of such ADSs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorized, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

**(10) Proofs, Certificates and Other Information.** Any person presenting Shares for deposit, any Holder and any Beneficial Owner may be required, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval, legal or beneficial ownership of ADSs and Deposited Property, compliance with applicable laws, the terms of the Deposit Agreement or this ADR evidencing the ADSs and the provisions of, or governing, the Deposited Property, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the Share Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement and this ADR. The Depositary and the Registrar, as applicable, may withhold the execution or delivery or registration of transfer of any ADR or ADS or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by paragraph (25) and Section 7.8(a) of the Deposit Agreement, the delivery of any Deposited Property until such proof or other information is filed or such certifications are executed, or such representations and warranties are made or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals if necessary and appropriate of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or copies of written representations and warranties which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Company may reasonably request and which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation, transfer or withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information for the Company if not provided by the Holders or Beneficial Owners, or (ii) verify or vouch for the accuracy of the information so provided by the Holders or Beneficial Owners.

**(11) ADS Fees and Charges.** The following ADS fees are payable under the terms of the Deposit Agreement:

- (i) ADS Issuance Fee: by any person for whom ADSs are issued (*e.g.*, an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (iv) below, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) issued under the terms of the Deposit Agreement;
- (ii) ADS Cancellation Fee: by any person for whom ADSs are being cancelled (*e.g.*, a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) cancelled;
- (iii) Cash Distribution Fee: by any Holder of ADSs, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (*e.g.*, upon a sale of rights and other entitlements);
- (iv) Stock Distribution /Rights Exercise Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of ADSs pursuant to (a) stock dividends or other free stock distributions, or (b) an exercise of rights to purchase additional ADSs;
- (v) Other Distribution Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held for the distribution of securities other than ADSs or rights to purchase additional ADSs (*e.g.*, spin-off shares);
- (vi) ADS Services Fee: by any Holder of ADS(s), a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary;
- (vii) Registration of ADS Transfer Fee: by any Holder of ADS(s) being transferred or by any person to whom ADSs are transferred, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) transferred (*e.g.*, upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and *vice versa*, or for any other reason); and
- (viii) ADS Conversion Fee: by any Holder of ADS(s) being converted or by any person to whom the converted ADSs are delivered, a fee not in excess of U.S. \$5.00 per 100 ADSs (or fraction thereof) converted from one ADS series to another ADS series (*e.g.*, upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferrable ADSs, and *vice versa*).

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

- (a) taxes (including applicable interest and penalties) and other governmental charges;
- (b) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable

to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

- (c) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of ADSs;
- (d) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depositary and/or conversion service providers (which may be a division, branch or Affiliate of the Depositary). Such fees, expenses, spreads, taxes and other charges shall be deducted from the Foreign Currency;
- (e) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and
- (f) the fees, charges, costs and expenses incurred by the Depositary, the Custodian, or any nominee in connection with the ADR program.

All ADS fees and charges so payable maybe deducted from distributions or must be remitted to the Depositary, or its designee, and may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of ADS fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated by paragraph (23) of this ADR and as contemplated in Section 6.1 of the Deposit Agreement. The Depositary shall provide, without charge, a copy of its latest ADS fee schedule to anyone upon request.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the Depositary (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the Depositary into DTC or presented to the Depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC Participant(s) receiving the ADSs from the Depositary or the DTC Participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the DTC Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the DTC Participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by Holders as of the applicable ADS Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable Holders as of the ADS Record Date established by the Depositary will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to Holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC Participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC Participants in turn charge the amount of such ADS fees and charges to the Beneficial Owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be

payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the ADR program established pursuant to the Deposit Agreement, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as the Company and the Depositary agree from time to time. The Company shall pay to the Depositary such fees and charges, and reimburse the Depositary for such out-of-pocket expenses, as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The obligations of Holders and Beneficial Owners to pay ADS fees and charges shall survive the termination of the Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 of the Deposit Agreement, the right to collect ADS fees and charges shall extend for those ADS fees and charges incurred prior to the effectiveness of such resignation or removal.

**(12) Title to ADRs.** Subject to the limitations contained in the Deposit Agreement and in this ADR, it is a condition of this ADR, and every successive Holder of this ADR by accepting or holding the same consents and agrees, that title to this ADR (and to each Certificated ADS evidenced hereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that, in the case of Certificated ADSs, this ADR has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of this ADR (that is, the person in whose name this ADR is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Depositary nor the Company shall have any obligation nor be subject to any liability under the Deposit Agreement or this ADR to any holder of this ADR or any Beneficial Owner unless, in the case of a holder of ADSs, such holder is the Holder of this ADR registered on the books of the Depositary or, in the case of a Beneficial Owner, such Beneficial Owner, or the Beneficial Owner's representative, is the Holder registered on the books of the Depositary.

**(13) Validity of ADR.** The Holder(s) of this ADR (and the ADSs represented hereby) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless this ADR has been (i) dated, (ii) signed by the manual or facsimile signature of a duly-authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly-authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of ADRs. An ADR bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such ADR by the Depositary.

**(14) Available Information; Reports; Inspection of Transfer Books.**

The Company is subject to the periodic reporting requirements of the Exchange Act and, accordingly, is required to file or furnish certain reports with the Commission. These reports can be retrieved from the Commission's website ([www.sec.gov](http://www.sec.gov)) and can be inspected and copied at the public reference facilities maintained by the Commission located (as of the date of the Deposit Agreement) at 100 F Street, N.E., Washington D.C. 20549. The Depositary shall make

available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depository, the Custodian, or the nominee of either of them as the holder of the Deposited Property and (b) made generally available to the holders of such Deposited Property by the Company. The Depository shall also provide or make available to the Holders copies of such reports when furnished by the Company pursuant to Section 5.6 of the Deposit Agreement.

The Registrar shall keep books for the registration of ADSs which at all reasonable times shall be open for inspection by the Company and by the Holders of such ADSs, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such ADSs in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the ADSs.

The Registrar may close the transfer books with respect to the ADSs, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to paragraph (25) and Section 7.8(a) of the Deposit Agreement.

Dated:

CITIBANK, N.A.  
Transfer Agent and Registrar

CITIBANK, N.A.  
as Depository

By: \_\_\_\_\_  
Authorized Signatory

By: \_\_\_\_\_  
Authorized Signatory

The address of the Principal Office of the Depository is 388 Greenwich Street, New York, New York 10013, U.S.A.



[FORM OF REVERSE OF ADR]

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS  
OF THE DEPOSIT AGREEMENT

**(15) Dividends and Distributions in Cash, Shares, etc.** (a) **Cash Distributions:** Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution of a cash dividend or other cash distribution, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon confirmation of the receipt of (x) any cash dividend or other cash distribution in respect of any Deposited Property (whether from the Company or otherwise), or (y) proceeds from the sale of any Deposited Property held in respect of the ADSs under the terms of the Deposit Agreement, the Depositary will (i) if any amounts are received in a Foreign Currency, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (subject to the terms and conditions of Section 4.8 of the Deposit Agreement), (ii) if applicable and unless previously established, establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement, and (iii) distribute promptly the amount thus received (net of (a) the applicable fees and charges set forth in the Fee Schedule attached as Exhibit B to the Deposit Agreement and (b) applicable taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities, or from any cash proceeds from the sales of Deposited Property, an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request. The Depositary will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable Holders and Beneficial Owners of ADSs until the distribution can be effected or the funds that the Depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.1 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.1 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.1 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(b) **Share Distributions:** Upon the timely receipt by the Depositary of a notice from the Company that it intends to make a distribution that consists of a dividend in, or free distribution of Shares, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement. Upon receipt of confirmation from the Custodian of the receipt of the Shares so distributed by the Company, the Depositary shall either (i) subject to Section 5.9 of the Deposit Agreement, distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of the Deposit Agreement (including, without limitation, (a) the

applicable fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes), or (ii) if additional ADSs are not so distributed, take all actions necessary so that each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1 of the Deposit Agreement.

In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligations under Section 5.7 of the Deposit Agreement, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of (a) applicable taxes and (b) fees and charges of, and the expenses incurred by, the Depositary) to Holders entitled thereto upon the terms of Section 4.1 of the Deposit Agreement. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.2 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.2 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.2 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**(c) *Elective Distributions in Cash or Shares:*** Upon the timely receipt of a notice indicating that the Company wishes an elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to Holders of ADSs. The Depositary shall make such elective distribution available to Holders only if (i) the Company shall have timely requested that the elective distribution be made available to Holders, (ii) the Depositary shall have determined that such distribution is reasonably practicable and (iii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement. If the above conditions are satisfied, the Depositary shall, subject to the terms and conditions of the Deposit Agreement, establish the ADS Record Date on the terms described in paragraph (17) and Section 4.9 of the Deposit Agreement and establish procedures to enable the Holder hereof to elect to the receipt of the proposed distribution in cash or in additional ADSs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the distribution in cash, the distribution shall be made as in the case of a distribution in cash. If the Holder hereof elects to receive the distribution in additional ADSs, the distribution shall be made as in the case of a distribution in Shares upon the terms described in the Deposit Agreement. If such elective distribution is not reasonably practicable or if the Depositary did not receive satisfactory documentation set forth in the Deposit Agreement, the Depositary shall establish an ADS Record Date upon the terms of Section 4.9 of the Deposit Agreement and, to the extent permitted by law, distribute to Holders, on the basis of the same determination as is made in Switzerland in respect of the Shares for which no election is made,

either (x) in cash, upon the terms described in Section 4.1 of the Deposit Agreement or (y) additional ADSs representing such additional Shares, in each case, upon the terms described in Section 4.2 of the Deposit Agreement. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holder hereof a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that the Holder hereof, or any Holders generally, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares. Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed distribution provided for in Section 4.3 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.3 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.3 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

(d) ***Distribution of Rights to Purchase Additional ADSs***: Upon the timely receipt by the Depositary of a notice indicating that the Company wishes rights to subscribe for additional Shares to be made available to Holders of ADSs, the Depositary upon consultation with the Company, shall determine, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to any Holders only if (i) the Company shall have timely requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution of rights is reasonably practicable. If such conditions are not satisfied or if the Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of rights as described in Section 4.4(b) of the Deposit Agreement. In the event all conditions set forth above are satisfied, the Depositary shall establish the ADS Record Date (upon the terms described in Section 4.9 of the Deposit Agreement) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs). If (i) the Company does not timely request the Depositary to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 of the Deposit Agreement or determines it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to make any rights available to Holders upon the terms described in Section 4.4(a) of the Deposit Agreement or to arrange for the sale of the rights upon the terms described in Section 4.4(b) of the Deposit Agreement, the Depositary shall allow such rights to lapse. The Depositary shall not be liable for (i) any failure to accurately determine whether it may be lawful or practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything herein or in Section 4.4 of the Deposit Agreement to the contrary, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed, in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of Deposited Property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs shall be reduced accordingly. In the event that the Depositary determines that any distribution of Deposited Property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein or in the Deposit Agreement shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

**(e) Distributions other than Cash, Shares or Rights to Purchase Shares:** Upon receipt of a notice indicating that the Company wishes property other than cash, Shares or rights to purchase additional Shares to be made to Holders of ADSs, the Depositary shall determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation contemplated in Section 5.7 of the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is reasonably practicable. Upon satisfaction of such conditions, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any applicable taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If the conditions above are not satisfied, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the ADS Record Date upon the terms hereof and of Section 4.1 of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property for the account of the Holders in any way it deems reasonably practicable under the circumstances.

Neither the Depositary nor the Company shall be responsible for (i) any failure to determine whether it is lawful or practicable to make the property described in Section 4.5 of the Deposit Agreement available to Holders in general or any Holders in particular, nor (ii) any loss incurred in connection with the sale or disposal of such property.

**(16) Redemption.** Upon timely receipt of notice from the Company that it intends to exercise its right of redemption in respect of any of the Deposited Securities, and satisfactory documentation, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the Company's intention to exercise the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire ADSs and cancel ADRs, if applicable, upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2 of the Deposit Agreement. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of Section 4.8 of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and applicable taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Notwithstanding anything contained in the Deposit Agreement to the contrary, in the event the Company fails to give the Depositary timely notice of the proposed redemption provided for in Section 4.7 of the Deposit Agreement, the Depositary agrees to use commercially reasonable efforts to perform the actions contemplated in Section 4.7 of the Deposit Agreement, and the Company, the Holders and the Beneficial Owners acknowledge that the Depositary shall have no liability for the Depositary's failure to perform the actions contemplated in Section 4.7 of the Deposit Agreement where such notice has not been so timely given, other than its failure to use commercially reasonable efforts, as provided herein.

**(17) Fixing of ADS Record Date.** Whenever (a) the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights or other distribution), (b) for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, (c) the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or (d) the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix the record date (the "ADS Record Date") for the determination of the Holders of ADS(s) who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. The Depositary shall make reasonable efforts to establish the ADS Record Date as closely as practicable to the applicable record date for the Deposited Securities (if any) set by the Company in Switzerland and shall not announce the establishment of any ADS Record Date prior to the relevant corporate action having been made public by the Company (if such corporate action affects the Deposited Securities). Subject to applicable law, the terms and conditions of this ADR and Sections 4.1 through 4.8 of the Deposit Agreement, only the Holders of ADSs at the close of business in New York on such ADS Record Date shall be entitled to

receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

**(18) Voting of Deposited Securities.** As soon as practicable after receipt of notice of any meeting at which the holders of Deposited Securities are entitled to vote, or of solicitation of consents or proxies from holders of Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Section 4.9 of the Deposit Agreement. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the Depositary at least thirty (30) days prior to the date of such meeting or consent or proxy solicitation), at the Company's expense and provided no U.S. legal prohibitions exist, distribute to Holders as of the ADS Record Date: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by such Holder's ADSs, and (c) a brief statement as to the manner in which such voting instructions may be given.

Notwithstanding anything contained in the Deposit Agreement or this ADR, the Depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the Depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of Deposited Securities, distribute to the Holders a notice that provides Holders with, or otherwise publicizes to Holders, instructions on how to retrieve such materials or receive such materials upon request (e.g., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Voting instructions may be given only in respect of a number of ADSs representing an integral number of Deposited Securities. Upon the timely receipt from a Holder of ADSs as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of the Deposit Agreement, the Articles of Incorporation of the Company and the provisions of the Deposited Securities, to vote, or cause the Custodian to vote, the Deposited Securities (in person or by proxy) represented by such Holder's ADSs in accordance with such voting instructions.

Deposited Securities represented by ADSs for which no timely voting instructions are received by the Depositary from the Holder shall not be voted. Neither the Depositary nor the Custodian shall under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, the Deposited Securities represented by ADSs, except pursuant to and in accordance with the voting instructions timely received from Holders or as otherwise contemplated in the Deposit Agreement or herein. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Securities represented by such Holder's ADSs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to take all steps necessary to enable the independent proxy holder, as elected by the shareholders of the Company, to vote in accordance with the written proposals or recommendations of the Company's Board of Directors.

Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from Holders as of the ADS Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

Notwithstanding anything else contained in the Deposit Agreement or this ADR, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary and as permitted by the law of Switzerland to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions reasonably requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary, or otherwise take action, in a timely manner.

**(19) Changes Affecting Deposited Securities.** Upon any change in nominal or par value, split up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger, consolidation or sale of assets affecting the Company or to which it is a party, any property which shall be received by the Depositary or the Custodian in exchange for, or in conversion of, or replacement of, or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement, and this ADR shall, subject to the provisions of the Deposit Agreement, this ADR evidencing such ADSs and applicable law, represent the right to receive such additional or replacement Deposited Property. In giving effect to such change, split-up, cancellation, consolidation or other reclassification of Deposited Securities, recapitalization, reorganization, merger, consolidation or sale of assets, the Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary, and (b) applicable taxes) and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depositary that such actions are not in violation of any applicable laws or regulations, (i) issue and deliver additional ADSs as in the case of a stock dividend on the Shares, (ii) amend the Deposit Agreement and the applicable ADRs, (iii) amend the applicable Registration Statement(s) on Form F-6 as filed with the Commission in respect of the ADSs, (iv) call for the surrender of outstanding ADRs to be exchanged for new ADRs, and (v) take such other actions as are appropriate to reflect the transaction with respect to the ADSs. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of ADSs. Notwithstanding the foregoing, in the event that any Deposited Property so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel reasonably satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such Deposited Property at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary and (b) applicable taxes) for the account of the Holders otherwise entitled to such Deposited Property upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1 of the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such Deposited Property available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale or (iii) any liability to the purchaser of such Deposited Property.

**(20) Exoneration.** Notwithstanding anything contained in the Deposit Agreement or this ADR, neither the Depositary nor the Company shall be obligated to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or incur any liability (to the extent

not limited by paragraph (25) hereof and Section 7.8(b) of the Deposit Agreement) (i) if the Depository, the Custodian, the Company or their respective agents shall be prevented or forbidden from, hindered or delayed in, doing or performing any act or thing required or contemplated by the terms of the Deposit Agreement and this ADR, by reason of any provision of any present or future law or regulation of the United States, Switzerland or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Incorporation of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or other event or circumstances beyond its control (including, without limitation, fire, flood, earthquake, tornado, hurricane, tsunami, explosion, or other natural disaster, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, act of war (whether declared or not) or terrorism, revolutions, rebellion, embargo, computer failure, failure of public infrastructure (including communication or utility failure), failure of common carriers, nuclear, cyber or biochemical incident, any pandemic, epidemic or other prevalent disease or illness with an actual or probable threat to human life, any quarantine order or travel restriction imposed by a governmental authority or other competent public health authority, or the failure or unavailability of the United States Federal Reserve Bank (or other central banking system) or DTC (or other clearing system), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Incorporation of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADSs, (v) for any action or inaction of any clearing or settlement system (and any participant thereof) for the Deposited Property or the ADSs, or (vi) for any consequential or punitive damages (including lost profits) for any breach of the terms of the Deposit Agreement. The Depository, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

**(21) Standard of Care.** The Company and the Depository assume no obligation and shall not be subject to any liability under the Deposit Agreement or this ADR to any Holder(s) or Beneficial Owner(s), except that the Company and the Depository agree to perform their respective obligations specifically set forth in the Deposit Agreement or this ADR without negligence or bad faith. Without limitation of the foregoing, neither the Depository, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the ADSs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depository).

The Depository and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and without negligence and in accordance with the terms of the Deposit Agreement. The Depository shall not incur any liability for any failure to accurately determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any



investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of ADSs, Shares or other Deposited Property, for the credit worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement, for the failure or timeliness of any notice from the Company, or for any action of or failure to act by, or any information provided or not provided by, DTC or any DTC Participant.

The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with any matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

The Depository shall not be liable for any acts or omissions made by a predecessor depository whether in connection with an act or omission of the Depository or in connection with any matter arising wholly prior to the appointment of the Depository or after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises the Depository performed its obligations without negligence or bad faith while it acted as Depository.

**(22) Resignation and Removal of the Depository; Appointment of Successor Depository.** The Depository may at any time resign as Depository under the Deposit Agreement by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depository shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) the appointment by the Company of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. The Depository may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the later of (i) the 90th day after delivery thereof to the Depository (whereupon the Depository shall be entitled to take the actions contemplated in Section 6.2 of the Deposit Agreement), or (ii) upon the appointment by the Company of a successor depository and its acceptance of such appointment as provided in the Deposit Agreement. In case at any time the Depository acting hereunder shall resign or be removed, the Company shall use its commercially reasonable efforts to appoint a successor depository, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depository shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depository, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement). The predecessor depository, upon payment of all sums due it and on the written request of the Company shall (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9 of the Deposit Agreement), (ii) duly assign, transfer and deliver all of the Depository's right, title and interest to the Deposited Property to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding ADSs and such other information relating to ADSs and Holders thereof as the successor may reasonably request. Any such successor depository shall promptly provide notice of its appointment to such Holders. Any entity into or with which the Depository may be merged or consolidated shall be the successor of the Depository without the execution or filing of any document or any further act.

**(23) Amendment/Supplement.** Subject to the terms and conditions of this paragraph 23, and Section 6.1 of the Deposit Agreement and applicable law, this ADR and any provisions of the Deposit Agreement may at any time and from time to time be amended or supplemented by

written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding ADSs until the expiration of thirty (30) days after notice of such amendment or supplement shall have been given to the Holders of outstanding ADSs. Notice of any amendment to the Deposit Agreement or any ADR shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the Holders identifies a means for Holders and Beneficial Owners to retrieve or receive the text of such amendment (e.g., upon retrieval from the Commission's, the Depositary's or the Company's website or upon request from the Depositary). The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act or (b) the ADSs to be settled solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial existing rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADSs, to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and this ADR, if applicable, as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such ADS and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment of, or supplement to, the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and this ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and this ADR in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

**(24) Termination.** The Depositary shall, at any time at the written direction of the Company, terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. If (i) ninety (90) days shall have expired after the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) ninety (90) days shall have expired after the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 of the Deposit Agreement, the Depositary may terminate the Deposit Agreement by distributing notice of such termination to the Holders of all ADSs then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination. The date so fixed for termination of the Deposit Agreement in any termination notice so distributed by the Depositary to the Holders of ADSs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement. If any ADSs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement, continue to (i) collect dividends and other distributions pertaining to Deposited Securities, (ii) sell Deposited Property received in respect of Deposited Securities, (iii) deliver Deposited

Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any other Deposited Property, in exchange for ADSs surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement. At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro rata benefit of the Holders whose ADSs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement except (i) to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Section 5.9 of the Deposit Agreement), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement, except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 of the Deposit Agreement. The obligations under the terms of the Deposit Agreement of Holders and Beneficial Owners of ADSs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable ADSs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement (except as specifically provided in the Deposit Agreement).

**(25) Compliance with, and No Disclaimer under, U.S. Securities Laws.** (a) Notwithstanding any provisions in this ADR or the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

(b) Each of the parties to the Deposit Agreement (including, without limitation, each Holder and Beneficial Owner) acknowledges and agrees that no provision of the Deposit Agreement or any ADR shall, or shall be deemed to, disclaim any liability under the Securities Act or the Exchange Act, in each case to the extent established under applicable U.S. laws.

**(26) No Third Party Beneficiaries/Acknowledgements.** The Deposit Agreement is for the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in the Deposit Agreement. Nothing in the Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) Citibank and its Affiliates may at any time have multiple banking relationships with the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (ii) Citibank and its Affiliates may own and deal in any class of securities of the Company and its Affiliates and in ADSs, and may be engaged at any time in transactions in which parties adverse to the Company, the Holders, the Beneficial Owners or their respective Affiliates may have interests, (iii) the Depositary and its Affiliates may from time to time have in their possession non-public information about the Company, the Holders, the Beneficial Owners, and their respective Affiliates, (iv) nothing contained in the Deposit Agreement shall (a) preclude Citibank or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, or (b) obligate Citibank or any of its Affiliates to disclose such information, transactions or relationships, or to account for any profit made or payment received in such

transactions or relationships, (v) the Depository shall not be deemed to have knowledge of any information any other division of Citibank or any of its Affiliates may have about the Company, the Holders, the Beneficial Owners, or any of their respective Affiliates, and (vi) the Company, the Depository, the Custodian and their respective agents and controlling persons may be subject to the laws and regulations of jurisdictions other than the U.S. and Switzerland, and the authority of courts and regulatory authorities of such other jurisdictions, and, consequently, the requirements and the limitations of such other laws and regulations, and the decisions and orders of such other courts and regulatory authorities, may affect the rights and obligations of the parties to the Deposit Agreement.

The Depository may execute transactions contemplated herein (*e.g.*, foreign currency conversions, and sales of Deposited Property) through one or more divisions of Citibank or through one or more Citibank Affiliates, and any such entity may act as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and may earn and retain revenue from such transactions, including, without, without limitation, transaction spreads, commissions, etc. The Depository does not guarantee or represent that the price or rate obtained in any such transaction, or the method for obtaining such price or rate, will be the most favorable that could be obtained at that time.

**(27) Governing Law / Waiver of Jury Trial.** The Deposit Agreement, the ADRs and the ADSs shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York applicable to contracts made and to be wholly performed in that State. Notwithstanding anything contained in the Deposit Agreement to the contrary, any ADR or any present or future provisions of the laws of the State of New York, the rights of holders of Shares and of any other Deposited Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of Switzerland (or, if applicable, such other laws as may govern the Deposited Securities).

**EACH OF THE PARTIES TO THE DEPOSIT AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH HOLDER AND BENEFICIAL OWNER) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY ARISING OUT OF, OR RELATING TO, THE DEPOSIT AGREEMENT, ANY ADR AND ANY TRANSACTIONS CONTEMPLATED THEREIN (WHETHER BASED ON CONTRACT, TORT, COMMON LAW OR OTHERWISE).**

**(ASSIGNMENT AND TRANSFER SIGNATURE LINES)**

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto \_\_\_\_\_ whose taxpayer identification number is \_\_\_\_\_ and whose address including postal zip code is \_\_\_\_\_, the within ADR and all rights thereunder, hereby irrevocably constituting and appointing \_\_\_\_\_ attorney-in-fact to transfer said ADR on the books of the Depository with full power of substitution in the premises.

Dated:

Name: \_\_\_\_\_

By:

Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this ADR.

\_\_\_\_\_  
SIGNATURE GUARANTEED

All endorsements or assignments of ADRs must be guaranteed by a member of a Medallion Signature Program approved by the Securities Transfer Association, Inc.

#### **Legends**

**[The ADRs issued in respect of Partial Entitlement American Depositary Shares shall bear the following legend on the face of the ADR: “This ADR evidences ADSs representing 'partial entitlement' Shares of Molecular Partners AG and as such do not entitle the holders thereof to the same per-share entitlement as other Shares (which are 'full entitlement' Shares) issued and outstanding at such time. The ADSs represented by this ADR shall entitle holders to distributions and entitlements identical to other ADSs when the Shares represented by such ADSs become 'full entitlement' Shares.”]**

**EXHIBIT B  
FEE SCHEDULE**

**ADS FEES AND RELATED CHARGES**

All capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Deposit Agreement. Except as otherwise specified herein, any reference to ADSs herein includes Partial Entitlement ADSs, Full Entitlement ADSs, Certificated ADSs, Uncertificated ADSs, and Restricted ADSs.

**I. ADS Fees**

The following ADS fees are payable under the terms of the Deposit Agreement:

<b>Service</b>	<b>Rate</b>	<b>By Whom Paid</b>
(1) Issuance of ADSs ( <i>e.g.</i> , an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (4) below.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) issued.	Person for whom ADSs are issued.
(2) Cancellation of ADSs ( <i>e.g.</i> , a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) cancelled.	Person for whom ADSs are being cancelled.
(3) Distribution of cash dividends or other cash distributions ( <i>e.g.</i> , upon a sale of rights and other entitlements).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(4) Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) an exercise of rights to purchase additional ADSs.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.
(5) Distribution of securities other than ADSs or rights to purchase additional ADSs ( <i>e.g.</i> , spin-off shares).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held.	Person to whom the distribution is made.

(6) ADS Services.	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depository.	Person holding ADSs on the applicable record date(s) established by the Depository.
(7) Registration of ADS Transfers ( <i>e.g.</i> , upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and <i>vice versa</i> , or for any other reason).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) transferred.	Person for whom or to whom ADSs are transferred.
(8) Conversion of ADSs of one series for ADSs of another series ( <i>e.g.</i> , upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferable ADSs, and <i>vice versa</i> ).	Up to U.S. \$5.00 per 100 ADSs (or fraction thereof) converted.	Person for whom ADSs are converted or to whom the converted ADSs are delivered.

## **II. Charges**

The Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Securities in connection with ADS issuances and cancellations, and persons for whom ADSs are issued or cancelled shall be responsible for the following ADS charges under the terms of the Deposit Agreement:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
- (ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depository or any nominees upon the making of deposits and withdrawals, respectively;
- (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of ADSs;
- (iv) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depository and/or conversion service providers (which may be a division, branch or Affiliate of the Depository). Such fees, expenses, spreads, taxes, and other charges shall be deducted from the Foreign Currency;
- (v) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and
- (vi) the fees, charges, costs and expenses incurred by the Depository, the Custodian, or any nominee in connection with the ADR program.

The above fees and charges may at any time and from time to time be changed by agreement between the Company and the Depository.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

*The following description sets forth certain material terms and provisions of the securities of Molecular Partners AG ("Molecular Partners," the "Company," "we," "us," and "our") that are registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description also summarizes relevant provisions of the laws of Switzerland. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of the laws of Switzerland and our articles of association, a copy of which is filed as an exhibit to the Annual Report on 20-F of which this Exhibit is a part. We encourage you to read our articles of association and the applicable provisions of the laws of Switzerland for additional information.*

**General**

Our securities include (a) our ordinary shares, CHF 0.10 nominal value per share, and (b) our American Depositary Shares (the "ADSs"), each representing one ordinary share, CHF 0.10 nominal value per share. Our ordinary shares are registered under the Exchange Act not for trading, but only in connection with the listing of the ADSs on The Nasdaq Global Select Market.

Our ADSs are listed on The Nasdaq Global Select Market under the trading symbol "MOLN."

The following is a description of the rights of (i) the holders of ordinary shares and (ii) ADS holders. Ordinary shares underlying the outstanding ADSs are held by Citibank N.A., as depository.

**Swiss Corporate Law Reform**

On January 1, 2023 legislation that modernized certain aspects of Swiss corporate law (the Swiss corporate law reform (*Aktienrechtsrevision*)) entered into force. Most relevantly, the legislative reform addressed, among other topics, (i) the modernization and increased flexibility for a stock corporation's capital base, (ii) the strengthening of shareholder rights and the protection of minorities, (iii) certain changes to financial distress/restructuring measures, (iv) corporate governance and executive compensation matters (amongst others, the incorporation of the ordinance against excessive compensation in listed stock corporations (the "OaEC") into the Swiss Code of Obligations (the "CO"), and (v) certain socio-political topics (e.g., gender representation and disclosure requirements for companies active in the raw materials sector, which, subject to transitional periods, entered into force on January 1, 2021). The Swiss corporate law reform is subject to certain transitional periods as provided for therein. In particular, Swiss stock corporations registered with the Commercial Register on January 1, 2023, are required to amend their articles of association and organizational regulations in line with the new legislation within a transitional period of two years, i.e., until January 1, 2025. For that purpose, we intend to propose to our shareholders the approval of certain amendments to our articles of association at the next annual general meeting of shareholders. Until such amendments have been adopted and approved by the general meeting of shareholders, our current articles of association remain in full force and effect.

**Ordinary Shares**

The following is a summary of the rights of our holders of our ordinary shares as specified in our articles of association.

***Type and Class of Securities***

Each ordinary share has a nominal value of CHF 0.10 per share.

***Ordinary Capital Increase, Authorized and Conditional Share Capital***

Under Swiss corporate law, we may increase our share capital (*Aktienkapital*) with a resolution of the general meeting of shareholders (ordinary capital increase) that must be carried out by the board of directors within six months in order to become effective. Under Swiss corporate law, in case of a subscription and increase against contributions in cash, a resolution passed by an absolute majority of the votes represented at the general meeting of shareholders is required. In the case of a subscription and increase through the conversion of equity surplus, against



contributions in kind, by set-off against a claim, the granting of special benefits, or when shareholders' statutory pre-emptive rights are limited or withdrawn, a resolution passed by two-thirds of the votes represented at a general meeting of shareholders and the majority of the nominal value of the shares represented is required.

Furthermore, under the CO, our shareholders, by a resolution passed by two-thirds of the votes represented at a general meeting of shareholders and the majority of the nominal value of the shares represented, at such meeting may empower the board of directors to issue shares of a specific aggregate nominal amount up to a maximum of 50% of the existing issued share capital as Registered in the Commercial Register, in the form of:

- conditional capital (*bedingtes Kapital*) for the purpose of issuing (i) through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties in connection with bonds, notes, options warrants or other securities or contractual obligations of the Company or one of our subsidiaries or (ii) through the issuance of rights to subscribe for new shares to employees, members of the board of directors, members of the executive committee, contractors or consultants of the Company or one of our subsidiaries or other persons providing services to the Company or one of our subsidiaries (conversion or option rights); and/or
- a capital range (*Kapitalband*) to be utilized by the board of directors, for capital increases and/or capital reductions, as applicable, subject to the articles of association, within a period determined by the shareholders but not exceeding five years from the date of the shareholder approval. If and when adopted and approved by the general meeting of shareholders, the capital range will replace the authorized capital (*genehmigtes Kapital*) as currently provided for in our articles of association which expires on April 13, 2024.

### ***Preemptive Rights***

Under Swiss corporate law, any share issue, whether for cash or non-cash consideration, is subject to the prior approval of the shareholders at a general meeting of shareholders. Shareholders have certain pre-emptive rights (*Bezugsrechte*) to subscribe for new issues of shares and advance subscription rights (*Vorwegzeichnungsrechte*) to subscribe convertible or warrant-bearing bonds or other financial market instruments in proportion to the nominal amount of shares held. A resolution adopted at a general meeting of shareholders by a majority of at least two-thirds of the votes and the majority of the nominal share capital each as represented at such a meeting, may limit or withdraw pre-emptive rights or advance subscription rights in certain circumstances. Under our articles of association, the board of directors is authorized to limit or withdraw pre-emptive rights and advance subscription rights based on the authorized share capital and the conditional share capital.

If pre-emptive rights are granted, but not exercised, the board of directors may allocate the pre-emptive rights as it elects.

With respect to our authorized share capital, which, following the entry into force of the Swiss corporate law reform, remains in full force and effect until the earlier of (i) the introduction of a capital range by the general meeting of shareholders, or (ii) the expiry of the authorized share capital on April 13, 2024, the board of directors is authorized by our articles of association to withdraw or limit the pre-emptive rights of shareholders, and to allocate them to certain shareholders and third parties if the shares are to be used:

- for the acquisition of companies, part of companies or participations, for the acquisition of products, intellectual property or licenses or for investment projects or for the financing or refinancing of such transactions through a placement of shares;
- for the purpose of broadening the shareholder constituency or in connection with a listing of shares on domestic or foreign stock exchanges;
- if the issue price of the new shares is determined by reference to the market price;
- for purposes of granting an over-allotment option (*greenshoe*) of up to 20% of the total number of shares in a placement or sale of shares to the respective initial purchaser or underwriters;
- following a shareholder or a group of shareholders acting in concert having accumulated shareholdings in excess of 15% of the share capital registered in the commercial register without having submitted to the other shareholders a takeover offer recommended by the board of directors;

- for the defense of an actual, threatened or potential takeover bid, in relation to which the board of directors, upon consultation with an independent financial advisor retained by it, has not recommended to the shareholders acceptance on the basis that the board of directors has not found the takeover bid to be financially fair to the shareholders.

The board of directors may permit pre-emptive rights that have been granted but not exercised to expire or it may place these rights respectively the shares as to which pre-emptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company. Any shares for which the granted preferential subscription rights have not been exercised will be at the disposal of the board of directors, who may sell them at market conditions or use them for other purposes in the interest of the Company.

### ***Limits of Qualifications***

Not applicable.

### ***Registration Rights***

Not applicable.

### ***Articles of Association***

Our ordinary shares have the rights and restrictions described in “Key Provisions of Our Articles of Association” below. The following summarizes the rights of holders of our ordinary shares:

- each holder of our ordinary shares is entitled to one vote per ordinary share on all matters to be voted on by shareholders generally;
- the holders of the ordinary shares shall be entitled to receive notice of, attend, speak and vote at our general meetings; and
- holders of our ordinary shares are entitled to receive such dividends as are recommended by our directors and declared by our shareholders.

### ***Key Provisions of Our Articles of Association, Organizational Rules and Swiss Law***

*The following is a summary of certain important provisions of our articles of association, organizational rules and certain related provisions of Swiss law. Please note that this is only a summary and as such is not intended to be and does not purport to be exhaustive. For a more complete discussion, please refer to our articles of association and organizational rules.*

The articles of association contain, among other things, provisions to the following effect:

### ***Voting Rights***

Each of our shares entitles a holder to one vote. The shares are not divisible. The right to vote and the other rights of share ownership may only be exercised by shareholders (including any nominees) or usufructuaries who are entered in our share register at cut-off date determined by the board of directors. Those entitled to vote in the general meeting of shareholders may be represented by the independent proxy holder (annually elected by the general meeting of shareholders), another registered shareholder or third person with written authorization to act as proxy or the shareholder’s legal representative.

### ***Dividends and Other Distributions***

Our board of directors may propose to shareholders that a dividend or other distribution be paid but cannot itself authorize the distribution. Under our articles of association, dividend payments require a resolution passed by an absolute majority of the votes represented at a general meeting of shareholders. In addition, our auditors must confirm that the dividend proposal of our board of directors conforms to Swiss statutory law and our articles of association.

Under Swiss corporate law, we may pay dividends only if we have sufficient distributable profits brought forward from the previous business years, or if we have distributable reserves, each as evidenced by our audited stand-alone statutory balance sheet prepared pursuant to Swiss law, and after allocations to reserves required by Swiss law and

the articles of association have been deducted. As of January 1, 2023, our shareholders may also resolve to pay interim dividends out of profit of the current business year on the basis of interim accounts.

Distributable reserves are booked either as voluntary "retained earnings" (*freiwillige Gewinnreserven*), as statutory "retained earnings" (*gesetzliche Gewinnreserve*), as statutory capital reserves (*gesetzliche Kapitalreserve*) or as reserves from capital contributions (*Kapitaleinlagereserven*). Under the CO, if our statutory retained earnings and our statutory capital reserves amount to less than 20% of our paid-in nominal share capital recorded in the commercial register (i.e., 20% of the aggregate nominal value of our issued capital), then at least 5% of our annual profit must be retained as statutory "retained earnings". In addition, if our general reserves amount to less than 50% of our share capital, 10% of the amounts distributed beyond payment of a dividend of 5% must be retained as general reserves. The CO permits us to accrue additional voluntary reserves. Further, we are required to present the amount of the purchase price of own shares repurchased (whether by us or a subsidiary) as a negative item in equity, or as reserves for own shares, respectively, in our annual stand-alone statutory balance sheet, and such amount may not be used for dividends or subsequent repurchases. A purchase of our own shares (whether by us or a subsidiary) reduces the distributable reserves in an amount corresponding to the purchase price of such own shares. Finally, the CO under certain circumstances requires the creation of revaluation reserves which are not distributable.

Distributions out of issued share capital (i.e., the aggregate nominal value of our issued shares) are not allowed and may be made only by way of a share capital reduction. Such a capital reduction requires a resolution passed by a majority of the votes represented at a general meeting of shareholders. The resolution of the shareholders must be recorded in a public deed and a special audit report must confirm that claims of our creditors remain fully covered despite the reduction in the share capital recorded in the commercial register. Upon approval by the general meeting of shareholders of the capital reduction, the board of directors must give public notice of the capital reduction resolution in the Swiss Official Gazette of Commerce and notify creditors that they may request security by registering their claims. In this case we must secure the creditors' claims to the extent that the previous cover has been reduced by the capital reduction, provided the creditors request us to do so within 30 days of publication in the Swiss Official Gazette of Commerce. The reduction of the share capital may be implemented only if all the requirements for reducing the share capital are met.

### **Uncertificated Securities**

Our shares are uncertificated securities (*Wertrechte*, within the meaning of article 973c of the CO) and, when administered by a custodian (*Verwahrungsstelle*, within the meaning of the Federal Act on Intermediated Securities, or FISA), and credited to one or more securities deposit account (*Effektenkonto*), qualify as intermediated securities (*Bucheffekten*, within the meaning of the FISA). In accordance with article 973c of the CO, we maintain a non-public register of uncertificated securities (*Wertrechtbuch*). We may at any time without the approval of our shareholders and at our cost convert shares issued as uncertificated securities into another form (including global certificates) or convert shares issued in one form into another form. Following the entry in the share register, a shareholder may at any time request from us a written confirmation in respect of the shares held by such shareholder. Shareholders are not entitled, however, to request the printing and delivery of certificates or the conversion of the shares in one form into another form. We may print and deliver certificates for shares at any time.

### **Transfer of Shares and Transfer Restrictions**

So long as shares are intermediated securities (*Bucheffekten* within the meaning of the Swiss Federal Act on Intermediated Securities, or FISA) based on uncertificated securities (*Wertrechte*) entered into the main register of a custodian and credited to one or more securities deposit account (*Effektenkonto*), (i) any transfer of shares is effected by a corresponding entry in the securities deposit account of a bank or a depository institution, (ii) no shares can be transferred by way of assignment, and (iii) a security interest in any shares cannot be granted by way of assignment.

The Company maintains its share register through *areg.ch ag*, an external service provider, and enters the full name, address and nationality (in the case of legal entities, the company name and registered office) of the shareholders (including nominees) and usufructuaries therein. A person entered into the share register must notify the share registrar of any change in address. Until such notification occurs, all written communication from the Company to persons entered in the share register is deemed to have been validly made if sent to the relevant address recorded in the share register.

Any person who acquires shares may submit an application to the Company requesting it to enter such person into the share register as a shareholder with voting rights, provided such person expressly declares to the Company that it has acquired and holds such shares in its own name and for its own account. Any such person that does not expressly state in his or her application to the Company that the relevant shares were acquired for his or her own account (any such person, a nominee) may be entered in the share register as a shareholder with voting rights for the relevant shares, provided that nominee has entered into an agreement with the Company regarding its position and is subject to a recognized banking or finance supervision.

The board of directors may, after having heard the concerned shareholder of record or nominee, cancel entries in the share register that were based on inaccurate or misleading information, or if such information becomes inaccurate or misleading, with retroactive effect to the date of the entry.

Any acquirer of shares who is not registered in the share register as a shareholder with voting rights may not vote at or participate in any general meetings of shareholders of the Company, but will still be entitled to dividends and other rights with financial value with respect to such shares.

#### ***Ownership of ADSs or Shares by Non-Swiss Residents***

Except for the limitations on voting rights described above applicable to shareholders generally and the sanctions referred to below, there is no limitation under Swiss corporate law or our articles of association on the right of non-Swiss residents or nationals to own ADSs or common shares or to exercise voting rights attached to the common shares underlying the ADSs.

#### ***Foreign Investment and Exchange Control Regulations in Switzerland***

Other than in connection with government sanctions imposed on certain persons from, in or related to the Republic of Iraq, Iran, Central African Republic, Yemen, Lebanon, Libya, Sudan, the Republic of South Sudan, the Republic of Mali, Burundi, the Democratic Republic of Congo, Myanmar (Burma), Somalia, Syria, Guinea, Guinea-Bissau, Zimbabwe, Belarus, the Democratic People's Republic of Korea (North Korea), Venezuela, Nicaragua, persons and organizations with a connection to Osama bin Laden, the "Al-Qaeda" group or the Taliban and certain persons in connection with the assassination of Rafik Hariri as well as measures to prevent the circumvention of international sanctions in connection with the situation in Ukraine, there are currently no governmental laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of shares.

#### ***Annual General Meetings***

##### ***Ordinary and Extraordinary General Meetings of Shareholders***

The general meeting of shareholders is our supreme corporate body. Under Swiss corporate law, ordinary and extraordinary general meetings of shareholders may be held. An ordinary general meeting of shareholders must be held annually within six months after the end of a corporation's financial year. In our case, this means on or before June 30 of any calendar year. The annual general meeting of shareholders is convened by our board of directors or, if necessary, our auditors.

An extraordinary general meeting of shareholders may be called by a resolution of the board of directors or, under certain circumstances, by our auditor, liquidator or the representatives of bondholders, if any. In addition, the board of directors is required to convene an extraordinary general meeting of shareholders if shareholders representing at least 10% of the share capital request such general meeting of shareholders in writing. Such request must set forth the items to be discussed and the proposals to be acted upon. In accordance with the Swiss corporate law reform, we intend proposing to our shareholders an amendment to our articles of association allowing shareholders who hold, alone or together, ordinary shares representing at least 5% of the share capital or the votes to request the calling of an extraordinary general meeting of shareholders.

Further, our board of directors may convene an extraordinary general meeting of shareholders and propose financial restructuring measures falling within the powers of the general meeting of shareholders if (i) we are threatened to become illiquid or (ii) based on our annual stand-alone statutory balance sheet, our assets less the liabilities no

longer cover half of the sum of the share capital, the statutory capital reserve not to be repaid to the shareholders and the statutory retained earnings.

### ***Powers***

Under Swiss corporate law, the following powers are vested exclusively in the general meeting of shareholders:

- adoption and amendment of our articles of association;
- election of the members of the board of directors, the chairperson of the board of directors, the members of the nomination and compensation committee, the independent voting rights representative and the auditors;
- approval of the annual management report and the consolidated financial statements;
- approval of the annual financial statements and decision on the allocation of profits shown on the balance sheet, in particular with regard to dividends;
- the determination of interim dividends and the approval of the interim financial statements required for this purpose;
- the resolution on the repayment of the statutory capital reserve;
- approval of the compensation of the board of directors and of the executive management pursuant to article 28 of our articles of association;
- granting discharge to the members of the board of directors and the persons entrusted with the executive management;
- the delisting of the Company's equity securities; and
- passing of resolutions as to all matters reserved by law or under our articles of association to the authority of the general meeting of shareholders.

### ***Voting and Quorum Requirements***

Shareholder resolutions and elections (including elections of members of the board of directors) require the affirmative vote of the majority of the votes represented at the general meeting of shareholders, unless otherwise stipulated by law or our articles of association.

Under Swiss corporate law and our articles of association, a resolution of the general meeting of the shareholders passed by two-thirds of the votes represented at the meeting, and the majority of the nominal value of the shares represented is required for:

- the amendment or modification of the purpose of the company;
- the combination of shares (reverse share split);
- the creation of shares with privileged voting rights;
- the restriction on the transferability of shares and the cancellation of such restriction;
- the introduction of conditional share capital or the introduction of a capital range;
- an increase of the share capital through the conversion of capital surplus, through contribution in kind, by set-off against a claim or the granting of special privileges;
- the limitation or withdrawal of pre-emptive rights;
- the introduction of the casting vote of the acting chair in the general meeting of shareholders ;
- the delisting of the Company's equity securities;
- the relocation of the registered office of the company;
- the relocation of the place of incorporation of the company;
- the introduction of an arbitration clause in the articles of association; and
- the dissolution of the company.

As a rule, the same voting requirements apply to resolutions regarding transactions among corporations based on Switzerland's Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets of 2003, as amended, or the Swiss Merger Act (including a merger, demerger or conversion of a corporation). See "—Compulsory Acquisitions; Appraisal Rights."

In accordance with Swiss corporate law and generally accepted business practices, our articles of association do not provide for quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of Nasdaq Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting shares.

### ***Notice***

Pursuant to Swiss corporate law and our articles of association, general meetings of shareholders must be convened by the board of directors at least twenty days before the date of the meeting. The general meeting of shareholders is convened by way of a notice appearing in our official publication medium, currently the Swiss Official Gazette of Commerce. Registered shareholders may also be informed by mail. The notice of a general meeting of shareholders must state the date, the starting time, the form and the location of the general meeting, the items on the agenda, the proposals to be acted upon and short explanations for these proposals, in case of elections, the names of the nominated candidates and if applicable, the shareholders' motions with a short explanation and/or the name and address of the independent voting representative. Except in the limited circumstances listed below, a resolution may not be passed at a general meeting without proper notice.

Pursuant to Swiss corporate law, our annual report, the compensation report and the auditors' reports must be made available electronically to the shareholders at least 20 days prior to the annual general meeting of shareholders.

The owners or representatives of all of our shares may, if no objection is raised, hold a general meeting of shareholders without complying with the formal requirements for convening general meetings of shareholders (a universal meeting). This universal meeting of shareholders may discuss and pass binding resolutions on all matters within the purview of the ordinary general meeting of shareholders, provided that the owners or representatives of all the shares are present at the meeting of shareholders, specifying the agenda item and the proposal or proposals.

### ***Agenda Requests***

Pursuant to our articles of association, one or more shareholders whose combined shareholdings represent the lower of (1) one tenth of the share capital or (2) an aggregate nominal value of at least CHF 1,000,000, may request that an item be included on the agenda for a general meeting of shareholders. To be timely, the shareholder's request must be received by us at least 45 calendar days in advance of the meeting.

In accordance with the Swiss corporate law reform, we intend proposing to our shareholders an amendment to our articles of association allowing shareholders who hold alone or together ordinary shares representing at least 0.5% of the share capital or the votes to request that an item be included on the agenda or a proposal relating to an agenda item be included in the notice convening a general meeting of shareholders.

### ***Shareholder Proposals***

Under Swiss corporate law, at any general meeting of shareholders any shareholder may put proposals to the meeting if the proposal is part of an agenda item. In addition, even if the proposal is not part of any agenda item, any shareholder may propose to the meeting to convene an extraordinary general meeting of shareholders or to have a specific matter investigated by means of a special investigation where this is necessary for the proper exercise of shareholders' rights.

### ***Number of Directors***

Our articles of association provide that our board of directors shall consist of a minimum of three members and a maximum of eleven members.

The members of our board of directors and the chairperson are elected annually by the general meeting of shareholders for a term of office until completion of the next annual general meeting of shareholders and are eligible for re-election. Each member of our board of directors must be elected individually.

## ***Powers***

According to Swiss corporate law, the board of directors has the following non-delegable and inalienable powers and duties:

- the ultimate direction of the business of the company and the issuance of the necessary instructions;
- the determination of the organization of the company;
- the administration of accounting, financial control and financial planning;
- the appointment and removal of the persons entrusted with executive management and their representation of the company;
- the ultimate supervision of the persons entrusted with management of the company, specifically in view of their compliance with the law, these articles of association, the regulations and directives;
- the preparation of the business report and the compensation report and;
- the preparation of the general meetings of shareholders as well as the implementation of the resolutions adopted by the general meetings of shareholders;
- the adoption of resolutions regarding the subsequent payment of capital with respect to non-fully paid up shares and the amendments to the articles of association related thereto;
- the adoption of resolutions on the change of the share capital to the extent that such power is vested in the board of directors, the ascertainment of capital changes the preparation of the report on the capital increase, and the respective amendments of the articles of association (including deletions);
- the non-delegable and inalienable duties and powers of the board of directors pursuant to the Merger Act;
- the submission of a petition for debt restructuring moratorium and the notification of the court if liabilities exceed assets; and
- any other matter reserved to the board of directors by the law or the articles of association.

The board of directors may, while retaining such non-delegable and inalienable powers and duties, delegate some of its powers, in particular direct management, to a single or to several of its members, managing directors, committees or to third parties who need be neither members of the board of directors nor shareholders. Pursuant to Swiss corporate law, details of the delegation must be set in the organizational rules issued by the board of directors. The organizational rules may also contain other procedural rules such as quorum requirements.

## ***Indemnification of Executive Management and Directors***

In addition, under general principles of Swiss employment law, an employer may be required to indemnify an employee against losses and expenses incurred by such employee in the proper execution of his or her duties under the employment agreement with the employer.

We intend to enter into indemnification agreements with each of the members of our board of directors and executive management.

## ***Conflict of Interest, Management Transactions***

Swiss corporate law provides that all members of the board of directors and of the executive committee must inform the board of directors without delay of any conflicts of interest. In such an event, the board of directors has to take such measures as are necessary to safeguard the company's interests. Further, the CO contains a provision that requires our directors and executive management to safeguard the company's interests and imposes a duty of loyalty and duty of care on our directors and executive management. This rule is generally understood to disqualify directors and executive management from participation in decisions that directly affect them. Our directors and executive officers are personally liable to us for breach of these provisions. In addition, Swiss law contains provisions under which directors and all persons engaged in the company's management are liable to the company, each shareholder and the company's creditors for damages caused by an intentional or negligent violation of their duties. Furthermore, Swiss corporate law contains a provision under which payments made to any of the company's shareholders or directors, executive officers or members of the advisory board (if any) or any person associated with any such person, other than payments made at arm's length, must be repaid to the company if such person, or associated person acted in bad faith.

Our Code of Conduct and organizational rules also cover a broad range of matters, including the handling of conflicts of interest.

## ***Principles of the Compensation of the Board of Directors and the Executive Management***

Pursuant to Swiss corporate law, the company is subject to certain rules related to the compensation of the members of the board of directors and of the executive committee applicable to listed companies.

Pursuant to Swiss corporate law, our shareholders must annually approve the compensation of the board of directors and the persons whom the board of directors has, fully or partially, entrusted with our management, which we refer to as our “executive management”. The board of directors is responsible for the annual preparation of a written compensation report in accordance with Swiss corporate law. Our statutory auditor conducts an audit of the compensation report as required by Swiss law and Swiss auditing standards. The compensation report must disclose all compensation, loans and other forms of indebtedness granted by us, directly or indirectly, to current or former members of the board of directors and executive management to the extent related to their former role or not on customary market terms.

The disclosure concerning compensation, loans and other forms of indebtedness must include:

- the aggregate amount for the board of directors as well as the particular amount for each member of the board of directors, specifying the name and function of each respective person; and
- the aggregate amount for the executive management as well as the particular amount for the member of the executive management with the highest compensation, specifying the name and function of such member.

Certain forms of compensation are prohibited for members of our board of directors and executive management, such as:

- severance payments provided for either contractually or in the articles of association (compensation due during the notice period before termination of a contractual relationship does not qualify as severance payment);
- compensation related to a non-competition undertaking that exceeds the average remuneration for the last three financial years, or compensation related to a non-competition undertaking that is not justified on business grounds;
- advance compensation;
- incentive fees for the acquisition or transfer of corporations or parts thereof by us or by companies being, directly or indirectly, controlled by the us;
- loans, other forms of indebtedness, pension benefits not based on occupational pension schemes and performance-based compensation not provided for in the articles of association; and
- equity securities and conversion and option rights awards not provided for in the articles of association.

Compensation to members of the board of directors and executive management for activities in entities that are, directly or indirectly, controlled by us is prohibited if the compensation (1) would have been prohibited if it was paid directly by us, (2) is not provided for in our articles of association and (3) has not been approved by the general meeting of shareholders.

Our shareholders annually vote on the proposals of the board of directors with respect to:

- the maximum aggregate amount of compensation of the board of directors until the next annual general meeting; and
- the maximum aggregate amount of (1) fixed compensation of the executive management for the period from July 1 of a given year to June 30 of the following year and (2) variable compensation of the executive management for the current financial year.

The board of directors may submit for approval at the general meeting of shareholders deviating or additional proposals relating to the same or different periods.

If the general meeting of shareholders does not approve a compensation proposal made by the board of directors, the board of directors must convene an extraordinary general meeting and submit a new compensation proposal to such meeting.

In addition to fixed compensation, members of the executive management and, under certain circumstances, the board of directors may be paid variable compensation, depending on the achievement of certain performance criteria or for retention purposes.



The performance criteria may include corporate targets and targets in relation to the market, other companies or comparable benchmarks and individual targets, taking into account the position and level of responsibility of the recipient of the variable compensation. The board of directors or, where delegated to it, the compensation committee shall determine the relative weight of the performance criteria and the respective target values.

Compensation may be paid or granted in the form of cash, shares, financial instruments, or in the form of other types of benefits. The board of directors or, where delegated to it, the compensation committee shall determine grant, vesting, exercise and forfeiture conditions.

### ***Borrowing Powers***

Neither Swiss law nor our articles of association restrict in any way our power to borrow and raise funds. The decision to borrow funds is made by or under the direction of our board of directors, and no approval by the shareholders is required in relation to any such borrowing.

### ***Repurchases of Shares and Purchases of Own Shares***

The CO limits our right to purchase and hold our own shares. We and our subsidiaries may purchase shares only if and to the extent that (1) we have freely distributable reserves in the amount of the purchase price; and (2) the aggregate nominal value of all shares held by us does not exceed 10% of our share capital. Pursuant to Swiss corporate law, where shares are acquired in connection with a transfer restriction set out in the articles of association, the foregoing upper limit is 20%. We currently do not have any transfer restriction in our articles of association. If we own shares that exceed the threshold of 10% of our share capital, the excess must be sold or cancelled by means of a capital reduction within two years.

Shares held by us or our subsidiaries are not entitled to vote at the general meeting of shareholders but are entitled to the economic benefits applicable to the shares generally, including dividends and pre-emptive rights in the case of share capital increases.

In addition, selective share repurchases are only permitted under certain circumstances. Within these limitations, as is customary for Swiss corporations, we may purchase and sell our own shares from time to time in order to meet our obligations under our equity plans, to meet imbalances of supply and demand, to provide liquidity and to even out variances in the market price of shares.

### ***Notification and Disclosure of Substantial Share Interests***

The disclosure obligations generally applicable to shareholders of Swiss corporations under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 2015, or the Financial Market Infrastructure Act, are applicable to us. Under the Financial Market Infrastructure Act, persons who directly, indirectly or in concert with other parties acquire or dispose of common shares or are granted the power to exercise voting rights attached to common shares at their own discretion, or delegated voting rights, or acquire or dispose of purchase or sale rights relating to common shares, and thereby reach, exceed or fall below a threshold of 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3 percent of our voting rights (whether exercisable or not) must report such acquisition or disposal to us and the SIX Swiss Exchange in writing within four trading days. Within two trading days of the receipt of such notification, we must publish such information through SIX Swiss Exchange's electronic reporting and publishing platform. For purposes of calculating whether a threshold has been reached or crossed, shares, delegated voting rights and acquisition rights or obligations, or Acquisition Positions, on the one hand and sale rights or obligations, or Disposal Positions, on the other hand may not be netted. Rather the Acquisition Positions and the Disposal Positions need to be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership and delegated voting rights must be reported separately from other Purchase Positions if they reach one of the thresholds.

### ***Mandatory Bid Rules***

Pursuant to the applicable provisions of the Financial Market Infrastructure Act, any person that acquires shares of a listed Swiss company, whether directly or indirectly or acting in concert with third parties, which shares, when taken

together with any other shares of such company held by such person, exceed the threshold of 33 1/3% of the voting rights (whether exercisable or not) of such company, must make a takeover bid to acquire all the other listed shares of such company. A company's articles of association may either eliminate this provision of the Financial Market Infrastructure Act or may raise the relevant threshold to 49%, opting-out or opting-up, respectively. Our articles of association do not contain any opting-out or opting-up provision.

A waiver of the mandatory rules may be granted by the Swiss Takeover Board or FINMA under certain circumstances. If no waiver is granted, the mandatory takeover bid must be made pursuant to the procedural rules set forth in the Financial Market Infrastructure Act and the implementing ordinances thereunder.

There is no obligation to make a takeover bid under the Financial Market Infrastructure Act if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law or execution proceedings.

### ***Limitation of Liability and Indemnification***

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Differences in Corporate Law**

*We are a corporation (Aktienaesellschaft), organized under the laws of Switzerland in accordance with articles 620 et seqq. CO. The laws applicable to a Swiss Aktiengesellschaft differ from laws applicable to U.S. corporations and their shareholders. The following discussion summarizes material differences between the rights of holders of our common shares and the rights of holders of the common shares of a typical corporation incorporated under the laws of the state of Delaware, which result from differences in governing documents and the laws of Switzerland and Delaware. For a more complete discussion, please refer to the Delaware General Corporation Law, or the DGCL, Swiss law, and our governing corporate statutes.*

## **Switzerland**

### **Number of Directors**

Under Swiss corporate law, the board of directors must consist of at least one member, unless the articles of association set out a specific number of directors. Our articles of association provide that our board of directors shall consist of a minimum of three members and a maximum of eleven members.

### **Director Qualifications**

Any natural person can be elected as a member of the board of directors even without being a shareholder of the corporation. As a minimum standard a director has to be in the position to fulfill his or her fiduciary duties, the duty of care and the duty of loyalty. It lies within the competence of the board of directors to determine a set of qualifications when proposing potential candidates to the general meeting of shareholders for election, or the articles of association may set out guidelines. While our articles of association generally do not set out such guidelines, our organizational regulations and committee charters stipulate certain requirements as to independence and, with respect to the audit and finance committee, financial literacy.

Further, the corporation must be able to be represented by one person who is resident in Switzerland with sole signature authority or two persons who are resident in Switzerland with joint signature authority by two. This person or these persons may be either a member of the board of directors or an executive officer. They must have access to the share register and the register of beneficial owners notified to the company.

## **Delaware**

Under the DGCL, a corporation must have at least one director and the number of directors shall be fixed by or in the manner provided in the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate of incorporation.

Under the DGCL, a corporation may prescribe qualifications for directors under its certificate of incorporation or bylaws.

## Standard of Conduct for Directors

A director of a Swiss corporation has a fiduciary duty to the corporation only. This duty has two components:

- the duty of care; and
- the duty of loyalty.

The duty of care requires that a director acts in good faith, with the care that an ordinary prudent director would exercise under similar circumstances.

The duty of loyalty requires that a director acts in a manner he or she reasonably believes to be in the best interest of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits in principle self-dealing by a director and mandates that the best interest of the corporation take precedence over a director's interest.

Directors must afford the shareholders equal treatment in equal circumstances.

The burden of proof for a violation of these duties is with the corporation or with the shareholder (or creditor) bringing a suit against the director.

The Swiss Federal Supreme Court established the doctrine to restrict its review of a business decision if the decision has been taken upon proper preparation, on an informed basis and without conflicts of interest.

The DGCL does not contain specific provisions setting forth the standard of conduct of a director. The scope of the fiduciary duties of directors is generally determined by the courts of the State of Delaware. In general, directors have a duty to act without self-interest, on a well-informed basis and in a manner they reasonably believe to be in the best interest of the stockholders.

## **Indemnification of Directors and Executive Committee and Limitation of Liability**

Under Swiss corporate law, a corporation cannot limit the personal liability of a director or another person entrusted with its management. However, the general meeting of shareholders may grant discharge to the directors and the persons entrusted with its management from liability arising from actions taken during the past financial year. Such discharge is effective only, however, for disclosed facts and only against the corporation and those shareholders who approved the discharge or who have since acquired shares in full knowledge of the discharge.

Under Swiss corporate law, subject to certain limitations, a corporation may indemnify and hold harmless directors and other persons entrusted with its management out of the assets of the corporation from and against actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted, in connection with the execution of their statutory duties, provided that such indemnity (if any) shall not extend to any matter in which any of said persons is found to have committed an intentional or grossly negligent breach of his or her duties.

Subject to the limitations described above, the articles of association of a Swiss corporation may therefore provide that the corporation shall indemnify and hold harmless to the extent permitted by law the directors and members of the executive committee out of assets of the corporation against threatened, pending or completed actions. Within the same limitations, articles of association of a Swiss corporation may also provide that the directors shall be entitled to the reimbursement of all expenses incurred in the interests of the corporation. Our articles of association contain such a provision.

Further, a corporation may enter into and pay for directors' and officers' liability insurance which may cover negligent acts as well.

Under the DGCL, a corporation's certificate of incorporation may include a provision eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages arising from a breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director for:

- any breach of the director's duty of loyalty to the corporation or its shareholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- intentional or negligent payment of unlawful dividends or unlawful share purchases or redemptions; or
- any transaction from which the director derives an improper personal benefit.

A Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any proceeding, other than an action by or on behalf of the corporation, because the person is or was a director or officer, against liability incurred in connection with the proceeding if the director or officer acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation; and the director or officer, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Unless ordered by a court, any foregoing indemnification is subject to a determination that the director or officer has met the applicable standard of conduct:

- by a majority vote of the directors who are not parties to the proceeding, even though less than a quorum;
- by a committee of directors designated by a majority vote of the eligible directors, even though less than a quorum;
- by independent legal counsel in a written opinion if there are no eligible directors, or if the eligible directors so direct; or
- by the shareholders.

Moreover, a Delaware corporation may not indemnify a director or officer in connection with any proceeding in which the director or officer has been adjudged to be liable to the corporation unless and only to the extent that the court determines that, despite the adjudication of liability but in view of all the circumstances of the case, the director or officer is fairly and reasonably entitled to indemnity for those expenses which the court deems proper.

### **Annual Vote on Board Renewal**

The general meeting of shareholders elects annually and individually the members of the board of directors, the chairperson of the board of directors and the members of the compensation committee for a term of office until completion of the next annual general meeting of shareholders. Re-election is possible.

One-year terms are mandatory under Swiss corporate law for listed companies. Classified boards are therefore not permitted.

Cumulative voting is not permitted under Swiss corporate law. Our directors, the chairperson of the board of directors and the members of the compensation committee are elected by the affirmative vote of the absolute majority of the votes represented at the general meeting of shareholders.

### **Removal of Directors**

The general meeting of shareholders may remove, with or without cause, any director at any time with a resolution passed by an absolute majority of the votes represented at a general meeting of shareholders where a proposal for such removal was properly set on the agenda. The articles of association may require the approval by a qualified majority of the shares represented at a meeting for the removal of a director.

### **Vacancies on the Board of Directors**

In order to fill a vacancy on the board of directors, a new member of the board of directors must be elected by a general meeting of shareholders.

In the event the office of the chairperson of the board of directors is vacant, the board of directors shall appoint a new chairperson from among its members for the remaining term of office. If there are vacancies on the compensation committee, the board of directors may appoint substitute members from among its members for the remaining term of office. The articles of association may set forth other rules to fill vacancies on the compensation committee. Our articles of association do not stipulate such other rules.

Unless directors are elected by written consent in lieu of an annual meeting, directors are elected in an annual meeting of shareholders on a date and at a time designated by or in the manner provided in the bylaws. Re-election is possible.

Classified boards are permitted.

Cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation provides for it.

Under the DGCL, directors may be removed from office, with or without cause, by a majority stockholder vote, though in the case of a corporation whose board is classified, unless otherwise provided in the certificate of incorporation, stockholders may effect such removal only for cause.

Under the DGCL, unless otherwise provided in the certificate of incorporation or bylaws, a vacancy or a newly created directorship may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director. Any newly elected director usually holds office for the remainder of the full term expiring at the annual meeting of shareholders at which the term of the class of directors to which the newly elected director has been elected expires.

## Annual General Meeting or Special Meetings

The annual general meeting of shareholders must take place annually within six months after the close of the financial year. Amongst other competences, the general meeting of shareholders individually elects the members of the board of directors, the chairperson of the board of directors and the members of the compensation committee. The notice of convening the meeting must include the place and date of the general meeting, the agenda items, the proposals by the board of directors and shareholders (if any), and necessary directions and instructions by the board of the directors.

Extraordinary general meetings of shareholders shall be called as often as necessary by the board of directors or, if necessary, by the statutory auditors as well as in all other cases required by law. One or more shareholders holding, alone or together, ordinary shares representing at least 5% of the share capital or of the votes may request in writing that the board of directors call an extraordinary general meeting of shareholders. The request must contain an agenda and the suggested proposals.

## Shareholder Proposals

At any general meeting of shareholders any shareholder may put proposals to the meeting if the proposal is part of an agenda item. Generally, no resolution may be passed on proposals relating to agenda items that were not duly notified. Pursuant to our articles of association, one or more shareholders whose combined shareholdings represent the lower of (1) one tenth of the share capital or (2) an aggregate nominal value of at least CHF 1,000,000, may request that an item be included on the agenda for a scheduled general meeting of shareholders provided such request is made with appropriate notice. Our articles of association provide that such request must be made at least 45 calendar days prior to a general meeting of shareholders specifying the agenda item and the proposal or proposals. In accordance with the Swiss corporate law reform, we intend proposing to our shareholders an amendment to our articles of association allowing shareholders who hold, alone or together, ordinary shares representing at least 0,5 % of the share capital or the votes to request that an item be included on the agenda or a proposal relating to an agenda item be included in the notice convening a general meeting of shareholders.

In addition, any shareholder is entitled, at a general meeting of shareholders and without advance notice, to (i) request information from the board of directors on the affairs of the company (note, however, that the right to obtain such information is limited), (ii) request information from the statutory auditors on the methods and results of their audit, (iii) propose that an extraordinary general meeting of shareholders be called or (iv) propose that a special investigation be carried out.

Under the DGCL, the annual meeting of stockholders shall be held at such place, on such date and at such time as may be provided by the certificate of incorporation or by the bylaws, or by the board of directors if neither the certificate of incorporation or bylaws so provide.

Under the DGCL, unless directors are elected by written consent in lieu of an annual meeting as permitted by the DGCL, the annual meeting of stockholders shall be held for the election of directors on a date and at a time as designated by or in the manner provided in the bylaws.

Under the DGCL, special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.

Under the DGCL, special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.

A stockholder of a Delaware corporation has the right to put any proposal before the annual meeting of stockholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but stockholders may be precluded from calling special meetings.

### **Notice of General Meetings**

Under Swiss corporate law and our articles of association, notice of the general meeting of shareholders has to be given at least 20 calendar days before the date for which the meeting is scheduled in the form prescribed by the articles of association. The agenda must specify the place, date, hour, agenda items, and the proposals of the board of directors and short explanations for these proposals, if applicable, the proposals of the shareholders who have requested that a general meeting be called or an item be placed on the agenda (if any) with a short explanation and if applicable, the address of the independent voting representative. Our annual report, the compensation report and the auditors' reports must be made available electronically to the shareholders at least 20 days prior to the annual general meeting of shareholders.

### **Proxy**

Swiss law requires that the independent proxy must be present at a general meeting of shareholders. Registered shareholders may give proxy and voting instructions to the independent proxy in writing or electronically. Pursuant to our articles of association, registered shareholders may also give proxy to a representative of their choice.

### **Shareholder Action by Written Consent**

As of January 1, 2023, shareholders of a Swiss corporation may also act by written consents if no shareholder or representative of a shareholder requests an oral debate.

Shareholders of record may vote at the general meeting of shareholders through proxy and related instructions (“—Proxy”).

Under Delaware law, unless otherwise provided in the certificate of incorporation or bylaws, written notice of any meeting of the stockholders must be given to each stockholder entitled to vote at the meeting not less than 10 nor more than 60 days before the date of the meeting and shall specify the place, date, hour and purpose or purposes of the meeting.

Under the DGCL, each shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such shareholders by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Under the DGCL a corporation's certificate of incorporation (1) may permit shareholders to act by written consent if such action is signed by all shareholders, (2) may permit shareholders to act by written consent signed by shareholders having the minimum number of votes that would be necessary to take such action at a meeting or (3) may prohibit actions by written consent. Unless otherwise provided in the certificate of incorporation, any action that is required by the DGCL to be, or that can be, taken at an annual or special meeting of the shareholders may be taken without a meeting, without prior notice and without a vote, if written consent to the action is signed by the holders of outstanding shares having not less than the minimum number of votes necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted.



### **Pre-emptive Rights**

Under Swiss corporate law, shareholders have pre-emptive rights to subscribe for newly issued shares and advance subscription rights to subscribe for warrants, convertible bonds or similar debt/finance instruments with option or conversion rights. Under certain circumstances, shareholders may limit or withdraw, or authorize the board of directors to limit or withdraw, pre-emptive rights or advance subscription rights.

However, the shareholders' pre-emptive rights or advance subscription rights can only be limited or withdrawn for valid reasons. Preventing a particular shareholder to exercise influence over the company is generally believed not to be a valid reason to limit or withdraw shareholders' pre-emptive rights.

### **Sources of Dividends**

Dividend payments are subject to the approval of the general meeting of shareholders. The board of directors may propose to shareholders that a dividend be paid but cannot itself authorize the distribution.

Payments out of share capital of a Swiss corporation (in other words, the aggregate nominal value of the corporation's registered share capital) in the form of dividends are not allowed; however, payments out of share capital may be made by way of a capital reduction. Dividends may be paid only from the profits brought forward from the previous financial years or if the corporation has distributable reserves, each as will be presented on the corporation's audited stand-alone statutory balance sheet. The dividend may be determined only after the allocations to reserves required by Swiss law or the articles of association have been deducted and the corporation's statutory auditors have confirmed that the dividend proposal complies with Swiss law and the corporation's articles of association. As of January 1, 2023, our shareholders may also resolve to pay interim dividends out of profit of the current business year on the basis of interim accounts.

Under the DGCL, no shareholder shall have any pre-emptive right to subscribe to an additional issue of shares or to any security convertible into such shares unless, and except to the extent that, such right is expressly granted to such shareholder in the corporation's certificate of incorporation.

Under the DGCL, subject to any restrictions contained in the certificate of incorporation, the directors of a corporation may declare and pay dividends upon the shares of its capital stock either (1) out of its surplus or (2) if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, except when the capital of the corporation is diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of capital represented by the issued and outstanding shares of all classes having a preference on the distribution of assets. "Surplus" is defined in the DGCL as the excess of the net assets of the corporation over capital, as such capital may be adjusted by the board of directors.

## Repurchase of Shares

A Swiss corporation (or its subsidiaries) may repurchase its own shares under the following conditions:

- it can only repurchase its own shares out of freely disposable equity capital in the required amount;
- the combined value of all such shares cannot exceed 10% of the share capital. Where shares are acquired in connection with a transfer restriction set out in the articles of association, the foregoing upper limit is 20%;
- the voting rights on the corporation's own shares are suspended; and
- the amount of the purchase price for the shares repurchased is presented on its stand-alone statutory balance sheet as a negative item in its equity.

Under the DGCL, a corporation may generally purchase or redeem shares of its stock; provided, however, that no corporation shall purchase or redeem its own shares of capital stock if the capital of the corporation is impaired or such redemption or repurchase would impair the capital of the corporation, except that a corporation may purchase or redeem out of capital any of its own shares which are entitled upon any distribution of its assets to a preference over another class or series of its shares, or, if no shares entitled to such a preference are outstanding, any of its own shares, if such shares will be retired upon their acquisition and the capital of the corporation reduced in accordance with the DGCL.

### **Voting Rights and Transfer Restrictions**

Each common share carries one vote at any general meeting of shareholders. A shareholder must be registered in the corporation's share register as a shareholder with voting rights in order to exercise his, her or its voting rights.

The articles of association may restrict the registration of a shareholder in the corporation's share register in order to ensure that no person or entity is registered as a shareholder with voting rights for more than a certain percentage, and that no person or entity directly or indirectly, formally, constructively or beneficially owns, or otherwise controls or directs voting rights (whether exercisable or not) with respect to a certain percentage of the share capital registered in the Commercial Register. Furthermore, a corporation may under certain circumstances refuse to enter an acquirer of shares in the share register as a shareholder with voting rights if such acquirer fails to declare to the corporation that the relevant shares were acquired for his, her or its own account. See "*Limitations Affecting Shareholders of a Swiss Company—Transfer of Shares and Transfer Restrictions*".

Further, the articles of association may provide that no shareholder may exercise, directly or indirectly, voting rights with respect to own or represented shares in excess of a certain percentage of the share capital registered in the Commercial Register.

The articles of association of a Swiss corporation may, subject to certain limitations, provide for shares with preferred voting rights. Our current articles of association do not contain such a provision.

Under the DGCL, unless otherwise provided in the certificate of incorporation, each shareholder is entitled to one vote for each share of capital stock held by such shareholder.

### **Shareholder Vote on Certain Transactions**

Under Swiss corporate law, with certain exceptions, a merger or a demerger of the corporation pursuant to the Swiss Merger Act or a sale of all or substantially all of the assets of a corporation must be approved by two-thirds of the votes represented at the respective general meeting of shareholders as well as the absolute majority of the nominal value of shares represented at such meeting. The articles of association may increase the voting threshold (which is not the case under our articles of association). Swiss law also requires that if the merger agreement provides only for a compensation payment, at least 90% of all members in the transferring legal entity who are entitled to vote shall approve the merger agreement. However, there has been some uncertainty and dispute as to whether the 90% approval requirement relates to the total number of votes represented by all shares of the target company outstanding, or the total number of shareholders of the target company entitled to vote.

Swiss law also provides that a parent corporation, by resolution of its board of directors, may merge with any subsidiary of which it owns at least 90% of the shares without a shareholder vote by shareholders of such subsidiary if the shareholders of the subsidiary are offered the payment of the fair value in cash as an alternative to shares of the parent.

### **Shareholder Vote on Board and Management Compensation**

Pursuant to the Compensation Ordinance, the aggregate amount of compensation for the members of the board of directors and the executive committee must be approved by the general meeting of shareholders.

Under the DGCL, certain fundamental changes such as amendments to the certificate of incorporation, a merger, consolidation, sale, lease, exchange or other disposition of all or substantially all of the property of a corporation not in the usual and regular course of the corporation's business, or a dissolution of the corporation, are generally required to be approved by the holders of a majority of the outstanding shares entitled to vote on the matter, unless the certificate of incorporation requires a higher percentage.

However, under the DGCL, mergers in which less than 20% of a corporation's shares outstanding immediately prior to the effective date of the merger is issued generally do not require shareholder approval. In addition, mergers in which one corporation owns 90% or more of each class of shares of a second corporation may be completed without the vote of the second corporation's board of directors or shareholders. In certain situations, the approval of a business combination may require approval by a certain number of the holders of a class or series of shares. In addition, Section 251(h) of the DGCL provides that shareholders of a constituent corporation need not vote to approve a merger if: (i) the merger agreement permits or requires the merger to be effected under Section 251(h) and provides that the merger shall be effected as soon as practicable following the tender offer or exchange offer, (ii) a corporation consummates a tender or exchange offer for any and all of the outstanding shares of such constituent corporation that would otherwise be entitled to vote to approve the merger, (iii) following the consummation of the offer, the stock accepted for purchase or exchanges plus the stock owned by the consummating corporation equals at least the percentage of stock that would be required to adopt the agreement of merger under the DGCL, (iv) the corporation consummating the offer merges with or into such constituent corporation, and (v) each outstanding share of each class or series of stock of the constituent corporation that was the subject of and not irrevocably accepted for purchase or exchange in the offer is to be converted in the merger into, or the right to receive, the same consideration to be paid for the shares of such class or series of stock of the constituent corporation irrevocably purchased or exchanged in such offer.

Under the DGCL, the board of directors has the authority to fix the compensation of directors, unless otherwise restricted by the certificate of incorporation or bylaws.

## Dissenters' Appraisal Rights

For business combinations effected in the form of a statutory merger or demerger, the Swiss Merger Act provides that if the equity rights have not been adequately preserved or compensation payments in the transaction are not adequate, a shareholder may request the competent court to determine an adequate amount of compensation.

Shareholders who consider their equity rights not to have been adequately preserved or the compensation received to be inadequate are entitled to exercise appraisal rights in accordance with the Swiss Merger Act by filing a suit against the surviving corporation with the competent Swiss civil court at the registered office of the surviving corporation or of the transferring corporation. The suit must be filed within two months after the merger or demerger resolution has been published in the Swiss Official Gazette of Commerce. If such a suit is filed, the court must assess whether the equity rights have been adequately preserved or the compensation paid or to be paid to the shareholders of the transferring corporation is adequate and, should the court consider it to be inadequate, determine any additional adequate compensation. A decision issued by a competent court in this respect can be acted upon by any person who has the same legal status as the claimant. The filing of an appraisal suit will not prevent completion of the merger or demerger.

Under the DGCL, any shareholder of a corporation who holds share of stock on the date of making a demand for appraisal of such shareholder's shares under the DGCL, who continuously holds such shares through the effective date of a merger or consolidation, who has neither voted in favor of the merger or consolidation nor consented thereto shall be entitled to an appraisal by the Delaware Court of Chancery of the fair value of the shareholder's shares of stock; provided, however, that no appraisal rights are available for shares of any class or series that is listed on a national securities exchange or held of record by more than 2,000 shareholders, unless the agreement of merger or consolidation requires the holders to accept for their shares anything other than:

- shares of stock of the surviving corporation;
- shares of stock of another corporation that are either listed on a national securities exchange or held of record by more than 2,000 shareholders;
- cash in lieu of fractional shares of the stock described in the two preceding bullet points; or
- any combination of the above.

Notwithstanding the foregoing, appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation if the holders of such corporation are required by the agreement of merger or consolidation to accept for such stock anything but:

- shares of stock of the surviving corporation or depository receipts in respect thereof;
- shares of stock of another corporation, or depository receipts in respect thereof, that are either listed on a national securities exchange or held of record by more than 2,000 shareholders;
- cash in lieu of fractional shares or fractional depository receipts described in the two preceding bullet points; or
- any combination of the above.

In addition, appraisal rights are not available to holders of shares of the surviving corporation in specified mergers that do not require the vote of the shareholders of the surviving corporation.

## Shareholder Lawsuits

Under Swiss corporate law, an individual shareholder may bring an action in the shareholder's own name, for the benefit of the corporation, against the corporation's directors, officers or liquidators to recover any damages the corporation has incurred as a result of an intentional or negligent breach of duties by such directors, officers or liquidators. Class actions and derivative actions as such are not available under Swiss law. Nevertheless, certain actions may, to a limited extent, have a similar effect.

Under Swiss corporate law, the winning party is generally entitled to recover or partially recover attorney's fees incurred in connection with such action, provided, however, that the court has discretion to permit the shareholder whose claim has been dismissed to recover attorney's fees incurred to the extent he or she acted in good faith.

## Amendment of Governing Documents

The articles of association of a Swiss corporation may generally be amended by the general meeting of shareholders with a resolution passed by an absolute majority of the votes represented at such meeting, unless otherwise provided in the articles of association or required by law. There are a number of resolutions, such as an amendment of the stated purpose of the corporation and the introduction of authorized and conditional capital, that pursuant to Swiss law require the approval by two-thirds of the votes and an absolute majority of the nominal value of the shares represented at the general meeting of shareholders. The articles of association may increase the voting thresholds.

Subject to certain requirements, shareholders may submit a proposal to be voted on at a general meeting of shareholders to amend the articles of association

Under the DGCL, a shareholder may initiate a derivative action to enforce a right of a corporation if the corporation fails to enforce the right itself. The complaint must state that the plaintiff was a shareholder at the time of the transaction of which the plaintiff complains or that the plaintiff's shares thereafter devolved on the plaintiff by operation of law; provided, however, that under Delaware case law, the plaintiff generally must be a shareholder not only at the time of the transaction which is the subject of the suit, but through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated shareholders where the requirements for maintaining a class action have been met.

Under the DGCL, a corporation may amend its certificate of incorporation if:

- its board of directors has adopted a resolution setting forth the amendment proposed and declaring its advisability; and
- if a majority of the outstanding stock entitled to vote on the amendment, and a majority of the outstanding stock of each class entitled to vote on the amendment as a class, has been voted in favor of the amendment.

Under the DGCL, the shareholders entitled to vote have the power to adopt, amend or repeal bylaws. A corporation may also confer, in its certificate of incorporation, such power upon the directors. The fact that such power has been so conferred upon the directors shall not divest the shareholders of the power nor limit their power to adopt, amend or repeal bylaws.

### **Creation and Issuance of New Shares**

The creation of new shares requires a resolution of the general meeting of shareholders. Under the CO, our shareholders, by a resolution passed by two-thirds of the votes represented at a general meeting of shareholders and the majority of the nominal value of the shares represented at such meeting, may empower the board of directors to issue shares of a specific aggregate nominal amount, in each case up to a maximum of 50% of the existing issued share capital as registered in the Commercial Register, in the form of:

- conditional capital (bedingtes Kapital) for the purpose of issuing shares (i) through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties in connection with bonds, notes, options warrants or other securities or contractual obligations of the Company or one of our subsidiaries or (ii) through the issuance of rights to subscribe for new shares to employees, members of the board of directors, members of the executive committee, contractors or consultants of the Company or one of our subsidiaries or other persons providing services to the Company or one of our subsidiaries (conversion or option rights); and/or
- a capital range (Kapitalband) to be utilized by the board of directors, for capital increases and/or capital reductions, as applicable, subject to the articles of incorporation, within a period determined by the shareholders but not exceeding five years from the date of the shareholder approval. If and when adopted and approved by the general meeting of shareholders, the capital range will replace the authorized capital (genehmigtes Kapital) as currently provided for in our articles of association which expires on April 13, 2024.

All creation of shares require the board of directors to adopt a resolution or resolutions, pursuant to authority expressly vested in the board of directors by the provisions of the company's certificate of incorporation.

### **Inspection of Books and Records**

Under Swiss corporate law, a shareholder may request to inspect a corporation's minutes of general meetings of shareholders. A corporation's annual report, compensation report and the auditors' reports must be made available electronically to shareholders at least 20 calendar days prior to each annual general meeting of shareholders. If the documents are not electronically accessible, any shareholder may for one year following the general meeting request that they be sent the annual report in the form approved by the general meeting together with the audit reports.

Shareholders who hold, alone or together, ordinary shares representing at least 0,5% of the share capital or the votes may request to inspect our books and records. Subject to the safeguarding of a corporation's business secrets and other legitimate interests, our board of directors may authorize such inspection to the extent necessary to exercise shareholder rights within four months following receipt of such requests. At a general meeting of shareholders, any shareholder may request information from the board of directors concerning the corporation's affairs. Shareholders may also ask the corporation's statutory auditors questions regarding their audit of the corporation. The board of directors and the statutory auditors must answer shareholders' questions to the extent necessary for the exercise of shareholders' rights and subject to prevailing business secrets or other material interests of the corporation.

Stockholders of a Delaware corporation, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose, and to obtain copies of list(s) of stockholders and other books and records of the corporation and its subsidiaries, if any, to the extent the books and records of such subsidiaries are available to the corporation.



### **Shareholder Lawsuits**

Under Swiss corporate law, an individual shareholder may bring an action in the shareholder's own name, for the benefit of the corporation, against the corporation's directors, officers or liquidators to recover any damages the corporation has incurred as a result of an intentional or negligent breach of duties by such directors, officers or liquidators. Class actions and derivative actions as such are not available under Swiss law. Nevertheless, certain actions may, to a limited extent, have a similar effect.

Under Swiss law, the winning party is generally entitled to recover a limited amount of attorneys' fees incurred in connection with such action. The court has discretion to permit the shareholder who lost the lawsuit to recover attorneys' fees incurred to the extent that he, she or it acted in good faith.

### **Dissolution; Winding-up**

Under Swiss corporate law, a corporation may be dissolved at any time by way of liquidation, based on a shareholders' resolution. Such resolution requires the approval by two-thirds of the votes represented as well as the absolute majority of the nominal value of the shares represented at the general meeting of shareholders passing a resolution on such dissolution and winding up. The articles of association may increase the voting thresholds required for such a resolution (which is not the case under our articles of association).

Dissolution by law or court order is possible if, for example, a corporation becomes bankrupt.

Under Swiss corporate law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid up nominal value of shares held. The articles of association may provide for another distribution (which is not the case under our articles of association).

Under the DGCL, a stockholder may initiate a derivative action to enforce a right of a corporation if the corporation fails to enforce the right itself. The complaint must state that the plaintiff was a stockholder at the time of the transaction of which the plaintiff complains or that the plaintiff's shares thereafter devolved on the plaintiff by operation of law; provided, however, that under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction which is the subject of the suit, but through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile. An individual also may commence a class action suit on behalf of himself or herself and other similarly situated stockholders where the requirements for maintaining a class action have been met.

Unless the board of directors of a Delaware corporation approves the proposal to dissolve, dissolution must be approved by shareholders holding 100.0% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

## American Depositary Shares

### *Depository*

We have appointed Citibank, N.A., or Citibank, as the depository for the ADSs pursuant to a deposit agreement. Citibank's depository offices are located at 388 Greenwich Street, New York, New York 10013.

A copy of the deposit agreement is filed as an exhibit to the annual report on Form 20-F of which this exhibit forms a part. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and from the SEC's website ([www.sec.gov](http://www.sec.gov)). Please refer to Registration Number 333-255447 when retrieving such copy.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive and to exercise the beneficial ownership interests in one common share that is on deposit with the depository and/or the custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depository or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depository may agree to change the ADS-to-common share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depository fees payable by ADS owners. The custodian, the depository and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depository, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depository, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, by the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depository, and by the depository (on behalf of the owners of the corresponding ADSs) directly, or indirectly through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depository. As an ADS holder you appoint the depository to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. Swiss law, which may be different from the laws in the United States, governs shareholder rights and our obligations to the holders of common shares. However, as an ADS holder, you will not be treated as one of our shareholders and you will not have shareholder rights.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depository, nor the custodian, nor us nor any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or

obtain such regulatory approvals under applicable laws and regulations. For the requirement to disclose major shareholdings with SIX Swiss Exchange see "--Notification and Disclosure of Substantial Share Interests."

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations under the deposit agreement, and the manner in which, and extent to which, the depositary's services are made available to you. As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the common shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the common shares represented by your ADSs through the depositary only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary, commonly referred to as the direct registration system, or DRS. The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company, or DTC, the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the common shares in the name of the depositary or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary or the custodian the record ownership in the applicable common shares, with the beneficial ownership rights and interests in such common shares being at all times vested with the beneficial owners of the ADSs representing the common shares. The depositary or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

## **Dividends and Distributions**

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of a specified record date, after deduction the applicable fees, taxes and expenses.

### ***Distributions of Cash***

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of

the U.S. dollars to the holders, subject to Swiss laws and regulations. The depositary or a division, branch or affiliate of the depositary may act as a principal for any such conversion.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States and distributable to the ADS holders entitled thereto. If it is unlawful or impracticable to convert such foreign currency and distribute U.S. dollars to the holders, the depositary may, in its discretion, convert such foreign currency and make such distribution to such holders as may be lawful and practicable, distribute foreign currency to holders as may be lawful and practicable or hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

### ***Distributions of Shares***

Whenever we make a free distribution of common shares for the securities on deposit with the custodian, we will deposit the applicable number of common shares with the custodian. Upon receipt of confirmation of such deposit, the depositary will either distribute to holders new ADSs representing the common shares deposited or modify the ADS-to- common share ratio, in which case each ADS you hold will represent rights and interests in the additional common shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to- common share ratio upon a distribution of common shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary may sell all or a portion of the new common shares so distributed.

No such distribution of new ADSs will be made if it would violate any law (*e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary does not distribute new ADSs as described above, it may sell the common shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

### ***Distributions of Rights***

Whenever we intend to distribute rights to subscribe for additional common shares, we will give prior notice to the depositary and will indicate whether we wish the rights distribution to be made available to you. In such case, we will assist the depositary in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depositary will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new common shares other than in the form of ADSs.

The depositary will *not* distribute the rights to you if:

- we do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- we fail to deliver satisfactory documents to the depositary; or
- it is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

#### ***Elective Distributions***

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in Switzerland would receive upon failing to make an election, as more fully described in the deposit agreement.

#### ***Other Distributions***

Whenever we intend to distribute property other than cash, common shares or rights to subscribe for additional common shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to you and will sell the property if:

- we do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- we do not deliver satisfactory documents to the depositary; or
- the depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

## ***Redemption***

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary will convert the redemption funds received in a currency other than U.S. dollars into U.S. dollars upon the terms of the deposit agreement and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as the depositary may determine.

## **Changes Affecting Common Shares**

The common shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such common shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the common shares held on deposit. The depositary may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the common shares. If the depositary may not lawfully distribute such property to you, the depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

## **Issuance of ADSs upon Deposit of Common Shares**

The depositary may create ADSs on your behalf if you or your broker deposits common shares with the custodian. The depositary will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the common shares to the custodian. Your ability to deposit common shares and receive ADSs may be limited by U.S. and Swiss legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary or the custodian receives confirmation that all required approvals have been given and that the common shares have been duly transferred to the custodian. The depositary will only issue ADSs in whole numbers.

When you make a deposit of common shares, you will be responsible for transferring good and valid title to the depositary. As such, you will be deemed to represent and warrant that:

- The common shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All pre-emptive (and similar) rights, if any, with respect to such common shares have been validly waived or exercised.
- You are duly authorized to deposit the common shares.
- The common shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement).

- The common shares presented for deposit have not been stripped of any rights or entitlements.
- The deposit of the common shares does not violate any applicable provisions of the laws of Switzerland.

If any of the representations or warranties are incorrect in any way, we and the depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

### **Transfer, Combination and Split Up of ADRs**

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

We may restrict transfers of ADSs where such transfer may result in the total number of shares represented by the ADSs owned by a single holder or beneficial owner to exceed limits imposed by applicable law or the Articles. We may instruct the depositary to take actions with respect to the ownership interests of any holder or beneficial owner in excess of such limits including the imposing of restrictions on transfers of ADSs, the removal or limitation of voting rights, or mandatory sale or disposition of ADSs held by such holder or beneficial owner in excess of such limitations.

### **Withdrawal of Common Shares Upon Cancellation of ADSs**

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the corresponding number of underlying common shares at the custodian's offices. Your ability to withdraw the common shares held in respect of the ADSs may be limited by U.S. and Swiss legal considerations applicable at the time of withdrawal. In order to withdraw the common shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the common shares being withdrawn. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the common shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time subject to:

- temporary delays that may arise because (i) the transfer books for the ADSs or common shares are closed, or (ii) common shares are immobilized on account of a shareholders' meeting or a payment of dividends;

- obligations to pay fees, taxes and similar charges;
- restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit; or
- other circumstances specifically contemplated by Instruction I.A.(l) of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

### **Voting Rights**

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the common shares represented by your ADSs. The voting rights of holders of common shares are described in the sections titled “Description of Share Capital and Articles of Association” and “Limitations Affecting Shareholders of a Swiss Company.”

At our timely request, the depositary will distribute to you any notice of general meetings of shareholders or other solicitations of consents received from us and arrange to deliver our voting materials to you, or provide notice with instructions on how to retrieve such materials. Those materials will describe the matters to be voted on and explain how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. For instructions to be valid, they must reach the depositary by a date set by the depositary.

The depositary will try, as far as practical, and subject to the laws of Switzerland and to the Articles, to vote or cause to be voted the common shares underlying the ADSs in accordance with instructions timely received from ADS holders. If the depositary does not timely receive voting instructions with respect to certain ADSs, it will not vote the common shares represented by such ADSs, except as otherwise contemplated in the deposit agreement. If the depositary timely receives voting instructions from a holder that fail to specify the manner in which the common shares are to be voted, the depositary will deem such holder (unless otherwise specified in the notice distributed to holders) to have instructed the depositary to take all steps necessary to enable the independent proxy holder, as elected by the shareholders of the Company, to vote the common shares underlying such ADS holder's ADSs in accordance with the written proposals or recommendations of the Company's board of directors. At our request, the depositary will represent all common shares underlying the ADSs for the purpose of establishing a quorum at a meeting of our shareholders.

Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner. Common shares for which no voting instructions have been timely received will not be voted except as provided above with respect to representing common shares to establish a quorum, and as otherwise contemplated in the deposit agreement. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions, for the manner in which any vote is cast or for the effect of any vote, provided that the depositary acted in good faith, without negligence and in accordance with the deposit agreement. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your common shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited shares, if we request the depositary to act, we will give the depositary notice of the applicable meeting or vote and details concerning the matters to be voted upon in a timely manner in advance of the meeting or vote, the depositary having no obligation to take any action with respect to any vote or meeting if it receives such request later than 30 days before the vote or meeting.



## Fees and Charges

As an ADS holder, you will be required to pay the following service fees to the depositary under the terms of the deposit agreement:

<i>Service</i>	<i>Fees</i>
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of common shares, upon a change in the ADS(s)-to- common share(s) ratio, or for any other reason), excluding ADS issuances as a result of distributions of common shares)	Up to U.S. \$0.05 per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to- common share(s) ratio, or for any other reason)	Up to U.S. \$0.05 per ADS canceled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. \$0.05 per ADS held
• Distribution of ADSs pursuant to stock dividends, other free stock distributions or exercise of rights to purchase additional ADSs.	Up to U.S. \$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. \$0.05 per ADS held
• ADS Services	Up to U.S. \$0.05 per ADS held on the applicable record date(s) established by the depositary
• Registration of ADS Transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and vice versa, or for any other reason).	Up to U.S. \$0.05 per ADS transferred
• Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs into freely transferable ADSs, and vice versa).	Up to U.S. \$0.05 per ADS converted

As an ADS holder you will also be responsible to pay certain fees, expenses, taxes and governmental charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- such registration fees as may from time to time be in effect for the registration of common shares or other deposited securities on the share register and applicable to transfers of common shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the person depositing common shares or withdrawing deposited property or of the holders and beneficial owners of ADSs;

- in connection with the conversion of foreign currency, the fees, expenses, spreads, taxes and other charges of the depository and/or conversion service providers (which may be a division, branch or affiliate of the depository). Such fees, expenses, spreads, taxes, and other charges shall be deducted from the foreign currency;
- any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of the holders and beneficial owners in complying with currency exchange control or other governmental requirements; and
- the fees, charges, costs and expenses incurred by the depository, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depository into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time.

ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depository fees or other charges, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees or other charges from any distribution to be made to the ADS holder.

The fees and charges you may be required to pay may vary over time and may be changed by us and by the depository. You will receive prior notice of such changes.

The depository may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the depository fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depository may agree from time to time.

### **Amendments and Termination**

We may agree with the depository to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any

modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the common shares represented by your ADSs (except as permitted by law).

We have the right to direct the depository to terminate the deposit agreement. Similarly, the depository may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depository must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depository will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depository will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depository will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depository may make available to owners of ADSs a means to withdraw the common shares represented by ADSs and to direct the deposit of such common shares into an unsponsored ADS program established by the depository. The ability to receive unsponsored ADSs upon termination of the deposit agreement would be subject to satisfaction of certain U.S. regulatory requirements applicable to the creation of unsponsored ADSs and the payment of applicable depository fees.

### **Books of Depository**

The depository will maintain ADS holder records at its depository office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depository will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

### **Limitations on Obligations and Liabilities**

The deposit agreement limits our obligations and the depository's obligations to you. Please note the following:

- We and the depository are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depository disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depository disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in common shares, for the validity or worth of the common shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of

any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.

- We and the depositary will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary disclaim any liability if we or the depositary are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles or in any provisions of or governing the securities on deposit.
- We and the depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting common shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of common shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank, N.A. (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank, N.A. to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

## **Taxes**

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary and the custodian may take

reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

### **Foreign Currency Conversion**

The depositary will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical;
- distribute the foreign currency to holders for whom the distribution is lawful and practical; and
- hold the foreign currency (without liability for interest) for the applicable holders.

### **Governing Law/Waiver of Jury Trial**

The deposit agreement and the ADRs will be interpreted in accordance with the laws of the State of New York. The rights of holders of common shares (including common shares represented by ADSs) are governed by the laws of Switzerland.

Except as otherwise provided in the deposit agreement, we and the depositary have agreed that any legal action arising out of the deposit agreement between us and the depositary may be instituted in a state or federal court in the City of New York, and we and the depositary have irrevocably submitted to the non-exclusive jurisdiction of such courts for such purpose.

**AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AGAINST US AND/OR THE DEPOSITARY. ARISING OUT OF OR RELATING TO THE DEPOSIT AGREEMENT, THE ADRs OR THE TRANSACTIONS CONTEMPLATED THEREIN.**

Such waiver of your right to trial by jury may apply to any claim under U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on such waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

**[REDACTED]** = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

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**LICENSE AGREEMENT**

**BY AND BETWEEN**

**NOVARTIS PHARMA AG**

**AND**

**MOLECULAR PARTNERS AG**

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## LICENSE AGREEMENT

This LICENSE AGREEMENT (“**License Agreement**”) is made as of this 17th day of January, 2022 (“**Execution Date**”), by and between (a) **Novartis Pharma AG**, a Swiss corporation with offices at Lichtstrasse 35, CH-4056 Basel, Switzerland (“**Novartis**”); and (b) **Molecular Partners AG**, a Swiss corporation, with offices at Wagistrasse 14, 8952 Zurich-Schlieren, Switzerland (“**MPAG**”). Novartis and MPAG are each referred to individually as a “**Party**” and together as the “**Parties**.”

### RECITALS

WHEREAS, MPAG owns or otherwise Controls the MPAG Patents and MPAG Know-How (each as defined below) relating to the MPAG Compounds and Products (as defined below);

WHEREAS, pursuant to that certain Option and Equity Rights Agreement between the Parties, dated as of October 27, 2020 (the “**Option Agreement**”), Novartis has exercised its exclusive option to obtain the License (as defined below) with respect to the MPAG Patents and MPAG Know-How relating to the MPAG Compounds and Products;

WHEREAS, pursuant to the terms and conditions of this License Agreement, MPAG desires to grant, and Novartis desires to accept, a right and license to develop, manufacture and commercialize the Products on a worldwide basis in the Field, subject to paying MPAG certain payments set out herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows.

### 1. DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** The terms in this License Agreement with initial letters capitalized, shall have the meanings set forth below, or the meaning as designated in the indicated places throughout this License Agreement.

“**Accounting Standards**” means, IFRS (International Financial Reporting Standards), as generally and consistently applied by Novartis and its Affiliates. Novartis shall promptly notify MPAG in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that Novartis may only use internationally recognized accounting principles (e.g., IFRS, US GAAP).

“**Acquirer**” shall have the meaning set forth in Section 17.2.

“**Act**” shall have the meaning set forth in Section 5.6.

“**Affiliate**” means, with respect to a Party, any person that controls, is controlled by, or is under common control with that Party. For the purpose of this definition, “control” shall mean, direct or indirect, ownership of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or fifty percent (50%) or more of the equity interest, in the case of any other type of legal entity, status as a general partner in any partnership, or any other arrangement whereby the person controls or has the right to control the board of directors or equivalent governing body of a corporation or other entity, or the ability to cause the direction of the management or policies of a corporation or other entity. In the case of entities organized under the laws of certain countries, the maximum percentage ownership permitted by law for a foreign investor may be less than fifty percent (50%) and, in such case, such lower percentage shall be substituted in the preceding sentence; provided, that such foreign investor has the power to direct the management and policies of such entity.

“**Alliance Director**” shall have the meaning set forth in Section 3.5.

“**Applicable Law**” or “**Law**” means all applicable laws, statutes, rules, regulations and other pronouncements having the effect of law of any federal, national, multinational, state, cantonal, provincial, county, city or other political subdivision, agency or other body, domestic or foreign, including any applicable rules, regulations, guidelines, or other requirements of the Regulatory Authorities that may be in effect from time to time.

“**Audited Party**” shall have the meaning set forth in Section 9.6(b).

“**Auditing Party**” shall have the meaning set forth in Section 9.6(b).

“**Auditor**” shall have the meaning set forth in Section 9.6(b).

“**Biosimilar Product**” means, in a particular country with respect to a particular Product (the “**Reference Product**”), any biopharmaceutical product that: (a) has received all necessary approvals by the applicable Regulatory Authorities in such country to market and sell such product as a biopharmaceutical product through reference to the MAA and Regulatory Approval of the Reference Product pursuant to an expedited regulatory approval process governing approval of generic biologics based on the then-current standards for regulatory approval in such country (e.g., the Biologics Price Competition and Innovation Act of 2009 or an equivalent under foreign law); (b) is marketed or sold in such country by a Third Party that (i) has not obtained the rights to market or sell such product as a sublicensee or distributor of Novartis or any of its Affiliates or sublicensees, including pursuant to a license or settlement in connection with litigation with Novartis, its Affiliate or a sublicensee under the Biologics Price Competition and Innovation Act of 2009 or an equivalent under foreign law and (ii) did not purchase such product in a chain of distribution that included Novartis or any of its Affiliates or sublicensees; and (c) is approved as (i) a “biosimilar” (as defined in the United States under 42 U.S.C. § 262(i)(2)) of the Reference Product, (ii) a “similar biological medicinal product” (in the EU in accordance with Directive 2001/83/EC) with respect to which the Reference Product is the “reference medicinal product,” or (iii) if not in the US or EU, the foreign equivalent of a “biosimilar” or “similar biological medicinal product” of such Reference Product.

“**BLA**” means a Biologics License Application as defined in the Act and the regulations promulgated thereunder.

“**Business Day**” means a day other than a Saturday, Sunday, or a bank or other public holiday in Basel, Switzerland.

“**Calendar Quarter**” means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31; provided, that: (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the end of the first such three (3)-month period thereafter; and (b) the final Calendar Quarter of the Term shall extend from the first day of such three (3)-month period until the last day of the Term.

“**Calendar Year**” means a period of twelve (12) consecutive calendar months ending on December 31; provided, that: (a) the first Calendar Year of the Term shall extend from the Effective Date to December 31; and (b) the final Calendar Year of the Term shall extend from January 1 until the last day of the Term.

“**Change of Control**” means, with respect to MPAG: (a) a merger, reorganization, combination or consolidation of MPAG with a Third Party that results in the holders of beneficial ownership of the voting securities or other voting interests of MPAG (or, if applicable, the ultimate parent of MPAG)

immediately prior to such merger, reorganization, combination or consolidation ceasing to hold beneficial ownership of at least fifty percent (50%) of the combined voting power of the surviving entity or the ultimate parent of the surviving entity immediately after such merger, reorganization, combination or consolidation; (b) a transaction or series of related transactions in which a Third Party, together with its Affiliates, becomes the beneficial owner of fifty percent (50%) or more of the combined voting power of the outstanding securities or other voting interest of MPAG; or (c) the sale or other transfer (in one (1) transaction or a series of related transactions) to a Third Party of all or substantially all of MPAG's assets. Notwithstanding the foregoing, a Change of Control excludes any change in domicile and any transaction involving the public issuance of securities of MPAG purely for financing purposes.

“**CHF**” means the lawful currency of Switzerland.

“**Claim**” or “**Claims**” means all Third Party demands, claims, actions, proceedings and liability (whether criminal or civil, in contract, tort or otherwise) for losses, damages, reasonable legal costs and other reasonable expenses of any nature whatsoever.

“**Clinical Collaboration Agreement**” means the clinical collaboration agreement between [\*\*\*], as amended by the parties from time to time, including as amended on or about the Execution Date.

“**Code**” shall have the meaning set forth in Section 12.4.

“**Collaboration Partner**” shall have the meaning set forth in Section 14.2(o).

“**Combination Products**” shall have the meaning set forth in the definition of Net Sales.

“**Commercial Indication**” means the treatment or prevention of SARS-CoV-2.

“**Commercial Territories**” means the [\*\*\*]; provided, that the specific countries and jurisdictions in the Commercial Territory may be modified during the Term as agreed by the Parties in the Governance Committee.

“**Commercialize**” means to market, promote, distribute, import, export, offer to sell and/or sell a product and/or conduct other commercialization activities, and “**Commercialization**” means commercialization activities relating to a product, including activities relating to marketing, promoting, distributing, importing, exporting, offering for sale and/or selling a product. “**Commercialized**” has a correlative meaning.

“**Commercially Reasonable Efforts**” means such reasonable, diligent, and good-faith efforts to undertake an activity as Novartis would normally use to accomplish a similar objective under similar circumstances exercising reasonable business judgment, it being understood and agreed that such efforts shall be substantially similar to those efforts and resources commonly used by Novartis for a product owned by it or to which it has rights, which product is of similar market and economic potential as the Product, and at a similar stage in its development or product life as the Product, taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of Regulatory Approval given the regulatory structure involved, the profitability, and other relevant factors commonly considered in similar circumstances (including access and coverage factors). It is anticipated that the level of effort may change over time, reflecting changes in the status of a Product.

“**Competing Program**” shall have the meaning set forth in Section 2.4(a).

**“Confidential Information”** means all Know-How and other proprietary information and data of a financial, scientific, commercial or technical nature which the Disclosing Party has supplied or otherwise made available to the Recipient Party, whether made available orally, in writing or in electronic form, including information comprising or relating to concepts, discoveries, inventions, data, designs or formulae in relation to this License Agreement.

**“Control”** or **“Controlled”** means, with respect to any Know-How, Patent Rights or Trademarks, that a Party owns or has a license to such Know-How, Patent Rights or Trademarks and, in each case, has the power to grant to the other Party access, a license, a sublicense or other rights (as applicable) to the same on the terms and conditions set forth in this License Agreement without violating any obligations of the granting Party to a Third Party.

**“Debarred Person”** shall have the meaning set forth in [Section 14.1\(f\)](#).

**“Develop”** or **“Development”** means drug research and development activities, including test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, technical development, process development, statistical analysis, pre-clinical and clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of BLAs and MAAs. **“Developed”** has a correlative meaning.

**“Development Plan”** shall have the meaning set forth in [Section 5.1](#).

**“Disclosing Party”** shall have the meaning set forth in [Section 11.1](#).

**“Dispute”** shall have the meaning set forth in [Section 17.5](#).

**“Effective Date”** means the Execution Date.

**“EMA”** means the European Medicines Agency or any successor entity thereto.

**“Enabling IP”** means the MPAG Enabling Know-How and the MPAG Enabling Patents.

**“Encumbrance”** means any claim, charge, equitable interest, hypothecation, lien, mortgage, pledge, option, license, assignment, power of sale, retention of title, right of pre-emption, right of first refusal or security interest of any kind.

**“EUA”** means, with respect to a Product, approval by the FDA under §564 of the FD&C Act to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases or conditions caused by chemical, biological, radiological and nuclear threat agents when there are no adequate, approved, and available alternatives.

**“European Union”** or **“EU”** means the European Union member states as then constituted. As of the Execution Date, the European Union member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

**“Execution Date”** shall have the meaning set forth in the first paragraph of this License Agreement.

**“FD&C Act”** means the U. S. Federal Food, Drug, and Cosmetic Act, as amended.

**“FDA”** means the U. S. Food and Drug Administration or any successor entity.

“**Field**” means all uses of the Products in all (existing and future) indications in humans and animals.

“**First Commercial Sale**” means, with respect to a Product in a country in the Territory, the first arm’s length sale for monetary value of such Product by Novartis, its Affiliate, or their sublicensee to a Third Party or Governmental Authority for end use or consumption of such Product in such country following Regulatory Approval for sale of such Product in such country. Sales or transfers of reasonable quantities of a Product for Development, including proof of concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

“**Force Majeure**” shall have the meaning set forth in [Section 17.7](#).

“**FTE**” means a full-time equivalent person year (consisting of a total of [\*\*\*]) of activities undertaken by MPAG.

“**FTE Rate**” means the rate per FTE of [\*\*\*] with respect to activities conducted pursuant to this License Agreement.

“**Funding Agreement**” shall have the meaning set forth in [Section 8.6](#).

“**GCP**” means the applicable then-current ethical and scientific quality standards for designing, conducting, recording, and reporting trials that involve the participation of human subjects as are required by applicable Regulatory Authorities or Applicable Law in the relevant jurisdiction, including in the United States, Good Clinical Practices established through FDA guidances, and, outside the United States, Guidelines for Good Clinical Practice – ICH Harmonized Tripartite Guideline (ICH E6).

“**GLP**” means the applicable then-current good laboratory practice standards as are required by applicable Regulatory Authorities or Applicable Law in the relevant jurisdiction, including in the United States, those promulgated or endorsed by the FDA in U.S. 21 C.F.R. Part 58, or the equivalent thereof as promulgated or endorsed by the applicable Regulatory Authorities outside of the United States.

“**GMP**” means all applicable standards relating to manufacturing practices for fine chemicals, intermediates, bulk products or finished pharmaceutical products, as are required by applicable Regulatory Authorities or Applicable Law in the relevant jurisdiction, including, as applicable, (a) all applicable requirements detailed in the FDA’s current Good Manufacturing Practices regulations, U.S. 21 C.F.R. Parts 210 and 211, (b) all applicable requirements detailed in the EMA’s “The Rules Governing Medicinal Products in the European Community, Volume IV, Good Manufacturing Practice for Medicinal Products”, and (c) all equivalent Applicable Laws promulgated by any Governmental Authority having jurisdiction over the manufacture of the applicable compound or pharmaceutical product, as applicable.

“**Governance Committee**” shall have the meaning set forth in [Section 3.1](#).

“**Governmental Authority**” means any court, administrative body, local authority or other governmental or quasi-governmental entity with competent jurisdiction, any supra-national, national, federal, state, municipal, provincial or local governmental, regulatory or administrative authority, agency, commission, court tribunal, arbitral body, self-regulated entity, private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or other governmental entity, including any relevant Regulatory Authority.

“**IND**” means an Investigational New Drug application in the U.S. filed with the FDA or the corresponding application for the investigation of pharmaceutical products in any other country or group

of countries, as defined in the applicable laws and regulations and filed with the Regulatory Authority of a given country or group of countries.

“**Indemnified Party**” shall have the meaning set forth in Section 15.3.

“**Indemnifying Party**” shall have the meaning set forth in Section 15.3.

“**Insolvency Event**” means, in relation to either Party, any of the following: (a) that a Party admits in writing to that the other Party that it has or will cease to function as a going concern by suspending or discontinuing its business; (b) that Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any such Party shall make a general assignment for the benefit of its creditors; (c) there shall be commenced against such Party any case, proceeding or other action of a nature referred to in clause (b) above that (I) results in the entry of an order for relief or any such adjudication or appointment or (II) remains undismissed, undischarged or unbonded for a period of [\*\*\*]; (d) any case, proceeding or other action has been commenced against such Party seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within [\*\*\*] from the entry thereof; or (e) such Party shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (b), (c) or (d) above.

“**Joint IP**” shall have the meaning set forth in Section 10.2.

“**Know-How**” means all technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, specifications, instructions, processes, formulae, materials, expertise and other technology applicable to compounds, formulations, compositions, products or to their Manufacture, Development, registration, use or Commercialization or methods of assaying or testing them or processes for their manufacture, formulations containing them, compositions incorporating or comprising them and including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data, instructions, processes, formulae, expertise and information, regulatory filings and copies thereof, relevant to the Development, Manufacture, use or Commercialization of or which may be useful in studying, testing, Development, production or formulation of products, or intermediates for the synthesis thereof.

“**License**” shall have the meaning set forth in Section 2.1.

“**License Agreement**” shall have the meaning set forth in the first paragraph of this License Agreement.

“**Licensed IP**” means all Know-How, Patent Rights, and any other intellectual property rights licensed to Novartis under the License or pursuant to Sections 2.5(a) or Section 10.7(b).

“**Loss of Market Exclusivity**” means, with respect to a Product on a country-by-country basis, the Net Sales of such Product in that country in the most recent Calendar Quarter are less than [\*\*\*] as compared with the Net Sales of such Product in that country in the Calendar Quarter preceding the marketing or sale of the first Biosimilar Product of such Product.

“**Losses**” shall have the meaning set forth in Section 15.1.

“**MAA**” means an application for the authorization to market the product in any country or group of countries outside the United States, as defined in the applicable laws and regulations and filed with the Regulatory Authority of a given country or group of countries.

“**Manufacture**” means, with respect to a compound or product, activities directed to the sourcing and purchasing of materials, producing, manufacturing, processing, compounding, filling, finishing, packing, packaging, labeling, leafleting, quality assurance, quality control testing and release, shipping, storage, and sample retention of such compound or product. “**Manufactured**” and “**Manufacturing**” have correlative meanings.

“**Minimum Shelf Life**” shall have the meaning set forth in Section 6.3.

“**MP0420**” means the multi-specific designed ankyrin repeat protein with the amino acid sequence set forth on Exhibit A hereto, including certain sequence variants thereof, and any other chemically modified versions of such proteins, and any fused or conjugated versions of any of the foregoing, [\*\*\*] set forth on Exhibit A hereto.

“**MP0423**” means the multi-specific designed ankyrin repeat protein with the amino acid sequence set forth on Exhibit A hereto, including certain sequence variants thereof, and any other chemically modified versions of such proteins, and any fused or conjugated versions of any of the foregoing, [\*\*\*] set forth on Exhibit A hereto.

“**MPAG**” shall have the meaning set forth in the first paragraph of this License Agreement.

“**MPAG Background Technology**” means any intellectual property (including Patent Rights and Know-How) related to [\*\*\*] which was Controlled by MPAG or its Affiliates prior to the Execution Date or is thereafter acquired or created by MPAG independently of and not in connection with this License Agreement.

“**MPAG Compounds**” means MP0420 and MP0423, collectively, and the correlative, “**MPAG Compound**” means either of MP0420 or MP0423, as applicable.

“**MPAG Controlled Third Party Infringement**” shall have the meaning set forth in Section 10.6(c).

“**MPAG Enabling Know-How**” means all Know-How (other than MPAG Products Know-How) Controlled by MPAG or any of its Affiliates as of the Execution Date or thereafter during the Term that relates to the Platform.

“**MPAG Enabling Patents**” means all Patent Rights (other than MPAG Products Patents) Controlled by MPAG or any of its Affiliates as of the Execution Date or thereafter during the Term having claims that are necessary or reasonably useful for the research, Development, Manufacture, preparation, use or Commercialization of the MPAG Compounds or any Product in the Field in the Territory. The MPAG Enabling Patents existing as of the Execution Date are set forth on Exhibit F-2.

“**MPAG Indemnitees**” shall have the meaning set forth in Section 15.2.

“**MPAG Know-How**” means the MPAG Enabling Know-How and MPAG Products Know-How.

“**MPAG Managed Patents**” shall have the meaning set forth in Section 10.5(c).

“**MPAG Ongoing Clinical Trial**” shall have the meaning set forth in Section 5.3.

“**MPAG Ongoing Clinical Trial Costs**” means all documented external costs on a pass-through basis and internal expenses at the FTE Rate, in each case, that are reasonably incurred by MPAG in the conduct of an MPAG Ongoing Clinical Trial that are incurred in performance of such activities in accordance with the Development Plan (as defined in the Option Agreement) or the Development under this License Agreement.

“**MPAG Option Period Products Manufacturing Process**” means the MPAG Know-How existing as of [\*\*\*] that is necessary or reasonably useful to Manufacture the MPAG Compounds and the Products.

“**MPAG Patents**” means the MPAG Enabling Patents and MPAG Products Patents.

“**MPAG Produced Purchased Inventory**” means any and all Purchased Inventory that was Manufactured at a Manufacturing Facility (as identified on Exhibit C hereto) that is not owned or controlled by Novartis or its Affiliates.

“**MPAG Products Know-How**” means all Know-How Controlled by MPAG or any of its Affiliates as of the Execution Date or thereafter during the Term that is necessary for and relates solely and specifically to the research, Development, Manufacture, preparation, use, or Commercialization of the MPAG Compounds or any Product. For the avoidance of doubt, MPAG Products Know-How includes Option Period Data and Option Period Inventions, but excluding the Option Period Manufacturing IP and the New Manufacturing IP.

“**MPAG Products Manufacturing Process**” means the MPAG Know-How as of Execution Date necessary or reasonably useful to Manufacture the MPAG Compounds or any Product. For the avoidance of doubt, MPAG Products Manufacturing Process includes MPAG Option Period Products Manufacturing Process.

“**MPAG Products Patents**” means all Patent Rights Controlled by MPAG or any of its Affiliates as of the Execution Date or thereafter during the Term having claims solely and specifically covering a MPAG Compound or a Product, its use, composition, formulation, preparation or Manufacture. The MPAG Products Patents existing as of the Execution Date are set forth on Exhibit F-1.

“**Net Sales**” means the net sales recorded by Novartis or any of its Affiliates or sublicensees (excluding distributors and wholesalers) for any Product sold to Third Parties other than sublicensees as determined in accordance with Novartis’ Accounting Standards as consistently applied, less a deduction of [\*\*\*] for direct expenses related to the sales of the Product, distribution and warehousing expenses and uncollectible amounts on previously sold products. The deductions booked on an accrual basis by Novartis and its Affiliates under its Accounting Standards to calculate the recorded net sales from gross sales include the following:

- (i) normal trade and cash discounts;
- (ii) amounts repaid or credited by reasons of defects, rejections, recalls or returns;
- (iii) rebates and chargebacks to customers and Third Parties (including Medicare, Medicaid, Managed Healthcare and similar types of rebates);
- (iv) amounts provided or credited to customers through coupons and other discount programs;



- (v) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates or retroactive price reductions;
- (vi) fee for service payments to customers for any non-separable services (including compensation for maintaining agreed inventory levels and providing information); and
- (vii) other reductions or specifically identifiable amounts deducted for reasons similar to those listed above in accordance with Novartis' Accounting Standards.

With respect to the calculation of Net Sales:

- (a) Net Sales only include the value charged or invoiced on the first arm's length sale to a Third Party and sales between or among Novartis and its Affiliates and sublicensees shall be disregarded for purposes of calculating Net Sales;
- (b) If a Product is delivered to the Third Party before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under the Accounting Standards are met;
- (c) In the event that a Product is sold in a finished dosage form containing a MPAG Compound or a Product in combination with one or more other active ingredients (a "Combination Product"), the Net Sales will be calculated by multiplying the Net Sales of the Combination Product by the fraction,  $A/(A+B)$  where A is the weighted (by sales volume) average sale price in the relevant country of the Product containing the MPAG Compound as the sole active ingredient in finished form, and B is the weighted average sale price (by sales volume) in that country of the product(s) containing the other component(s) as the sole active ingredient(s) in finished form. Regarding prices comprised in the weighted average price when sold separately referred to above, if these are available for different dosages from the dosages of MPAG Compound and other active ingredient components that are included in the Combination Product, then [\*\*\*]. If the weighted average sale price cannot be determined for the Product or other product(s) containing the single MPAG Compound or component(s), the calculation of Net Sales for Combination Products will be [\*\*\*]; and
- (d) Net Sales shall not include [\*\*\*].

**"New Manufacturing IP"** means any Know-How or Patent Rights generated by or on behalf of either Party or its Affiliates that are improvements of the MPAG Products Manufacturing Process or are otherwise necessary for the Manufacture of the MPAG Compounds or the Products. Notwithstanding the foregoing, New Manufacturing IP excludes Novartis Background Technology and MPAG Background Technology.

**"NIAID Clinical Trial Agreement"** means the clinical trial agreement dated [\*\*\*] between the [\*\*\*].

**"Novartis"** shall have the meaning set forth in the first paragraph of this License Agreement.

**"Novartis Background Technology"** means any intellectual property (including Patent Rights and Know-How) related to the formulation and Manufacturing of pharmaceutical products which was Controlled by Novartis or its Affiliates prior to the Execution Date or is acquired or created by Novartis independently of and not in connection with this License Agreement.

**"Novartis Controlled Third Party Infringement"** shall have the meaning set forth in Section 10.6(b).

“**Novartis Indemnitees**” shall have the meaning set forth in Section 15.1.

“**Novartis Managed Patents**” shall have the meaning set forth in Section 10.5(a).

“**Option Agreement**” shall have the meaning set forth in the recitals of this License Agreement.

“**Option Period Data**” means all data (including raw data) and results generated by or on behalf either Party in the performance of the Parties’ respective Development activities conducted under the Option Agreement.

“**Option Period Inventions**” means all inventions, whether or not patentable, including any Know-How, that are discovered, conceived, reduced to practice or otherwise made by or on behalf of either Party in the performance of the Parties’ respective Development activities conducted under the Option Agreement. Notwithstanding the foregoing, Option Period Inventions exclude Option Period Data and Option Period Manufacturing IP.

“**Option Period Manufacturing IP**” means any Know-How or Patent Rights generated by or on behalf of either Party or its Affiliates prior to the Effective Date that are improvements of the MPAG Option Period Products Manufacturing Process or are otherwise necessary for the Manufacture of MPAG Compounds or the Products. Notwithstanding the foregoing, Option Period Manufacturing IP excludes Novartis Background Technology and MPAG Background Technology.

“**Pan-COVID Product**” means any product (other than the Products), the rights to which are owned or controlled by MPAG, which is indicated for infections and/or diseases caused by at least two coronaviruses, including in all cases SARS-CoV-2.

“**Party**” and “**Parties**” shall have the meaning set forth in the first paragraph of this License Agreement.

“**Patent Rights**” means (a) patents, patent applications and similar government-issued rights protecting inventions in any country or jurisdiction however denominated, (b) all priority applications, divisionals, continuations, substitutions, continuations-in-part of and similar applications claiming priority to any of the foregoing, and (c) all patents and similar government-issued rights protecting inventions issuing on any of the foregoing applications, together with all registrations, reissues, renewals, re-examinations, confirmations, supplementary protection certificates, and extensions of any of (a), (b) or (c).

“**Pharmacovigilance Agreement**” shall have the meaning set forth in Section 5.7.

“**Platform**” means MPAG’s proprietary DARPin® platform technology, pursuant to which MPAG produces pharmaceutical product candidates, including the Products, utilizing DARPin® libraries and protein modules and domains.

“**POC Trial**” means, with respect to a Pan-COVID Product, the first clinical trial for which the results suggest that it is, in the reasonable opinion of [\*\*\*], reasonably likely that the key attributes of success for such Pan-COVID Product are present and the key causes of failure of such Pan-COVID Product are absent, taking into account all relevant factors, including safety, efficacy, pharmaceuticals, and commercial and regulatory issues.

“**Products**” means any pharmaceutical or biologic product containing either or both of MP0420 or MP0423, in any mode of administration, alone or in combination with any other active agent, including any new dosage strengths, presentations, formulations, methods of administration and line extensions Developed by or on behalf of Novartis under and pursuant to this License Agreement.

**“Products IP”** means the MPAG Products Know-How and the MPAG Products Patents.

**“Product Domain Names”** shall have the meaning set forth in [Section 10.7\(c\)](#).

**“Product Marks”** shall have the meaning set forth in [Section 10.7](#).

**“Purchased Inventory”** shall have the meaning set forth in [Section 6.3](#).

**“Quality Agreement”** shall have the meaning set forth in [Section 5.8\(a\)](#).

**“Recipient Party”** shall have the meaning set forth in [Section 11.1](#).

**“Regulatory Approval”** means, with respect to a Product in any country or other jurisdiction, any approval (including, where required, pricing and reimbursement approvals), registration, license or authorization from a Regulatory Authority in such country or other jurisdiction that is necessary to market and sell such Product in such country or jurisdiction, including in the US, an EUA.

**“Regulatory Authority”** means any governmental agency or authority responsible for granting Regulatory Approvals for biopharmaceutical products, including the FDA, EMA, European Commission and any corresponding national or regional regulatory authorities.

**“Regulatory Exclusivity”** means, with respect to any country or multi-country jurisdiction, an additional market protection, other than patent protection, granted by a Regulatory Authority in such country which confers on Novartis, its Affiliates or sublicensees the exclusive right, either through data exclusivity or market exclusivity, to market and sell a Product in such country or multi-country jurisdiction and which prevents the Regulatory Approval of any Third Party pharmaceutical or biologic product containing either or both of the MPAG Compounds as contained in such Product (e.g., new biologic entity exclusivity, new chemical entity exclusivity, new use or indication exclusivity, new formulation exclusivity, orphan drug exclusivity, new patient population exclusivity, pediatric exclusivity, or any applicable data or marketing exclusivity).

**“Regulatory Filings”** means, with respect to a product, any submission to a Regulatory Authority of any appropriate regulatory application with respect to such product, including any submission to a regulatory advisory board, marketing authorization application, EUA application, and any supplement or amendment thereto, including any IND, BLA, MAA, or the corresponding application in any other country or group of countries with respect to such product.

**“Regulatory Materials”** means, all regulatory applications, submissions, notifications, communications, correspondences, registrations, approvals, and other filings submitted to, received from or otherwise conducted with a Regulatory Authority in order to exploit a MPAG Compound or Product in the Field in a particular country or jurisdiction in the Territory, including Regulatory Filings, Regulatory Approvals, and EUAs.

**“ROFN Election Period”** shall have the meaning set forth in [Section 2.3\(a\)](#).

**“ROFN Expiration”** shall have the meaning set forth in [Section 2.3\(c\)](#).

**“ROFN Negotiation Period”** shall have the meaning set forth in [Section 2.3\(b\)](#).

**“ROFN Notice”** shall have the meaning set forth in [Section 2.3](#).

**“ROFN Transaction”** shall have the meaning set forth in [Section 2.3](#).

“**Royalty Rate**” shall have the meaning set forth in Section 8.2(a).

“**Royalty Term**” shall have the meaning set forth in Section 8.2(b).

“**Sales & Royalty Report**” means a written report or reports showing each of: (a) the date of a First Commercial Sale for each Product in each country in each Commercial Territory, (b) the amount of Net Sales in local currency and in USD, of each Product in the Commercial Territories on a country-by-country basis, during the applicable reporting period by Novartis and its Affiliates and their respective sublicensees; (c) the royalties payable, in CHF, which shall have accrued hereunder with respect to such Net Sales; and (d) any amounts received by Novartis, its Affiliates, or their sublicensees [\*\*\*].

“**Swiss Confederation Early Research Investment and Reservation Agreement**” means that certain preclinical-stage agreement (*Reservationsvertrag*) between the Swiss Confederation and MPAG dated as of [\*\*\*], as amended between the parties to the agreement prior to the Execution Date.

“**Term**” shall have the meaning set forth in Section 12.1.

“**Terminated Product**” means: (a) in the case of termination of this License Agreement with respect to a Product pursuant to Section 12.2 or Section 12.3, the Product subject to such termination and the applicable MPAG Compound therein; and (b) in the case of termination of this License Agreement in its entirety, all Products in all countries in the Territory.

“**Term Sheet ROFN Negotiation Period**” shall have the meaning set forth in Section 2.3(b).

“**Territory**” means worldwide.

“**Third Party**” means any person other than a Party or an Affiliate of a Party.

“**Third Party Infringement**” shall have the meaning set forth in Section 10.6(a).

“**Third Party IP**” shall have the meaning set forth in Section 8.5(b).

“**Trademark**” means any trademark, service mark, trade name, brand name, sub-brand name, trade dress, product configuration, program name, product name, delivery form name, certification mark, collective mark, domain name, logo, tagline, slogan, design or business symbol, that functions as an identifier of source or origin, whether or not registered and all statutory and common law rights therein and all registrations and applications therefor, together with all goodwill associated with, or symbolized by, any of the foregoing.

“**Transition Plan**” shall have the meaning set forth in Section 13.2(c).

“**Transition Plan Agreements**” shall have the meaning set forth in Section 13.2(c).

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions.

“**USD**” or “**US\$**” means the lawful currency of the United States.

“**Valid Claim**” means an issued or pending claim in any of the patents (including pending patent applications) that are licensed to Novartis (MPAG Products Patents and MPAG Enabling Patents) or that are Joint IP[\*\*\*] which has not expired or lapsed or been revoked, abandoned or held invalid or unenforceable by a final unappealable or unappealed decision by an applicable court or agency, provided

that a pending claim that has been pending for more than [\*\*\*] shall no longer be considered a Valid Claim.

1.2 **Interpretation.** In this License Agreement, unless otherwise specified:

- (a) “includes” and “including” shall mean respectively includes and including without limitation;
- (b) “or” is used in the inclusive sense (“and/or”) unless the context otherwise requires;
- (c) “hereof,” “herein,” and “herewith,” and words of similar import, shall, unless otherwise stated, be construed to refer to this License Agreement as a whole and not to any particular provision of this License Agreement;
- (d) “will” shall be construed to have the same meaning and effect as the word “shall;”
- (e) a Party includes its permitted assignees or the respective successors in title to substantially the whole of its undertaking;
- (f) a statute or statutory instrument or any of their provisions is to be construed as a reference to that statute or statutory instrument or such provision as the same may have been or may from time to time hereafter be amended or re-enacted in accordance with any requirements with respect to such amendment or re-enactment;
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) the Exhibits, Schedules and other attachments form part of the operative provision of this License Agreement and references to this License Agreement shall, unless the context otherwise requires, include references to the Exhibits, Schedules and attachments;
- (i) the headings in this License Agreement are for information only and shall not be considered in the interpretation of this License Agreement;
- (j) general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things; and
- (k) the Parties agree that the terms and conditions of this License Agreement are the result of negotiations between the Parties and that this License Agreement shall not be construed in favor of or against any Party by reason of the extent to which any Party participated in the preparation of this License Agreement.

2. **LICENSE**

2.1 **License Grant.** Subject to the terms and conditions of this License Agreement, MPAG hereby grants to Novartis (a) an exclusive (subject to Section 2.6, including as to MPAG and its Affiliates), perpetual (subject to Section 13), sub-licensable and worldwide license to (i) all MPAG Products Patents and MPAG Products Know-How, and (ii) MPAG’s interest in all Joint IP to the extent exclusively related to the MPAG Compounds or Products and (b) a non-exclusive, perpetual (subject to subject to Section 13 (other than with respect to subsection (ii))), sub-licensable license, under (i) the MPAG Enabling Patents and MPAG Enabling Know-How and (ii) MPAG’s interest in the New Manufacturing IP, in each case of the foregoing subsections (a) and (b), to research, Develop, Manufacture, Commercialize or otherwise

exploit the MPAG Compounds and Products in the Field in the Territory (collectively the “License”). The License shall bear royalties in accordance with the terms of [Section 8.2](#).

## 2.2 Sublicense Rights; Subcontracting.

- (a) Subject to the terms and conditions of this License Agreement, Novartis may sublicense the rights granted to it by MPAG under this License Agreement through multiple tiers and without reference to MPAG, including subcontracting to Third Parties the performance of tasks and obligations with respect to the Development, Manufacture and Commercialization of the Product; provided, that (i) any such sublicenses shall be in writing, be consistent with the terms and conditions of this License Agreement, and require the applicable sublicensee to comply with all applicable terms of this License Agreement, (ii) Novartis shall remain responsible for the performance of all of its sublicensees to the same extent as if such activities were conducted by Novartis, and shall remain responsible for any payments due to MPAG under this License Agreement with respect to activities of any sublicensees, and (iii) within [\*\*\*] after the execution of any sublicense agreement with a Third Party, Novartis shall provide MPAG with a copy of such sublicense agreement, provided, that Novartis may redact any terms of such sublicense agreement (x) to the extent not pertinent to either Party’s rights or obligations under this License Agreement or verification of compliance with the requirements of this License Agreement or (y) that are financial in nature or are otherwise competitively sensitive; provided, that the foregoing subsection (iii) shall not apply to agreements with subcontractors.
- (b) Novartis may exercise its rights and perform its rights and obligations under this License Agreement itself or through any of its Affiliates, provided, that Novartis shall remain responsible for the performance of all of its Affiliates to the same extent as if such activities were conducted by Novartis, and shall remain responsible for any payments due to MPAG under this License Agreement with respect to activities of any Affiliates.

1.3 **Right of First Negotiation.** On a Pan-COVID Product-by-Pan-COVID Product basis, upon the earlier of (i) completion of a POC Trial for such Pan-COVID Product or (ii) MPAG’s decision to commence any negotiations with any Third Party (including discussions commenced in response to an unsolicited offer received from such Third Party) regarding a transaction to license, sell, transfer, divest or otherwise encumber or dispose (other than through a Change of Control) its interest in any such Pan-COVID Product (a “**ROFN Transaction**”), MPAG shall first promptly notify Novartis in writing of the occurrence of such event (an “**ROFN Notice**”), which notice shall include (if applicable) [\*\*\*], and the following provision shall then apply:

- (a) Novartis shall have [\*\*\*] after receipt of a ROFN Notice (the “**ROFN Election Period**”) to elect to enter into exclusive negotiations with MPAG for a ROFN Transaction with respect to the applicable Pan-COVID Product. During a ROFN Election Period, [\*\*\*].
- (b) If Novartis notifies MPAG in writing during a ROFN Election Period that Novartis elects to enter into negotiations for a ROFN Transaction, MPAG shall [\*\*\*] (the “**Term Sheet ROFN Negotiation Period**”) and (ii) if the Parties [\*\*\*] (together with the Term Sheet ROFN Negotiation Period, the “**ROFN Negotiation Period**”).
- (c) With respect to any Pan-COVID Product, if (i) Novartis does not elect to enter into [\*\*\*] negotiations for a ROFN Transaction with respect to such Pan-COVID Product in accordance with [Section 2.3\(a\)](#), (ii) [\*\*\*] prior to the expiration of the Term Sheet ROFN Negotiation Period in accordance with [Section 2.3\(b\)](#), or (iii) [\*\*\*] prior to the expiration of the applicable ROFN Negotiation Period in accordance with [Section 2.3\(b\)](#), then (in the case of any of (i),(ii),

or (iii)) Novartis shall no longer have any rights with respect to such Pan-COVID Product (a “**ROFN Expiration**”) [\*\*\*].

#### 2.4 **Non-Competition.**

- (a) Until the [\*\*\*] of the Effective Date, MPAG shall not, shall ensure and herewith warrants that none of its Affiliates shall, anywhere in the Territory, directly or indirectly, [\*\*\*] nor shall MPAG or any of its Affiliates enter into any license, agreement or other arrangement with a Third Party to do any of the foregoing (any of the foregoing prohibited activities a “**Competing Program**”).
- (b) Notwithstanding anything to the contrary in this Section 2.4, (a) nothing in this Section 2.4 will apply to or otherwise limit a Change of Control of MPAG and (b) if after the Effective Date, any Acquirer in connection with a Change of Control of MPAG is engaged in a Competing Program as of the closing date of such transaction, the Acquirer and its Affiliates existing prior to such Change of Control may continue to Develop, Manufacture, Commercialize, and otherwise exploit such Competing Program; provided, that, (i) none of Novartis’ Confidential Information is used in connection with such Competing Program, (ii) none of the Licensed IP, or MPAG’s Confidential Information are used in connection with such Competing Program, and (iii) MPAG establishes separate working teams to work on the Competing Program and the Products hereunder and implements reasonable measures that are designed to prevent transfer to, access, or use of any Confidential Information of Novartis by the teams working on such Competing Program.

#### 2.5 **Option Period Manufacturing IP.**

- (a) MPAG hereby grants Novartis, a worldwide, perpetual, royalty-free, non-exclusive license under its interest in the Option Period Manufacturing IP for any application of the Option Period Manufacturing IP, including a right to sublicense to Third Parties to make and have made products; provided, for clarity, if Novartis desires to obtain a license to any MPAG Background Technology that does not primarily relate to the Platform or designed ankyrin repeat protein products to practice the Option Period Manufacturing IP, then such right shall be subject to a good faith obligation of MPAG to negotiate with Novartis commercial terms on which MPAG would grant a non-exclusive license to MPAG Background Technology for such purpose.
- (b) Novartis hereby grants MPAG, a worldwide, perpetual, royalty-free, non-exclusive license under its interest in the Option Period Manufacturing IP for any application of the Option Period Manufacturing IP, including a right to sublicense to Third Parties to make and have made products; provided, for clarity, if MPAG desires to obtain a license to any Novartis Background Technology to practice the Option Period Manufacturing IP to make or have made the MPAG Compounds or Products, then such right shall be subject to a good faith obligation of Novartis to negotiate with MPAG commercial terms on which Novartis would grant a non-exclusive license to Novartis Background Technology for such purpose.

- 2.6 **Retained Rights.** Notwithstanding the exclusive license granted by MPAG to Novartis under Section 2.1, MPAG retains the rights under the Licensed IP (a) to perform its obligations and to exercise its rights under this License Agreement, whether directly or through one or more Affiliates or, upon the prior written consent of Novartis (such consent not to be unreasonably withheld or delayed), subcontractors and (b) to conduct internal pre-clinical and non-clinical research of the MPAG Compounds or Products solely to the extent such research relates to improvement of the Platform.

- 2.7 **No Implied Licenses; Negative Covenant.** Except as expressly set forth herein, neither Party shall acquire any license, right, or other intellectual property interest, including any right to file, prosecute, maintain, enforce or defend, whether by implication or otherwise, under or to any Patent Rights, Know-How, or other intellectual property owned or otherwise controlled by the other Party. For clarity, the License excludes any compounds or products that are Controlled by MPAG other than MP0420 and MP0423. Neither Party shall, nor shall permit any of its Affiliates or sublicensees to, practice any Patent Rights or Know-How licensed to it by the other Party outside the scope of the licenses granted to it under this License Agreement.

### 3. GOVERNANCE

- 1.1 **Governance Committee.** The Governance Committee established under Section 5.1 of the Option Agreement shall continue under this License Agreement, subject to the modified role and decision-making authority set forth in this Section 3, to provide oversight for the collaboration between the Parties with respect to the Development, Manufacturing, and Commercialization of the MPAG Compounds and Products undertaken pursuant to the terms of this License Agreement (the “**Governance Committee**”). Initially the membership of the Governance Committee will be comprised of each of the Parties’ respective representatives serving on the Governance Committee (as defined in the Option Agreement) established under the Option Agreement as of the Effective Date and, except as otherwise set forth in this Section 3, will be governed by the same operating procedures (including the policies for replacing Governance Committee members, policies for participation by additional representatives or consultants invited to attend Governance Committee meetings including employees of each Party or their respective Affiliates and/or consultants selected by each Party and representing various development functions (e.g., clinical, medical, regulatory, technical operations, statistics, manufacturing, intellectual property) and other functions, on an ad hoc basis, and as required from time to time, and the location of meetings) established for the Governance Committee (as defined in the Option Agreement) under the Option Agreement as of the Effective Date. For the avoidance of doubt, notwithstanding anything in the foregoing to the contrary, the role and decision making authority of the Governance Committee under this License Agreement shall be as set forth in, respectively, Section 3.2 and Section 3.4.
- 3.2 **Role of Governance Committee.** Without limiting any of the foregoing, subject to Section 3.4, the Governance Committee will perform the following functions, some or all of which may be addressed directly at any given Governance Committee meeting:
- (a) oversee the transfer and/or disclosure of Know-How by MPAG in accordance with the terms of Section 4;
  - (b) discuss and determine the manner in which the MPAG Ongoing Clinical Trials will be completed or transferred and the responsibilities of the Parties with respect thereto in accordance with the terms of Section 5.3;
  - (c) discuss and approve any MPAG Compound or Product Development activities to be conducted by MPAG whether independently or in collaboration with Novartis (other than those activities conducted by MPAG pursuant to Section 2.6);
  - (d) review and discuss (i) the Development Plan and any amendments thereto, (ii) Novartis’ Development activities in accordance with the terms of Section 5.4, (iii) material interactions and material submissions to Regulatory Authorities, (iv) the Manufacture of the MPAG Compounds and Products in accordance with the terms of Section 6.1, and (v) Novartis’ Commercialization activities in accordance with the terms of Section 7.2;



- (e) review and discuss proposals by Novartis or MPAG for the addition or removal of any country or territory from the list of “Commercial Territories”;
- (f) establish subcommittees pursuant to Section 3.6 as it deems necessary or advisable to further the purpose of this License Agreement;
- (g) discuss and attempt to resolve any disputes between any subcommittees that may arise during the Term; and
- (h) perform such other review and advisory responsibilities as appropriate to further the purposes of this License Agreement as may be assigned to the Governance Committee by written agreement of the Parties or as is expressly set forth in this License Agreement.

3.3 **Meeting Logistics.** The Governance Committee shall meet no less frequently than quarterly and at such other times as the Governance Committee or the Parties may reasonably agree. The first meeting of the Governance Committee shall be held as soon as reasonably practicable, but in no event later than [\*\*\*] following the Effective Date. Meetings may be held in person, telephonically or by means of videoconference. [\*\*\*] shall appoint one (1) of its representatives on the Governance Committee to act as chairperson of the Governance Committee. The chairperson shall appoint one (1) person (who need not be a member of the Governance Committee) to set agendas and manage logistical aspects for meetings and attend the meeting to record the minutes of the meeting in writing. Such minutes shall be circulated to the Parties promptly following the meeting for review, comment and approval. If no comments are received within [\*\*\*] of the minutes’ receipt by a Party, unless otherwise agreed, they shall be deemed to be approved by such Party. All participants at a Governance Committee meeting shall bound by appropriate confidentiality obligations.

3.4 **Decision Making.** Each Party will give due consideration to, and consider in good faith, the recommendations and advice of the other Party’s members of the Governance Committee regarding matters properly before the Governance Committee. The Governance Committee will endeavor to reach consensus on all decisions to be made by the Governance Committee, however, if the Governance Committee cannot unanimously agree on a matter to be decided by the Governance Committee then [\*\*\*], provided, that notwithstanding the foregoing:

- (a) [\*\*\*] shall not exercise its final decision-making authority in a manner that would require [\*\*\*] to undertake any activity that [\*\*\*] reasonably believes in good faith would (w) violate any Applicable Law, the requirements of any Regulatory Authority, ethical principles, principles of scientific integrity, or any agreement with any Third Party entered into by [\*\*\*], (x) pose an unacceptable risk or threat of harm in humans, (y) require [\*\*\*] to infringe or misappropriate any intellectual property rights of any Third Party, in each case without [\*\*\*] written consent, or (z) require [\*\*\*] to perform any activities under the Development Plan or incur any material external costs or material internal expenses without [\*\*\*] written consent; and
- (b) the addition or removal of any country or territory from the list of “Commercial Territories” must be considered in good faith by both Parties, taking into consideration to the political and economic circumstances of such country or territory and its healthcare system, but any such addition or removal shall become effective only upon agreement in writing of both Parties.

3.5 **Alliance Directors.** Within [\*\*\*] following the Effective Date, each Party will appoint (and notify the other Party in writing of the identity of) a senior representative having a general understanding of development and manufacturing issues to act as its alliance manager under this License Agreement (each, an “**Alliance Director**”), provided however that if no notice is given pursuant to this Section 3.5 by a Party, such Party’s Alliance Director shall remain the Alliance Director appointed by the Party

pursuant to the Option Agreement. The Alliance Directors will serve as the contact point between the Parties for the purpose of having oversight and progressing and facilitating coordination of any collaborative activities to be undertaken by the Parties under this License Agreement and will be primarily responsible for: (a) facilitating the flow of information and otherwise promoting communication, coordination, and collaboration between the Parties; (b) raising cross-Party or cross-functional issues and disputes to their management in a timely manner and (c) resolving disputes in accordance with Section 17.5. Each Party may replace its Alliance Director on written notice to the other Party.

- 3.6 **Subcommittees.** The Governance Committee may, from time to time, establish one or more subcommittees to (i) resolve particular matters appropriately within the authority of the Governance Committee and delegated by the Governance Committee to such subcommittee, and (ii) inform and support decisions of the Governance Committee. Each subcommittee will meet on a quarterly basis (and at such other times as the Governance Committee or the Parties may agree) and be composed of at least [\*\*\*] project lead from each party and other representatives of each party to be agreed at the time of formation of such subcommittee.
- 3.7 **Costs of Governance.** The Parties agree that the costs and expenses incurred by each Party in connection with its participation at any meetings under this Section 3 shall be borne solely by such Party.
- 3.8 **Limitations of Authority.** The Governance Committee and each subcommittee has only the powers expressly assigned to it in this Section 3 and does not have the authority to: (a) modify or amend the terms and conditions of this License Agreement; (b) waive or determine either Party's compliance with the terms and conditions of under this License Agreement; or (c) decide any issue in a manner that would conflict with the express terms and conditions of this License Agreement.
- 3.9 **Change of Control.** In the event of a Change of Control of MPAG, Novartis may, upon [\*\*\*] prior written notice to MPAG (or its successor entity) provided that such written notice is received by MPAG within [\*\*\*] of Novartis first becoming aware of such Change of Control, disband the Governance Committee and any subcommittees, and, thereafter the exchange of information under this License Agreement shall be made through the Alliance Directors.

#### **4. TRANSFER OF MPAG PRODUCTS KNOW-HOW AND REGULATORY MATERIALS.**

##### **4.1 Transfer of MPAG Products Know-How.**

- (a) Promptly after the Effective Date, MPAG, without additional consideration, shall transfer (and in the event of trade secrets, disclose) to Novartis or its designated Affiliate all MPAG Products Know-How and Regulatory Materials, including raw and source data as appropriate, in existence as of the Effective Date and not already transferred or disclosed to Novartis or its designee under the Option Agreement. Without limiting the foregoing, MPAG will deliver to Novartis (or its designee) all manufacturing batch records, Development reports, analytical results, filings and correspondence with any Regulatory Authority (including notes or minutes of any meetings with any Regulatory Authority), raw material and excipient sourcing information, quality audit findings and any other relevant technical information relating to the MPAG Compounds and the Products.
- (b) The transfer and disclosure of MPAG Products Know-How and Regulatory Materials undertaken pursuant to Section 4.1(a), shall take place in an orderly fashion and in electronic format as mutually agreed by the Parties, provided, that, if any such documentation is not available in electronic format, MPAG shall provide a hard copy of such documentation.

- (c) If Novartis or MPAG identifies other MPAG Products Know-How in MPAG's or its Affiliates' Control as of Effective Date that is necessary for the Development and Commercialization of the MPAG Compounds and the Products, MPAG will use commercially reasonable efforts to provide such MPAG Products Know-How to the extent it remains within MPAG's or its Affiliates' Control at the time of such identification. MPAG's obligations under this section shall only apply to MPAG Products Know-How Controlled by MPAG and identified within [\*\*\*] following the Effective Date or requested by a Regulatory Authority.
- 4.2 **Regulatory Materials.** MPAG shall (and shall cause its Affiliates to) transfer and assign to Novartis (or its designee), and MPAG (on behalf of itself and its Affiliates) hereby does transfer and assign to Novartis, the Regulatory Materials (including INDs) Controlled by MPAG or any of its Affiliates as of the Effective Date that solely and specifically relate to the MPAG Compounds or Products; provided that any Regulatory Materials necessary to complete MPAG Ongoing Clinical Trials shall be transferred to Novartis (or its designee) upon completion thereof.
- 4.3 **Cooperation.** MPAG will provide reasonable assistance to Novartis or its designated Affiliate in connection with understanding and using the MPAG Products Know-How and Regulatory Materials for purposes consistent with the License and the other rights granted to Novartis hereunder, including by providing information to assist Novartis or its designated Affiliate in developing formulations of the Products and its related activities and executing and delivering to Novartis such endorsements, assignments, and other documents as may be reasonably necessary to assign, convey, transfer, and deliver to Novartis all of MPAG's rights, title, and interests in and to any Regulatory Materials and Regulatory Filings.
- 5. DEVELOPMENT**
- 5.1 **Development.** Subject to Section 5.2 and except for any Development activities undertaken by MPAG that are approved by the Governance Committee or are expressly permitted hereunder (including Section 2.6), Novartis will be responsible for conducting, at its sole expense, such research and preclinical, clinical and other Development of the MPAG Compounds or Products. Novartis shall conduct the Development of the MPAG Compounds and Products pursuant to a written development plan that sets forth (a) the objectives and activities of the Development for the MPAG Compounds and Products that are consistent with the Development Plan under the Option Agreement and (b) timelines for conduct of clinical trials, key Regulatory Authority meetings, filing of applications for Regulatory Approval, and the receipt of Regulatory Approvals (the "**Development Plan**"). The initial Development Plan is set forth in Exhibit D. Novartis shall update the Development Plan at least once per Calendar Quarter until the First Commercial Sale of a Product in a Commercial Territory and the Governance Committee shall review the amendments to the development Plan and the progress of activities being conducted under the Development Plan. For the avoidance of doubt, (i) Novartis shall have no obligations with respect to the frequency of updates to the Development Plan after the First Commercial Sale of any Product in any country in the Commercial Territories and (ii) during the Term and except as expressly permitted hereunder (including Section 2.6), MPAG shall not conduct any research or preclinical, clinical and other Development of the MPAG Compounds or Products without Novartis' prior written consent or as agreed at the Governance Committee.
- 5.2 **Development Diligence.** Novartis shall itself, or through its Affiliates, sublicensees, or other Third Parties, use Commercially Reasonable Efforts to Develop and seek Regulatory Approval for the Products in the Commercial Indication in the [\*\*\*] provided however, that [\*\*\*].
- 1.3 **Ongoing Clinical Trials.** As soon as practicable after the Effective Date, the Parties shall meet and discuss at the Governance Committee, the status, as of the Effective Date, of any ongoing clinical trials with respect to the Products being sponsored and/or conducted pursuant to the terms of the Option

Agreement in order to determine the manner in which such clinical trials will be completed, the responsibilities of the Parties with respect thereto (taking into account MPAG's reasonably available personnel resources and capabilities), and the estimated MPAG Ongoing Clinical Trial Costs that would be incurred by MPAG in the event that MPAG continued to sponsor and conduct such ongoing clinical trials after the Effective Date. To the extent the Governance Committee reasonably determines that MPAG will continue after the Effective Date to sponsor any ongoing clinical trial being sponsored and/or conducted by MPAG as of the Effective Date (an "MPAG Ongoing Clinical Trial"), Novartis (i) shall be responsible for and shall reimburse MPAG after issuance of an invoice therefor, for the MPAG Ongoing Clinical Trial Costs actually incurred, (ii) shall cooperate with MPAG to transfer the sponsorship and conduct of such MPAG Ongoing Clinical Trial to Novartis or its designee as soon as reasonably practicable as determined by the Governance Committee, and (iii) shall indemnify the MPAG Indemnitees with respect to each MPAG Ongoing Clinical Trial as set forth in [Section 15.2\(c\)](#).

5.4 **Development Updates.** Novartis shall keep MPAG reasonably informed of Novartis', its Affiliates' and their respective sublicensees' Development activities with respect to the MPAG Compounds and Products by providing updates through the Governance Committee at least once per Calendar Quarter.

5.5 **Regulatory.**

- (a) Subject to [Section 5.2](#), Novartis will be responsible for all regulatory matters with respect to the MPAG Compounds or Products as it determines appropriate in its sole discretion, including the development and implementation of the strategy for, and all communications and interactions with, Regulatory Authorities with respect to the MPAG Compounds or Products and obtaining and maintaining Regulatory Approvals in the Territory in the name of Novartis or its Affiliates or sublicensees.
- (b) MPAG shall fully cooperate with and provide reasonable assistance to Novartis in connection with any interactions with or filings made to Regulatory Authorities relating to the MPAG Compounds or Product(s) (including, to the extent applicable, filings related to the quantitative and qualitative composition of Products), including by executing any required documents, providing access to personnel and providing Novartis with copies of all reasonably required documentation.
- (c) Novartis shall notify MPAG of all Regulatory Materials that it submits for the MPAG Compounds and Products in the [\*\*\*] and shall provide MPAG with a copy (which may be wholly or partly in electronic form) of such Regulatory Materials, in each case, as soon as reasonably practicable after such submission. Novartis shall, as soon as reasonably practicable after receipt, provide MPAG with copies of material correspondence received from the FDA or other Regulatory Authorities in the [\*\*\*] with respect to the MPAG Compounds or Products.
- (d) Novartis shall have the right to disclose the existence of, and the results from, any clinical trials conducted under this License Agreement in accordance with its standard policies.

5.6 **Compliance.** Each Party agrees that, in performing its obligations under this License Agreement: (a) it shall comply with all applicable current international regulatory standards, including GMP, GLP, GCP and other rules, regulations and requirements; and (b) it will not employ or use any person that has been debarred under Section 306(a) or 306(b) of the US Federal Food, Drug and Cosmetic Act (21 U.S.C. 335a) (the "Act").

5.7 **Pharmacovigilance.** Following the Effective Date, the Parties shall agree upon and implement a procedure for the mutual exchange of adverse event reports and safety information associated with the Products. Details of the operating procedure respecting such adverse event reports and safety

information exchange shall be the subject of one or more mutually-agreed written pharmacovigilance agreement between the Parties which shall be entered into at a point in time that would be reasonably appropriate to ensure that that Parties' Development activities undertaken pursuant to this License Agreement are done in compliance with all Applicable Law and other requirements of any applicable Regulatory Authorities ("**Pharmacovigilance Agreement**"). The Parties hereby acknowledge and agree that until the Pharmacovigilance Agreement is executed, the terms of the Clinical Collaboration Agreement relating to the exchange of adverse event reports and safety information associated with the Products shall apply.

## 5.8 **Quality.**

- (a) **Quality Agreement.** Following the Effective Date, the Parties shall negotiate in good faith one or more definitive agreements with regard to quality matters relating to clinical (GCP), non-clinical (GLP), and Manufacturing (GMP) ("**Quality Agreement**") which shall be entered into at a point in time that would be reasonably appropriate to ensure that that Parties' Development and Manufacturing activities undertaken pursuant to this License Agreement are done in compliance with all Applicable Law and other requirements of any applicable Regulatory Authorities. In the event of a discrepancy between this License Agreement and the Quality Agreement, the Quality Agreement governs with respect to quality matters and this License Agreement governs with respect to all other matters. The Parties hereby acknowledge and agree that until the Quality Agreement is executed, the terms of the Clinical Collaboration Agreement relating to quality matters in connection with the Products shall apply between the Parties.
- (b) **Pre-Qualification Audits.** MPAG will allow, and will use reasonable efforts to procure that its contractors and subcontractors will allow, Novartis, its Affiliate or designated Third Party to perform audits, site visits or similar inspections of any site or facility where GxP relevant Development or manufacturing activities for any of the MPAG Compounds or the Products (including drug substance, drug product or any component of the Products) were performed (a "**Pre-Qualification Audit**") as reasonably required by Novartis. Following a Pre-Qualification Audit, MPAG will use its reasonable efforts, and will use reasonable efforts to procure that its contractors and subcontractors will use reasonable efforts, to mutually agree any corrective and preventative remediation actions ("**CAPAs**") identified by the Pre-Qualification Audit within [\*\*\*] of issue of the audit report and thereafter carry out such CAPAs within the relevant timelines agreed between the Parties. In addition, if recommended by a Pre-Qualification Audit, Novartis will be entitled (subject to reasonable approval by the applicable contractors or subcontractors) to maintain persons in plant ("**PIPs**") or local Third Party consultants (at Novartis's option) to continue to observe and monitor quality matters, whether in relation to Development or manufacturing.
- (c) **Changes.** Any changes or variations to the MPAG Compounds or to the Products (including the drug substance, drug product, packaging, labelling or any component(s)), the manufacturing or any facilities involved in the Development or manufacturing of the Products (including the drug substance and components) may only be made in accordance with the Quality Agreement(s).
- (d) **Audits, Inspections and Patient Safety.**
  - (i) Following the Effective Date, MPAG will allow, and will use reasonable efforts to procure that its contractors and subcontractors will allow, Novartis, its Affiliate or designated Third Party to perform GxP Audits of any facility where Development (including research, non-clinical and clinical) or manufacturing activities for any of the MPAG Compounds or the Products were performed on reasonable prior notice in preparation for an inspection by a Regulatory Authority or investigation of a compliance

issue with a Regulatory Authority. MPAG acknowledges that, in the case of suspected “critical findings”, [\*\*\*] prior notice by MPAG shall constitute reasonable prior notice. MPAG will provide Novartis with a letter of authorization signed by the sponsor of any clinical study for the Products enabling such an audit within [\*\*\*] of the Effective Date. MPAG will, and will use reasonable efforts to procure that its contractors and subcontractors will, use commercially reasonable efforts to mutually agree any CAPAs within [\*\*\*] of issue of a GxP Audit report and thereafter carry out such CAPAs or required CAPAs within the relevant timelines; and

- (ii) MPAG will promptly (and in any event within [\*\*\*] of receipt of the relevant notice by MPAG, if and to the extent MPAG is informed of such inspection) inform Novartis of any intended or planned inspection by a Regulatory Authority of any facility where Development (including research, non-clinical and clinical) or manufacturing activities for any of the MPAG Compounds or the Products were performed. If available to MPAG, MPAG will promptly provide (or use reasonable efforts to cause its subcontractors to provide) Novartis an executive summary of the results of the inspection, including explanations of any issues raised by the Regulatory Authorities which could reasonably be expected to impact the MPAG Compounds or the Products and any proposed CAPAs.
- (iii) To the extent that MPAG receives a copy of the information set out in (a) and (b) below, MPAG will procure that prompt disclosure is made to Novartis of:
  - (a) all Regulatory Authority inspection observations relating to or regarding the MPAG Compounds;
  - (b) all material correspondence or notices received from Regulatory Authorities relating to any facility where Development (including research, non-clinical and clinical) or manufacturing activities for any of the MPAG Compounds or the Products were performed to the extent such correspondences or notices are reasonably likely to adversely impact the MPAG Compounds, including: EIR, 483s, warning letters, EMA or European inspection reports, serious breaches, safety urgency measures, issues on PSURs, DSURs etc. and corresponding proposed responses.
- (iv) MPAG shall notify Novartis promptly of any event relating to the MPAG Compounds or the Products that may reasonably be expected to have any adverse impact on patient safety, the efficacy or conduct of clinical trials and/or the integrity of any data relating to the MPAG Compounds or the Products and/or facilities where they were Developed or manufactured, and in any event such disclosure shall be made not later than [\*\*\*] of the occurrence of such event, except in the case of warning letters which must be notified to Novartis no later than [\*\*\*] of the receipt by MPAG of the relevant inspection report or correspondence. Following notification of such an event, MPAG will cooperate with Novartis in the preparation of any response or other communication to any Regulatory Authority, which could affect data integrity, a registration procedure or the Products.
- (e) **Costs and Expenses.** Novartis shall reimburse all documented external costs on a pass-through basis and internal expenses at the FTE Rate, in each case, that are reasonably incurred by MPAG pursuant to this Section 5.8.

## 6. MANUFACTURING

- 6.1 **Manufacturing.** Novartis or its designated sublicensee(s) and subcontractor(s) will be solely responsible, as it determines appropriate in its sole discretion, for the Manufacture and supply of the MPAG Compounds or Products being Developed or Commercialized under this License Agreement. From time to time (but in no event more than twice during any Calendar Year) upon MPAG's reasonable request, the Parties shall meet and discuss through the Governance Committee any material updates to the Manufacturing process for the MPAG Compounds or Products. In advance of any such updates, upon MPAG's prior written request, Novartis shall disclose to MPAG the amount of (and any material observations or issues regarding the characteristics of) Product Manufactured by Novartis, its Affiliates or its designated sublicensees(s) or subcontractor(s) during the period of time noted in MPAG's request.
- 1.2 **Manufacturing Know-How and Assistance.** MPAG shall fully cooperate with and provide assistance to Novartis or its designee in order to ensure the transfer to Novartis the technical and Manufacturing information that is required for Novartis to Manufacture the MP0420 drug substance and MP0420 drug product.
- 1.3 **Purchase of Inventory.** Promptly after issuance of an invoice therefor (which shall be issued by MPAG no earlier than the Effective Date), Novartis shall purchase, and MPAG shall supply, all quantities of usable inventory of the Products and raw material (including resins) used for the Products, in each case, that are under MPAG's control as of the Effective Date (the "**Purchased Inventory**") at a price equal to [\*\*\*] of MPAG's reasonable and documented costs [\*\*\*] for Manufacturing such inventory [\*\*\*]. An itemized list of all Purchased Inventory is set forth hereto as Exhibit C. The Purchased Inventory shall be delivered to Novartis at the address specified by Novartis in writing in advance. For the avoidance of doubt, Novartis shall not be obligated to purchase any Products pursuant to this Section 6.3 with a remaining shelf-life of less than [\*\*\*] (the "**Minimum Shelf Life**").

## 7. COMMERCIALIZATION

### 7.1 Commercialization.

- (a) Subject to Section 7.1(b), Novartis will be solely responsible for conducting, at its sole expense, all aspects of Commercialization of the Products in the Territory, including planning and implementation, distribution, booking of sales, pricing and reimbursement.
- (b) On a country-by-country and Product-by-Product basis, Novartis shall itself, or through its Affiliates, sublicensees, or other Third Parties, upon (and subject to) receipt of Regulatory Approval for sale of a Product in any country in the Commercial Territories, use Commercially Reasonable Efforts to Commercialize the applicable Product in such country.
- (c) For the avoidance of doubt, notwithstanding anything to the contrary set forth in this Section 7, (i) Novartis shall have sole discretion (without reference to MPAG) to set or vary the price of the Products in the Field in the Territory and (ii) Novartis shall not have any diligence obligations with respect to its efforts to Commercialize the Products in any country in the Territory outside of the Commercial Territories.

- 7.2 **Commercialization Updates.** Novartis shall keep MPAG reasonably informed of Novartis', its Affiliates' and their respective sublicensees' Commercialization activities with respect to the Products by providing updates through the Governance Committee at least [\*\*\*] per Calendar Year. Upon MPAG's request (which may be made no more than [\*\*\*] per Calendar Year) such updates shall include the amount of Net Sales of Products in each country in the Territory other than the Commercial Territories.

- 7.3 **No Diversion.** Novartis hereby covenants and agrees that it shall not, and shall ensure that its Affiliates and sublicensees shall not, promote, market, distribute, import, sell, or have sold any Product, including via the Internet or mail order, to any Third Party or to any address or Internet Protocol address or the like outside the Commercial Territories for the purpose of distributing such Products in the Commercial Territories.
- 7.4 **Swiss Confederation.** Novartis hereby acknowledges that the government of the Swiss Confederation committed early-, preclinical-stage funding to MPAG, and such funding enabled clinical studies and an initial production run of Product containing MP0420. Novartis further acknowledges that, in consideration for the government of the Swiss Confederation's commitment of such early-, preclinical-stage funding to MPAG, that government obtained from MPAG a reservation right to certain doses of Product (the "**Reserved Doses**"). Novartis hereby agrees to assume MPAG's rights and obligations set out in that agreement (the "**Swiss Confederation Early Research Investment and Reservation Agreement**") in the manner set forth in the relevant agreed form assignment and assumption agreement (the "**Swiss Confederation Assignment Agreement**"). The Swiss Confederation Assignment Agreement shall be executed by each of Novartis and MPAG on the Execution Date and MPAG shall give notice to the government of the Swiss Confederation that such assignment has taken place as soon as practicable following the Execution Date. For the avoidance of doubt, if the government of the Swiss Confederation wishes to obtain Products other than the Reserved Doses for which there is the aforementioned reservation right, it must seek to procure such Products through separate commercial negotiation and agreement with Novartis.
- 7.5 **NIAID Clinical Trial Agreement.** Novartis hereby acknowledges and agrees to assume MPAG's rights and obligations set out in the NIAID Clinical Trial Agreement in the manner set forth in the relevant agreed form assignment and assumption agreement (the "**NIAID CTA Assignment Agreement**"). The NIAID CTA Assignment Agreement shall be executed by each of Novartis and MPAG on the Execution Date.

## 8. FINANCIAL PROVISIONS

- 8.1 **Option Exercise Payment.** In partial consideration of the licenses and rights granted to Novartis hereunder, Novartis shall pay to MPAG a one-time, non-refundable, non-creditable option exercise payment of one hundred fifty million Swiss francs (CHF 150,000,000) within [\*\*\*] after receipt by Novartis of an invoice in the form of Exhibit E from MPAG, which invoice shall be issued by MPAG no earlier than the Effective Date.
- 8.2 **Royalty Payments.**
- (a) In partial consideration of the licenses and rights granted to Novartis hereunder, during the applicable Royalty Term and subject to the remainder of this Section 8, Novartis will make royalty payments to MPAG on a [\*\*\*] basis equal to twenty-two percent (22%) (as may be reduced pursuant to Section 8.3, Section 8.4, Section 8.5(c) or Section 12.6, the "**Royalty Rate**") of the Net Sales of Products sold by Novartis, its Affiliates, or sublicensees in the Field in the Commercial Territories.
- (b) Royalties are payable on a Product-by-Product and country-by-country basis from First Commercial Sale of such Product in such country in the Commercial Territories until the latest of (i) the expiration of the last Valid Claim covering such Product in such country, (ii) ten (10) years from the First Commercial Sale of such Product in such country, and (iii) the expiration of Regulatory Exclusivity in such country ("**Royalty Term**"). For the avoidance of doubt, royalties shall be payable only once with respect to the same unit of Product.



- (c) Following the expiration of the Royalty Term on a Product-by-Product and country-by-country basis, the License with respect to such Product shall continue in effect, but become fully paid-up, royalty-free, transferable, perpetual and irrevocable.
- 8.3 **Know-How Royalty.** For any period during the Royalty Term in which (i) the sale of a Product in any country is not covered by a Valid Claim covering such Product or (ii) the sale of a Product in any country is covered only by a Valid Claim in Joint IP, the Royalty Rate with respect to Net Sales of such Product in such country for the remainder of the applicable Royalty Term shall be [\*\*\*]. The Parties acknowledge that continued payment of royalties during remaining period of the Royalty Term at such reduced rate shall be consideration for the Know-How included in the License.
- 8.4 **Loss of Market Exclusivity.** On a Product-by-Product and country-by-country basis, if Loss of Market Exclusivity occurs with respect to a Product in a country, then the then-applicable Royalty Rate shall be reduced by [\*\*\*], commencing with the first Calendar Quarter after the Loss of Market Exclusivity occurs and continuing for the remainder of the Royalty Term for the applicable Product in the applicable country.
- 8.5 **Third Party Obligations.**
- (a) MPAG shall remain responsible for the payment of royalty, milestone and other payment obligations, if any, due to Third Parties under any Products IP or Enabling IP that have been licensed to MPAG and that are sublicensed to Novartis under this License Agreement. All such payments shall be made promptly by MPAG in accordance with the terms of the applicable license agreement.
- (b) From time to time MPAG may notify Novartis in the event MPAG identifies a potential need to acquire a license to Patent Rights or Know-How owned or otherwise controlled by a Third Party that (i) would be necessary or reasonably useful for Novartis to research, Develop, Manufacture, Commercialize or otherwise exploit the MPAG Compounds and Products in the Field in the Territory and (ii) solely and specifically relates to the MPAG Compounds (“**Third Party IP**”); provided, [\*\*\*] shall have the sole right to determine whether to acquire any such license in accordance with, and subject to, Section 8.5(c).
- (c) In the event that [\*\*\*] obtains rights to Third Party IP (in accordance with the preceding sentence or otherwise at its reasonable discretion), [\*\*\*] to the applicable Third Party as an offset to the royalties payable for the applicable Product with respect to all Commercial Territories in which such rights are obtained. [\*\*\*] agrees to fully cooperate with [\*\*\*] to acquire such rights.
- (d) Notwithstanding anything to the contrary, in no event shall this Section 8.5 (i) apply to the applicable country if the reductions in Section 8.3 and Section 8.4 apply to the Royalty Rate in such country for the applicable Calendar Quarter (i.e., the Royalty Rate is already [\*\*\*]) or (ii) reduce the then applicable Royalty Rate for any Product in any country in any Calendar Quarter by more than [\*\*\*]; provided, that any amount that Novartis is entitled to deduct under this Section 8.5 that is reduced by the limitation on the deduction in this Section 8.5(d) shall be carried forward and Novartis may deduct such amount from subsequent amounts due to MPAG until the full amount that Novartis was entitled to deduct is deducted.
- 8.6 [\*\*\*].
- 8.7 **Sales Outside the Commercial Territories.** MPAG and Novartis acknowledge and agree that, for the avoidance of doubt, Novartis may freely exploit the Products outside the Commercial Territories and any

sales in such other countries shall not be included in the Net Sales calculation for purposes of determining royalties payable under this Section 8.

8.8 **No Projections.** MPAG and Novartis acknowledge and agree that nothing in this License Agreement shall be construed as representing an estimate or projection of anticipated sales of any Product. NEITHER MPAG NOR NOVARTIS MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT IT WILL BE ABLE TO SUCCESSFULLY COMMERCIALIZE ANY PRODUCT OR, IF COMMERCIALIZED, THAT ANY PARTICULAR NET SALES LEVEL OF SUCH PRODUCT WILL BE ACHIEVED.

## 9. REPORTS AND PAYMENT TERMS

9.1 **Royalty Payments and Reports.** Novartis shall pay MPAG all royalty amounts due pursuant to Section 8 within [\*\*\*] after the end of each Calendar Quarter during the Term following the First Commercial Sale of a Product. Novartis will provide concurrently with each payment of royalties due to MPAG a Sales & Royalty Report.

### 9.2 Payment Terms.

- (a) Except with respect to royalty amounts due pursuant to Section 8, each Party shall provide to the other Party an invoice for all amounts due to it under this License Agreement. Unless otherwise noted, payments on such invoices shall be made within [\*\*\*] of the other Party's receipt of the applicable invoice. Invoices to Novartis shall be in the form set forth in Exhibit E.
- (b) All payments from Novartis to MPAG shall be made by wire transfer in CHF to the credit of such bank account as may be designated by MPAG in this License Agreement or in writing to Novartis. Any payment which falls due on a date which is not a Business Day in the location from which the payment will be made may be made on the next succeeding Business Day in such location.

9.3 **Currency.** All royalties under this License Agreement shall be calculated in USD and will be payable in CHF. For purposes of calculating royalties payable hereunder, (i) when conversion of payments from any foreign currency is required to be undertaken by Novartis, the USD equivalent shall be calculated using Novartis' then-current standard exchange rate methodology as consistently applied in its external reporting and (ii) when converting royalty amounts from USD to CHF for the purposes of payment to MPAG, the CHF amount shall be calculated using the average of the monthly exchange rate for such quarter using Novartis' then-current standard exchange rate methodology as consistently applied in its external reporting.

9.4 **Late Payments.** If Novartis fails to pay any undisputed payment under this License Agreement by the date when such payment is due, then, without limiting any other right or remedy of MPAG, such late payment shall be paid together with interest thereon at an annual rate (but with interest accruing on a daily basis) of [\*\*\*] as quoted on Bloomberg (or if Bloomberg no longer exists, a similarly authoritative source), from the date on which such payment was originally due until the date of payment (provided, that, such rate shall not exceed the rate permissible under Applicable Law).

### 9.5 Taxes.

- (a) MPAG will pay any and all taxes levied on account of any payments made to it under this License Agreement. If any taxes are required to be withheld by Novartis, Novartis will: (a) deduct such taxes from the payment made to MPAG; (b) timely pay the taxes to the proper taxing authority; (c) send proof of payment to MPAG; and (d) reasonably assist MPAG in its

efforts to obtain a credit for such tax payment. Each Party agrees to reasonably assist the other Party in lawfully claiming exemptions from or minimizing such deductions or withholdings under double taxation laws or similar circumstances.

- (b) Each amount stated as payable under or pursuant to this License Agreement is exclusive of value added tax (“VAT”) (if any). If any VAT is payable or chargeable on or in respect of any amounts payable under this License Agreement, the paying Party shall pay the amount of such VAT in addition to the relevant consideration and the receiving Party shall provide the paying Party prior to the payment with a valid VAT invoice in the appropriate form and based on local indirect tax law.

#### 9.6 Records and Audit Rights.

- (a) Each Party shall keep complete, true and accurate books and records in relation to this License Agreement, including, (i) with respect to Novartis, in relation to Net Sales and royalties and (ii) with respect to MPAG, in relation to MPAG Ongoing Clinical Trial Costs. Each Party will keep such books and records for at least [\*\*\*] following the Calendar Year to which they pertain.
- (b) Either Party (the “Auditing Party”) may, upon written request to the other Party (the “Audited Party”), cause an internationally-recognized independent accounting firm (which is reasonably acceptable to the Audited Party) (the “Auditor”) to inspect the relevant records of the Audited Party or its Affiliates to verify (i) with respect to Novartis, the royalties payable by Novartis and (ii) with respect to MPAG, the MPAG Ongoing Clinical Trial Costs, and, in each case the related reports, statements and books of accounts, as applicable; provided, that, the Auditor shall only be entitled to inspect the relevant books and records of Novartis to verify royalties payable by Novartis with respect to the [\*\*\*] prior to the Calendar Year in which such inspection request is made. Before beginning its audit, the Auditor shall execute an undertaking acceptable to the Audited Party by which the Auditor shall agree to keep confidential all Confidential Information reviewed during such audit. The Auditor shall have the right to disclose to the Auditing Party only its conclusions regarding any payments owed under this License Agreement.
- (c) The Audited Party shall make their relevant records available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from the Auditing Party. The records shall be reviewed solely to verify the accuracy of Novartis’ royalties or MPAG Ongoing Clinical Trial Costs, as applicable, and in each case, compliance with this License Agreement. Such inspection right shall not be exercised more than once in any Calendar Year and not more frequently than once with respect to records covering any specific period of time or MPAG Ongoing Clinical Trial. The Auditing Party agrees to hold in strict confidence all Confidential Information received and all Confidential Information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this License Agreement or to the extent required to comply with any law, regulation or judicial order.
- (d) The Auditor shall provide its audit report and basis for any determination to the Audited Party at the time such report is provided to the Auditing Party, before it is considered final. The Audited Party shall have the right to request a further determination by such Auditor as to matters which the Audited Party disputes within [\*\*\*] following receipt of such report. The Audited Party will provide the Auditing Party and the Auditor with a reasonably detailed statement of the grounds upon which it disputes any findings in the audit report and the Auditor shall undertake to complete such further determination within [\*\*\*] after the dispute notice is provided, which

determination shall be limited to the disputed matters. Any matter that remains unresolved shall be resolved in accordance with the dispute resolution procedures contained in [Section 17.5](#).

- (e) In the event that the final result of the inspection reveals an undisputed underpayment or overpayment by Novartis, the underpaid or overpaid amount shall be settled promptly.
- (f) The Auditing Party will pay for the fees and expenses of the Auditor, except that (i) Novartis will pay for such fees with respect to audits initiated by MPAG if Novartis is found to have underpaid MPAG by more than [\*\*\*] of the amount that should have been paid for the audited period and (ii) MPAG will pay for such fees with respect to audits initiated by Novartis if Novartis is found to have overpaid MPAG by more than [\*\*\*] of the amount that should have been paid for the applicable MPAG Ongoing Clinical Trial.

## 10. INTELLECTUAL PROPERTY RIGHTS

1.1 **Background Intellectual Property.** Except as expressly set forth herein, as between the Parties, each Party is and shall remain the owner of all intellectual property and Confidential Information that it owned as of the Effective Date or that it develops or acquires thereafter pursuant to activities independent of this License Agreement.

1.2 **Joint IP.** All intellectual property (including Know-How, Patent Rights, and any other intellectual property rights) relating to the MPAG Compounds or Products developed by or on behalf of either Party or their respective affiliates after the Effective Date and arising from the Parties' activities under this License Agreement ("**Joint IP**") shall be jointly owned by the Parties, independent of inventorship; provided, that New Manufacturing IP shall not be considered Joint IP for the purposes of this License Agreement. Each Party hereby assigns, and agrees to assign, into the joint names of both Parties, an equal and undivided interest in and to all Joint IP. At least once per Calendar Quarter, each Party shall disclose to the other Party the development, making, conception, or reduction to practice of any Joint IP. Subject to the exclusive licenses granted by MPAG to Novartis to Joint IP under [Section 2.1](#), each Party shall have the right to fully exploit (including by way of granting licenses, assignments, mortgages or otherwise, in each case, solely over its share of the Joint IP) the Joint IP without a duty of seeking consent or accounting to the other Party, including for the researching, Developing, Manufacturing, or Commercializing of products.

### 10.3 New Manufacturing IP.

- (a) New Manufacturing IP shall be jointly owned by the Parties, independent of inventorship and each Party hereby assigns, and agrees to assign, into the joint names of both Parties, an equal and undivided interest in and to all such New Manufacturing IP. At least [\*\*\*] per Calendar Quarter, each Party shall disclose to the other Party the development, making, conception, or reduction to practice of any New Manufacturing IP. Novartis hereby grants MPAG, a worldwide, perpetual, royalty-free, non-exclusive license under its interest in the New Manufacturing IP for any application of the New Manufacturing IP, including a right to sublicense to Third Parties to make and have made products; provided, for clarity, if MPAG desires to obtain a license to any Novartis Background Technology to practice the New Manufacturing IP to make or have made the MPAG Compounds or Products, then such right shall be subject to a good faith obligation of Novartis to negotiate with MPAG commercial terms on which Novartis would grant a non-exclusive license to Novartis Background Technology for such purpose. MPAG hereby grants Novartis, a worldwide, perpetual, royalty-free, non-exclusive license under its interest in the New Manufacturing IP for any application of the New Manufacturing IP, including a right to sublicense to Third Parties to make and have made products; provided, for clarity, if Novartis desires to obtain a license to any MPAG

Background Technology that does not primarily relate to the Platform or designed ankyrin repeat protein products to practice the New Manufacturing IP, then such right shall be subject to a good faith obligation of MPAG to negotiate with Novartis commercial terms on which MPAG would grant a non-exclusive license to MPAG Background Technology for such purpose.

- (b) The reciprocal licenses to New Manufacturing IP described in Section 10.3(a) are intended to be perpetual and shall survive the expiration or termination of the License Agreement.

1.4 **Ownership of Results and Data.** All data and results arising from the Parties' activities under the License Agreement, including clinical and regulatory data and information generated for regulatory purposes relating to the MPAG Compounds or Products shall be jointly owned by the Parties. At least once per Calendar Quarter, each Party shall disclose to the other Party all such data and results arising from the Parties' activities under the License Agreement which have not previously been disclosed to the other Party.

#### 10.5 **Patent Filing, Prosecution, Maintenance, Management & Strategy.**

- (a) [\*\*\*] for filing, prosecuting, maintaining and managing (including related strategies) (1) [\*\*\*] and (2) any Patent Rights in the [\*\*\*], in each case of (1) and (2), that (i) relate exclusively to the [\*\*\*] or (ii) do not primarily relate to the [\*\*\*] or [\*\*\*] (collectively, the "[\*\*\*] Patents"), at its own cost and expense. [\*\*\*] will fully cooperate with [\*\*\*] in connection with the filing, prosecution, maintenance and management of the [\*\*\*] Patents, including by providing access to relevant persons and executing all documentation reasonably requested by [\*\*\*]. [\*\*\*] will keep [\*\*\*] reasonably informed of all steps with regard to the preparation, prosecution, and maintenance of the [\*\*\*] Patents including any decision as to whether to 'opt-in' or 'opt-out' of the EU Unitary Patent System pursuant to Regulation (EU) No 1257/2012 of December 17, 2012 as well as the Agreement on a Unified Patent Court as of February 19, 2013. [\*\*\*] shall provide [\*\*\*] with a copy of all communications to and from all patent authorities regarding the [\*\*\*] Patents, including drafts of any filings or responses to be made to such patent authorities, sufficiently in advance of submitting such filings or responses so as to allow [\*\*\*] a reasonable opportunity to review and comment thereon. [\*\*\*] shall consider, in good faith, all reasonable requests and suggestions with respect to such drafts and any other comments or responses provided by [\*\*\*], it being understood and agreed that [\*\*\*] shall make all decisions relating thereto including, for the avoidance of doubt, [\*\*\*].
- (b) [\*\*\*] will notify [\*\*\*] of any decision not to file applications for, or to cease prosecution or maintenance of, or not to continue to pay the expenses of prosecution or maintenance of, any [\*\*\*] Patents in the Territories. [\*\*\*] will provide such notice at least [\*\*\*] prior to any filing or payment due date, or any other due date that requires action, in connection with such Patent Right. In such event, [\*\*\*] shall have the right, at its sole discretion and expense, to file or to continue prosecution or maintenance of such [\*\*\*] Patent. If [\*\*\*] does assume the prosecution and/or maintenance of such [\*\*\*] Patent, then, at [\*\*\*] cost and expense, (i) [\*\*\*] shall cooperate with [\*\*\*] to transfer the prosecution and maintenance of the [\*\*\*] Patent, together with all relevant documentation and the file wrapper, to [\*\*\*] and (ii) at [\*\*\*] sole discretion, such Patent Right shall no longer be licensed to [\*\*\*] and shall no longer form part of the [\*\*\*], as the case may be. For the avoidance of doubt, such Patent Right shall not be deemed a [\*\*\*] Patent. In the event that [\*\*\*] assumes the prosecution and/or maintenance of a [\*\*\*] Patent which is part of the [\*\*\*] and [\*\*\*] decides that such Patent Right shall no longer form part of the [\*\*\*], then at [\*\*\*] request and at [\*\*\*] cost and expense, [\*\*\*] shall execute such documents and perform such acts as may be reasonably necessary in a timely manner to effect an assignment of [\*\*\*] interest in such Patent Right to [\*\*\*].

- (c) [\*\*\*] for filing, prosecuting, maintaining and managing (including related strategies) the [\*\*\*] Patents and any Patent Rights in the [\*\*\*] that are not [\*\*\*] Patents (“[\*\*\*] Patents”), at its own cost and expense. [\*\*\*] will fully cooperate with [\*\*\*] in connection with the filing, prosecution, maintenance and management of the [\*\*\*] Patents, including by providing access to relevant persons and executing all documentation reasonably requested by [\*\*\*]. [\*\*\*] will keep [\*\*\*] reasonably informed of the status of the [\*\*\*] Patents (including by providing [\*\*\*] copies of all filings made with Governmental Authorities with respect thereto, any office actions or office action responses or other correspondence that [\*\*\*], its Affiliates or sublicensees provide to or receives from any patent office), it being understood and agreed that [\*\*\*] shall make all decisions relating thereto including, for the avoidance of doubt, [\*\*\*].
- (d) [\*\*\*] will notify [\*\*\*] of any decision not to file applications for, or to cease prosecution or maintenance of, or not to continue to pay the expenses of prosecution or maintenance of, any [\*\*\*] Patents in the Territory. [\*\*\*] will provide such notice at least [\*\*\*] prior to any filing or payment due date, or any other due date that requires action, in connection with such Patent Right. In such event, [\*\*\*] shall have the right, at its sole discretion and expense, to file or to continue prosecution or maintenance of such [\*\*\*] Patent.

#### 10.6 Patent Enforcement and Defense.

- (a) Each Party will promptly notify the other Party of any infringement, misappropriation, or other violation by a Third Party of any of the MPAG Products Patents, the MPAG Products Know-How, or any Joint IP, New Manufacturing IP or Option Period Manufacturing IP in the Field in the Territory of which it becomes aware, including any “patent certification” filed in the United States under 42 U.S.C. §262(i)(2) or §262(k) or similar provisions in other jurisdictions and of any request for declaratory judgment, opposition, nullity action, interference, inter-partes reexamination, inter-partes review, post-grant review, derivation proceeding, or similar action alleging the invalidity, unenforceability or non-infringement of any of the MPAG Products Patents or Patent Rights included in the Joint IP, New Manufacturing IP or Option Period Manufacturing IP (collectively “**Third Party Infringement**”).
- (b) [\*\*\*] will have the first right to bring and control any legal action in connection with any Third Party Infringement to the extent the applicable MPAG Products Patents, MPAG Products Know-How, Joint IP, New Manufacturing IP or Option Period Manufacturing IP (i) relate exclusively to the MPAG Compounds or Products or (ii) do not primarily relate to the [\*\*\*] or a designed ankyrin repeat protein product other than a Product (“[\*\*\*] **Third Party Infringement**”). [\*\*\*] right to control such legal action shall be at its own expense as it reasonably determines appropriate (including deciding on any litigation strategy), and [\*\*\*] shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If [\*\*\*] fails to bring an action or proceeding with respect to, or to terminate, infringement of any [\*\*\*] Third Party Infringement (1) within [\*\*\*] following the notice of alleged infringement or (2) prior to [\*\*\*] before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, [\*\*\*] shall have the right, to bring and control any such action at its own expense and by counsel of its own choice, and [\*\*\*] shall have the right, at its own expense, to be represented in any such action by counsel of its own choice; provided, however, that if [\*\*\*] notifies [\*\*\*] in writing prior to [\*\*\*] before such time limit for the filing of any such action that [\*\*\*] intends to file such action before the time limit, then [\*\*\*] shall be obligated to file such action before the time limit.
- (c) [\*\*\*] will have the first right to bring and control any legal action in connection with any Third Party Infringement that is not [\*\*\*] Third Party Infringement (“[\*\*\*] **Third Party Infringement**”). [\*\*\*] right to control such legal action shall be at its own expense as it

reasonably determines appropriate (including deciding on any litigation strategy), and [\*\*\*] shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If [\*\*\*] fails to bring an action or proceeding with respect to, or to terminate, infringement of any [\*\*\*] Third Party Infringement (i) within [\*\*\*] following the notice of alleged infringement or (ii) prior to [\*\*\*] before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, [\*\*\*] shall have the right, to bring and control any such action at its own expense and by counsel of its own choice, and [\*\*\*] shall have the right, at its own expense, to be represented in any such action by counsel of its own choice; provided, however, that if [\*\*\*] notifies [\*\*\*] in writing prior to [\*\*\*] before such time limit for the filing of any such action that [\*\*\*] intends to file such action before the time limit, then [\*\*\*] shall be obligated to file such action before the time limit.

- (d) If a Party initiates proceedings in accordance with this Section 10.6, the other Party agrees to be joined as a party plaintiff where necessary and to give the first Party reasonable assistance and authority to file and prosecute the proceedings. The costs and expenses of each Party incurred pursuant to this Section 10.6 will be borne by the Party initiating such proceedings. If one Party initiates proceedings in accordance with this Section 10.6, the other Party may join such proceedings as a party plaintiff where necessary for such other Party to seek lost profits or other appropriate damages or compensation with respect to such infringement.
- (e) Any damages or other monetary awards recovered with respect to a Third Party Infringement brought pursuant to this Section 10.6 will be shared as follows:
  - (i) the amount of such recovery will first be applied to the Parties' reasonable out-of-pocket expenses incurred in connection with such Third Party Infringement legal action (which amounts will be allocated pro rata if insufficient to cover the totality of such expenses); then
  - (ii) any remaining proceeds constituting direct or actual damages for acts of infringement will be paid to, or retained by, MPAG in respect of any Third Party Infringement brought and controlled by MPAG, and Novartis in respect of any Third Party Infringement brought and controlled by Novartis; provided that any amounts received by Novartis will be included in Net Sales for the Calendar Quarter in which such amounts are received by Novartis; and
  - (iii) any remaining proceeds constituting punitive or treble damages will be allocated between the Parties as follows: the Party that brought and controlled the Third Party Infringement action will retain [\*\*\*] of such proceeds and the other Party will receive [\*\*\*] of such proceeds.
- (f) Notwithstanding anything to the contrary under this Section 10.6, neither Party may enter a settlement, consent judgment or other voluntary final disposition of a suit under this Section 10.6 that disclaims, limits the scope of, admits the invalidity or unenforceability of, or grants a license, covenant not to sue or similar immunity under any Patent Rights Controlled by the other Party or its Affiliates without first obtaining the written consent of the Party that Controls the relevant Patent Rights; provided, that either Party shall be entitled, without the consent of the other Party, to enter into a settlement, consent judgment or other voluntary final disposition of a suit that primarily relates to the establishment of a date by which the a generic or biosimilar product will be permitted to be Commercialized.

## 10.7 Trademarks.

- (a) Novartis shall be solely responsible for selecting, registering and maintaining the Trademarks used for the Commercialization of the Products as it determines appropriate in its sole discretion, which may vary by country or within a country (“**Product Marks**”). Novartis shall Control all rights in the Product Marks and register and maintain the Product Marks in the countries and regions it determines reasonably necessary and pay all relevant costs thereto. Novartis shall have the sole right to initiate, at its own discretion, legal proceedings against any infringement or threatened infringement of the Product Marks.
- (b) MPAG hereby grants Novartis a non-exclusive, royalty-free, sublicensable (through multiple-tiers) license to use the DARPin® Trademark and any other registered or unregistered Trademark, word, logo, tagline or slogan Controlled by MPAG which relates to the Products, solely in connection with the Manufacture, use, importation, sale or other Commercialization or exploitation of the Products in the Field in the Territory. Any use of any Trademark by Novartis pursuant to this Section 10.7(b) shall appropriately acknowledge MPAG’s ownership and, subject to Applicable Law, Novartis shall include, depending on the status of the DARPin® Trademark in a country within the Territory, either of the following notifications displayed prominently on all documents, labels, packs, advertisements and other materials that utilize the DARPin® Trademark:

*“DARPin® is a registered trademark owned by Molecular Partners AG, and is used under license.”*

or

*“DARPin™ is a trademark owned by Molecular Partners AG, and is used under license.”*

- (c) Novartis will be solely responsible for registering, hosting, maintaining and defending all Product Marks that are internet domain names (the “**Product Domain Names**”) under all generic Top Level Domains (gTLDs) and under all relevant country code Top Level Domains (ccTLD). For the avoidance of doubt, Novartis may register such Product Domain Names in its own name, to host on its own servers, maintain and defend the Product Domain Names and use them for websites.

#### 10.8 Patent Extensions.

- (a) If requested by [\*\*\*] shall cooperate in obtaining patent term restoration (including under the Drug Price Competition and Patent Term Restoration Act), supplemental protection certificates or their equivalents, and patent term extensions with respect to the [\*\*\*] Patents in any country or region where applicable. [\*\*\*] shall provide all reasonable assistance requested by [\*\*\*], including permitting [\*\*\*] to proceed with applications for such in the name of [\*\*\*], if deemed appropriate by [\*\*\*], and executing documents and providing any relevant information to [\*\*\*].
- (b) [\*\*\*] shall have the first right, but not the obligation, to determine in good faith what extensions or supplementary protection certificates, with respect to the [\*\*\*] Patents, should be applied for. [\*\*\*] shall inform [\*\*\*] of its determination whether or not to file, in good time and shall provide a copy of all documents and other information that [\*\*\*] may need to allow [\*\*\*] to file such extension or supplementary protection certificate requests, whether on its own behalf or on [\*\*\*] behalf. Each Party shall provide prompt and reasonable assistance, as requested by the other, including by taking such action as is required under any Applicable Law to obtain such patent extension or supplementary protection certificate.



## 11. CONFIDENTIALITY

1.1 **Duty of Confidence.** Subject to the other provisions of this Section 11, all Confidential Information disclosed by a Party or any of its Affiliates (the “**Disclosing Party**”) under this License Agreement will be maintained in confidence and otherwise safeguarded by the recipient Party or any of its Affiliates (“**Recipient Party**”). Notwithstanding the foregoing, all New Manufacturing IP is the Confidential Information of both Parties and the terms of this License Agreement are the Confidential Information of both Parties. The Recipient Party may only use the Confidential Information of the Disclosing Party for the purposes of this License Agreement. Subject to the other provisions of this Section 11, each Party shall hold as confidential such Confidential Information of the other Party or its Affiliates in the same manner and with the same protection as such Recipient Party maintains its own confidential information. Subject to the other provisions of this Section 11, a Recipient Party may only disclose Confidential Information of the other Party to employees, agents, contractors, consultants and advisers of such Party and its Affiliates and sublicensees and to Third Parties, in each case, to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, this License Agreement; provided, that such persons are bound to maintain the confidentiality of the Confidential Information in a manner consistent with the confidentiality provisions of this License Agreement.

1.2 **Exceptions.** The obligations under this Section 11 shall not apply to any information to the extent that the Recipient Party can demonstrate by competent evidence that such information:

- (a) is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this License Agreement by the Recipient Party;
- (b) was known to, or was otherwise in the possession of, the Recipient Party prior to the time of disclosure by the Disclosing Party;
- (c) is disclosed to the Recipient Party on a non-confidential basis by a Third Party who is entitled to disclose it without breaching any confidentiality obligation to the Disclosing Party; or
- (d) is independently developed by or on behalf of the Recipient Party, as evidenced by its written records, without reference to the Confidential Information disclosed by the Disclosing Party under this License Agreement.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the Recipient Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the Recipient Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the Recipient Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the Recipient Party unless the combination and its principles are in the public domain or in the possession of the Recipient Party.

11.3 **Authorized Disclosures.** Each Recipient Party may disclose Confidential Information of the Disclosing Party as expressly permitted by this License Agreement, or if and to the extent such disclosure is necessary in the following instances:

- (a) filing or prosecuting Know-How or Patent Rights as permitted by this License Agreement;
- (b) complying with applicable court orders or Applicable Laws, a bona fide legal process, the listing rules of any exchange on which such Party’s securities are traded;

- (c) in Regulatory Filings or Regulatory Materials that the Recipient Party has the right to file, or holds, as expressly set forth in this License Agreement;
- (d) disclosure to the Recipient Party's Affiliates, licensees and sublicensees, potential licensees and sublicensees, who, in each case, need to know such information in order for the Recipient Party to exercise its rights or fulfill its obligations under this License Agreement, provided, that such persons are bound to maintain the confidentiality of the Confidential Information in a manner consistent with the confidentiality provisions of this License Agreement; and
- (e) disclosure to Third Parties in connection with due diligence or similar investigations by such Third Parties, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Third Party agrees to be bound by reasonable obligations of confidentiality and non-use.

Notwithstanding the foregoing, in the event the Recipient Party is required to disclose Confidential Information of the Disclosing Party in connection with [Section 11.3\(b\)](#), the Recipient Party shall (a) inform the Disclosing Party as soon as reasonably practicable of the required disclosure; (b) limit the disclosure to the required purpose; and (c) at the Disclosing Party's request and expense, assist in an attempt to object to or limit the required disclosure.

11.4 **Ongoing Obligation for Confidentiality.** Upon early termination of this License Agreement for any reason, each Party and its Affiliates shall immediately return to the other Party or destroy any Confidential Information disclosed by the other Party or any of its Affiliates, except for one copy which may be retained in its confidential files for archive or compliance purposes.

## 12. TERM AND TERMINATION

12.1 **Term.** The term of this License Agreement will commence upon the Effective Date and continue, on a Product-by-Product and country-by-country basis until the expiration of the Royalty Term for such Product in such country, unless earlier terminated as permitted by this License Agreement (the "**Term**"). Notwithstanding the foregoing, on a Product-by-Product and country-by-country basis, upon expiration of the Term for such Product in such country, the following provisions of this License Agreement shall survive with respect to such Product in such country: [Sections 2.1, 2.2, 2.5, 2.6, 2.7, 5.1, 5.5\(a\), 5.5\(d\), 6.1, 7.1\(a\), 7.1\(c\), 8.2\(c\), 8.5\(a\), 8.8, 9.6, 10.1](#) and [10.7](#).

12.2 **Termination for Cause; Insolvency.**

- (a) If either Novartis or MPAG is in material breach of any material obligation hereunder, the non-breaching Party may give written notice to the breaching Party specifying the claimed particulars of such breach, and in the event such material breach is not cured within [\*\*\*] (or [\*\*\*] with respect to undisputed payments due under [Section 8](#)) after the breaching Party's receipt of such notice, the non-breaching Party shall have the right thereafter to terminate this License Agreement immediately by giving written notice to the breaching Party to such effect; provided, however, that if such non-payment related breach is capable of being cured but cannot be cured within such [\*\*\*] period and the breaching Party initiates actions to cure such breach within such period and thereafter diligently pursues such actions, the breaching Party shall have an additional [\*\*\*] period to cure such breach. In the event that arbitration is commenced in accordance with [Section 17.6](#) with respect to any alleged breach hereunder, no purported termination of this License Agreement pursuant to this [Section 12.2\(a\)](#) shall take effect until it is finally determined pursuant to such arbitration that such material breach occurred. Any termination by any Party under this [Section 12.2\(a\)](#) and the effects of termination provided

herein shall be without prejudice to any damages or other legal or equitable remedies to which it may be entitled.

- (b) Either MPAG or Novartis may terminate this License Agreement without notice if an Insolvency Event occurs in relation to the other Party.

**12.3 Termination by Novartis Without Cause.** Novartis may terminate this License Agreement without cause in its entirety or on a Product-by-Product basis:

- (a) upon [\*\*\*] prior written notice (i) at any time prior to the date that any Product has received Regulatory Approval for the sale of such Product in any country in the Commercial Territories or (ii) at any time within [\*\*\*] after the closing of a Change of Control of MPAG;
- (b) upon [\*\*\*] prior written notice at any time on or after the date that any Product has received Regulatory Approval for the sale of such Product in any country in the Commercial Territories; or
- (c) upon [\*\*\*] prior written notice if Novartis reasonably determines in good faith that a safety issue exists that would be reasonably expected to materially and adversely affect the Development, Manufacture, or Commercialization of any MPAG Compounds or Products.

**12.4 Rights in Bankruptcy.** The Parties agree that this License Agreement constitutes an executory contract under Section 365 of the Code for the license of “intellectual property” as defined under Section 101 of the Code and constitutes a license of “intellectual property” for purposes of any similar laws in any other country in the Territory. The Parties further agree that Novartis, as licensee of such rights under this License Agreement, will retain and may fully exercise all of its protections, rights and elections under Section 365 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the “Code”), including Section 365(n) of the Code, and any similar laws in any other country in the Territory. The Parties further agree that, in the event of an Insolvency Event by or against MPAG under the Code and any similar laws in any other country in the Territory, Novartis will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in its possession, will be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless MPAG elects to continue to perform all of its obligations under this License Agreement, or (ii) if not delivered under (i) above, following the rejection of this License Agreement by or on behalf of MPAG upon written request therefor by Novartis. All rights, powers and remedies of Novartis provided for in this Section 12.4 are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including under the Code and any similar laws in any other country in the Territory).

- 1.5 [\*\*\*]. In the event that [\*\*\*] then [\*\*\*], by written notice to [\*\*\*], either [\*\*\*] until such time as [\*\*\*]. In the event that [\*\*\*], and provided that [\*\*\*].

### **13. EFFECT OF TERMINATION**

- 13.1 Termination by Novartis for Cause.** Upon termination of this License Agreement by Novartis with respect to a Terminated Product pursuant to Section 12.2: (i) subject to Section 10.3, any licenses and other rights granted by either Party to the other Party with respect to the Terminated Product will terminate and revert to the granting Party, and (ii) except as set forth in this Section 13.1 and in Section 13.3, the rights and obligations of the Parties hereunder shall terminate as of the date of such termination with respect to the Terminated Product.

13.2 **Termination by Novartis without Cause or by MPAG for Cause.** Upon termination of this License Agreement by Novartis pursuant to Section 12.3 or by MPAG pursuant to Section 12.2:

- (a) Licenses. Any licenses granted by MPAG to Novartis with respect to the Terminated Products will terminate and revert to MPAG. Any licenses granted by Novartis to MPAG with respect to the Terminated Products will continue in full force and effect. Any sublicense granted by Novartis pursuant to Section 2.2 will automatically terminate.
- (b) Grant-Back Licenses. Effective as of the effective date of termination, Novartis shall and hereby does grant to MPAG a worldwide, exclusive, royalty-bearing license (on terms to be agreed under the Transition Plan), with the right to sublicense, under the Know-How and Patent Rights that are Controlled by Novartis that are necessary or reasonably useful to Develop, Manufacture, or Commercialize the Terminated Product, to Develop, Manufacture, use, sell, have sold, offer for sale and import the Terminated Products.
- (c) Transition. The Parties shall meet to discuss and agree in good faith upon the terms of a transition plan (the “**Transition Plan**”) pursuant to which Novartis will facilitate an orderly and prompt transition of the Development, Manufacture, and Commercialization of the Terminated Product to MPAG and its designees, which shall include: (i) the terms for the license granted to MPAG under Section 13.2(b); (ii) the transfer by Novartis to MPAG or its designee the Know-How licensed to MPAG under Section 13.2(b) and the obligation for Novartis to provide reasonable assistance in connection with understanding and using the same; (iii) the transfer and assignment to MPAG all Regulatory Materials and clinical trial data to the extent solely related to the Terminated Product and necessary or reasonably useful for Developing, Manufacturing or Commercializing the Terminated Product; (iv) an assignment of Novartis’ rights, title, and interests in and to Product Marks (but, for clarity, not any Novartis corporate or house marks) owned by Novartis and used solely in connection with the Commercialization of the Terminated Product; (v) the reasonable advancement by Novartis to a reasonable conclusion or transition point before transferring any ongoing clinical trials to MPAG related solely to the Terminated Products (including the assignment of any Third Party clinical trial agreements) with the objective of minimizing disruption to the Development and Commercialization of the MPAG Compounds and Products; (vi) appropriate provisions for the transfer to MPAG of the right prosecute, maintain, and enforce the rights with respect to any Patent Rights in the Joint IP; and (vii) the transfer to MPAG of the safety database for the Terminated Product. MPAG will reimburse Novartis for all documented internal costs and external expenses incurred in connection with the activities conducted under the Transition Plan and in addition to such reimbursement. In consideration for the Know-How and Patent Rights generated by Novartis with respect to the Terminated Product prior to such termination and licensed to MPAG in accordance with the Transition Plan, MPAG will agree to pay Novartis reasonable compensation (whether through a royalty on Net Sales of the Terminated Product or a percentage of the amounts received from any Third Party under a license of the Terminated Product) as may be agreed by the Parties in good faith, taking into consideration the scope of the Know-How and Patent Rights licensed, the development stage of the Terminated Products, and all other relevant factors. In the event that the Parties fail to agree on the final terms of and enter into the definitive agreements implementing the Transition Plan (“**Transition Plan Agreements**”) within [\*\*\*] following the applicable termination, then the Parties shall submit such matter for resolution in accordance with the procedure set forth on Schedule 13.2(c).
- (d) Inventory. MPAG shall have the option, exercisable within [\*\*\*] following the effective date of such termination, to purchase Novartis’ inventory of such Terminated Product at a price equal to [\*\*\*] of Novartis’ costs for such inventory of the Terminated Product. In the event MPAG exercises such right to purchase such inventory, Novartis shall grant, and hereby does grant, a royalty-free license to any trademarks, names, and logos of Novartis contained therein for a

period of [\*\*\*] from the date of MPAG's exercise solely to permit the orderly sale of such inventory. If such inventory is insufficient to cover MPAG's needs, Novartis shall, and shall cause its Affiliates to, use reasonable efforts to enter into one or more customary manufacture and supply agreements with MPAG for the manufacture and supply, for up to [\*\*\*] following termination of this License Agreement, of the Terminated Products; provided, further, that during such period, MPAG shall use commercially reasonable efforts to undertake such transition and to address continuation of supply itself or through a Third Party.

- (e) Termination of other Rights. Except as set forth in this Section 13.2 and in Section 13.3, the rights and obligations of the Parties hereunder (including the obligations of MPAG under Section 2.4) shall terminate as of the date of such termination.

13.3 **Survival**. Expiration or termination of this License Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Without limiting the foregoing, the provisions of Sections 1 (to the extent the definitions are used in other surviving provisions), 2.3, 9.6, 14.5, 15, and 17 (as applicable) shall survive expiration or termination of this License Agreement. The provisions of Section 11 (Confidentiality) shall survive the termination or expiration of this License Agreement for a period of [\*\*\*].

13.4 **Termination Not Sole Remedy**. Termination is not the sole remedy under this License Agreement and, whether or not termination is effected and notwithstanding anything contained in this License Agreement to the contrary, all other remedies will remain available except as agreed to otherwise herein.

## 14. REPRESENTATIONS, WARRANTIES AND COVENANTS

14.1 **Representations and Warranties by Each Party**. Each Party represents and warrants to the other Party, as of the Effective Date that:

- (a) it is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation;
- (b) it has full corporate power and authority to execute, deliver, and perform this License Agreement, and has taken all corporate action required by law and its organizational documents to authorize the execution and delivery of this License Agreement and the consummation of the transactions contemplated by this License Agreement;
- (c) this License Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
- (d) other than compliance with the HSR Act or as may be required to conduct clinical trials or to seek or obtain Regulatory Approvals or applicable regulatory material, all consents, approvals and authorizations from all Governmental Authorities or other Third Parties required to be obtained by such Party in connection with this License Agreement have been obtained;
- (e) the execution and delivery of this License Agreement and the consummation of the transactions contemplated hereby do not:
  - (i) conflict with or result in a breach of any provision of its organizational documents; (ii) result in a breach of any other agreement to which it is a party; or (iii) violate any law; and
- (f) (i) neither such Party nor, to the actual knowledge of such Party, any employee, agent or subcontractor of such Party involved or to be involved in the Development of the MPAG Compounds or Products has been debarred under Subsection (a) or (b) of Section 306 of the Act

(each, a “**Debarred Person**”); (ii) no Debarred Person who is known by such Party to have been debarred under Subsection (a) or (b) of Section 306 of the Act will be employed by such Party in the performance of any activities hereunder; and (iii) to the actual knowledge of such Party, no Debarred Person on any of the FDA clinical investigator enforcement lists (including the (1) Disqualified/Totally Restricted List, (2) Restricted List and (3) Adequate Assurances List) will participate in the performance of any activities hereunder.

14.2 **Representations and Warranties by MPAG.** Except as otherwise set forth on Schedule 14.2 hereto, MPAG represents and warrants to Novartis, as of the Effective Date that:

- (a) Exhibit F sets forth a complete and accurate list of all MPAG Patents in existence of the Execution Date;
- (b) MPAG is the sole and exclusive owner of all of the MPAG Patents and the MPAG Products Patents are free from Encumbrances;
- (c) Where MPAG Product Patents are listed in the records of any Governmental Authority, MPAG is listed as the sole and exclusive owner of record or exclusive licensee for each registration, grant and application included in such MPAG Product Patents;
- (d) MPAG has the right to grant to Novartis the rights that MPAG purports to grant Novartis hereunder, including the right to grant (i) exclusive licenses to the MPAG Compounds and Products under the MPAG Products Patents and MPAG Products Know-How and (ii) non-exclusive licenses to the MPAG Compounds and Products under the MPAG Enabling Patents and MPAG Enabling Know-How;
- (e) MPAG has not granted any Third Party rights that would interfere or be inconsistent with Novartis’ rights hereunder, and there are no agreements or other arrangements to which MPAG or any of its Affiliates is a party relating to the Platform, MPAG Compounds, the Products, MPAG Patents, or MPAG Know-How that would limit the rights granted to Novartis under this License Agreement or that materially restrict or will result in a restriction on Novartis’ ability to research, Develop, Manufacture, use, import, offer for sale, sell, have sold and otherwise Commercialize the MPAG Compounds or Products;
- (f) no claims, challenges, oppositions, nullity actions, interferences, inter-partes reexaminations, inter-partes reviews, post-grant reviews, derivation proceedings or other proceedings are pending or, to MPAG’s knowledge, have been threatened as to the issued patents in the MPAG Patents, and, to MPAG’s knowledge, the issued patents in the MPAG Patents are valid and enforceable;
- (g) neither MPAG nor any of its Affiliates has received any written Claim alleging that any of the Products IP or Enabling IP is invalid or unenforceable;
- (h) MPAG has obtained from all individuals who have been identified as inventors of any MPAG Products Patents and MPAG Enabling Patents effective assignments of all ownership rights of such individuals in such MPAG Products Patents or MPAG Enabling Patents, either pursuant to written agreement or by operation of law;
- (i) all required application, registration, maintenance, other related fees and renewal fees in respect of the MPAG Patents have been paid and all necessary documents and certificates have been filed with the relevant agencies for the purpose of obtaining or maintaining the MPAG Patents;

- (j) to MPAG's knowledge, the Development, Manufacture, having Manufactured, use, importation, offering for sale, sale, having sold or other Commercialization of the MPAG Compounds and Products does not infringe the Patent Rights or misappropriate the Know-How of any Third Party and MPAG has not received any written notice alleging any such infringement or misappropriation;
- (k) MPAG has not initiated or been involved in any Claims in which it alleges that any Third Party is or was infringing or misappropriating any Products IP or Enabling IP, nor have any such Claims been threatened by MPAG, nor does MPAG know of any valid basis for any such Claims;
- (l) the Products IP and Enabling IP comprises all of the intellectual property rights used by MPAG and its Affiliates in the Development of the MPAG Compounds or Products prior to the Execution Date or the Effective Date, as applicable;
- (m) MPAG has not entered into a government funding relationship that would result in rights to any MPAG Compounds or Products residing in the US Government, National Institutes of Health, National Institute for Drug Abuse or other agency, and the licenses granted hereunder are not subject to overriding obligations to the US Government as set forth in Public Law 96 517 (35 U.S.C. 200 204) or any similar obligations under the laws of any other country;
- (n) to MPAG's knowledge, all preclinical and clinical studies or tests with respect to the MPAG Compounds or Products (other than those performed by Novartis under the Option Agreement): (i) conducted or sponsored by MPAG or any research, development, collaboration or similar partner of MPAG while acting in such capacity (each, a "**Collaboration Partner**", but for clarity excluding Novartis, its Affiliates, sublicensees and subcontractors); or (ii) used to support any filing or application with a Regulatory Authority have, in each case ((i) and (ii)), have been conducted in material compliance with applicable laws and applicable rules, regulations and guidances (including the standards for good clinical practices relating to clinical trials for pharmaceuticals under applicable laws) and federal and state laws, rules, regulations and guidances restricting the use and disclosure of individually identifiable health information;
- (o) MPAG has disclosed to Novartis all facts known to MPAG or any of its Affiliates that (i) relate to the Products; and (ii) would be reasonably likely to materially affect Novartis in connection with this License Agreement or the transactions contemplated hereby, and in all cases, such facts do not contain any materially untrue statement and do not omit any facts that, in light of the circumstances, would make such facts misleading;
- (p) neither MPAG nor, to MPAG's knowledge, any Collaboration Partner has received any written notice or other correspondence from the FDA, EMA or any other Regulatory Authority or institutional review board or ethics committee with respect to any ongoing clinical or pre-clinical studies or tests with respect to any MPAG Compounds or Product: (i) threatening the initiation of any action to place a clinical hold order on any such studies or tests; or (ii) otherwise requiring the termination, suspension or material modification of any such studies or tests;
- (q) to MPAG's knowledge, all clinical trials and studies conducted by or on behalf of MPAG (other than by Novartis under the Option Agreement) have been conducted, all data has been generated and stored, and Manufacturing and distribution has been conducted, in each case, with respect to the MPAG Compounds and Products, in compliance with Applicable Laws in all material respects;

- (r) MPAG has not, and to MPAG's knowledge, no Collaboration Partner has, altered, falsified, or otherwise manipulated any data generated or used in any clinical trials or other studies related to the development, use, handling, safety, efficacy, reliability or Manufacturing of the MPAG Compounds or Products;
- (s) the Purchased Inventory (i) has been Manufactured in compliance with all Applicable Laws, including cGMP, (ii) is free of any Encumbrances, (iii) has not been not be adulterated, mislabeled or misbranded by MPAG within the meaning of the FDCA, (iv) has been stored in accordance with the specifications, and (v), unless otherwise agreed in Exhibit C, meets the Minimum Shelf Life; and
- (t) the MPAG Produced Purchased Inventory complies with the applicable final specifications at the time of delivery to Novartis.

**14.3 Covenants of MPAG.** MPAG covenants and agrees that:

- (a) during the Term, MPAG will not (i) grant any interest in the MPAG Patents or MPAG Know-How which is inconsistent with the terms and conditions of this License Agreement, or (ii) other than in connection with a Change of Control, assign its right, title or interest in or to the MPAG Enabling Patents, MPAG Enabling Know-How, MPAG Products Patents, MPAG Products Know-How, Joint IP, New Manufacturing IP or Option Period Manufacturing IP to any Third Party in a manner which is inconsistent with the terms and conditions of this License Agreement;
- (b) if, at any time during the Term it becomes aware that it, any of its Affiliates, or any employee, agent or subcontractor of MPAG who participated, or is participating, in the performance of any activities hereunder or who is otherwise engaged in any activities in connection with the MPAG Compounds or Products is on, or is being added to the FDA Debarment List or any of the three (3) FDA Clinical Investigator Restriction Lists referenced in Section 14.1(f), it will provide written notice of this to Novartis within [\*\*\*] of its becoming aware of this fact;
- (c) it shall maintain insurance with respect to its activities and obligations under this License Agreement in such amounts as are commercially reasonable in the industry for companies conducting similar business and shall require any of its Affiliates undertaking activities under this License Agreement to do the same; and
- (d) during the Term, MPAG shall not, without the prior written consent of Novartis, [\*\*\*].

**14.4 Covenants of Novartis.** Novartis covenants and agrees that:

- (a) during the Term, Novartis will not assign its right, title or interest in or to the Joint IP, New Manufacturing IP or Option Period Manufacturing IP to any Third Party in a manner which is inconsistent with the terms and conditions of this License Agreement;
- (b) if, at any time during the Term it becomes aware that it or any employee, agent or subcontractor of Novartis who participated, or is participating, in the performance of any activities hereunder or who is otherwise engaged in any activities in connection with a MPAG Compound or Product is on, or is being added to the FDA Debarment List or any of the three (3) FDA Clinical Investigator Restriction Lists referenced in Section 14.1(f), it will provide written notice of this to MPAG within [\*\*\*] of its becoming aware of this fact; and



- (c) it shall maintain insurance with respect to its activities and obligations under this License Agreement in such amounts as are commercially reasonable in the industry for companies conducting similar business and shall require any of its Affiliates undertaking activities under this License Agreement to do the same.

14.5 **No Other Warranties.** EXCEPT AS EXPRESSLY STATED IN THIS SECTION 14: (A) NO REPRESENTATION, CONDITION OR WARRANTY WHATSOEVER IS MADE OR GIVEN BY OR ON BEHALF OF NOVARTIS OR MPAG; (B) ALL OTHER CONDITIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED, INCLUDING ANY CONDITIONS AND WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT; AND (C) NOVARTIS EXPRESSLY DISCLAIMS ANY REPRESENTATION AND MAKES NO WARRANTY THAT ANY OF THE NOVARTIS' DEVELOPMENT ACTIVITIES CONDUCTED UNDER THIS LICENSE AGREEMENT WILL RESULT IN, OR CONTRIBUTE TO, THE SUCCESSFUL COMPLETION OF A CLINICAL TRIAL OR REGULATORY APPROVAL OF A MPAG COMPOUND OR PRODUCT.

## 15. INDEMNIFICATION; LIABILITY

- 1.1 **Indemnification by MPAG.** MPAG shall indemnify and hold Novartis, its Affiliates, and their respective officers, directors, and employees (the "**Novartis Indemnitees**") harmless from any and all liabilities, damages, losses, costs, or expenses of any nature (including reasonable attorneys' fees and litigation expenses) ("**Losses**") incurred by or imposed upon the Novartis Indemnitees or any of them in connection with any Claim to the extent arising or resulting from: (a) subject to Section 15.4, MPAG's, or any of its Affiliates', sublicensees' or contractors' actions in connection with the Development of the MPAG Compounds or Products prior to the Effective Date; (b)(i) the MPAG Produced Purchased Inventory that fails to conform to the representations and warranties in Section 14(s) or Section 14(t) or (ii) MPAG's, or any of its Affiliates', sublicensees' or contractors' actions or omissions in connection with the supply of the MPAG Produced Purchased Inventory; (c) the gross negligence or willful misconduct of MPAG or any MPAG Indemnitee; or (d) the material breach of any provision of this License Agreement or a Pharmacovigilance Agreement or Quality Agreement by MPAG; provided, that MPAG shall not be obliged to so indemnify and hold harmless the Novartis Indemnitees for any Claims to the extent that such Claims arise from the breach, negligence, or willful misconduct of Novartis or any Novartis Indemnitee.
- 1.2 **Indemnification by Novartis.** Novartis shall indemnify and hold MPAG, its Affiliates, their respective officers, directors, and employees (the "**MPAG Indemnitees**") harmless from any and all Losses incurred by or imposed upon the MPAG Indemnitees or any of them in connection with any Claim, in each case, to the extent arising or resulting from: (a) Novartis', or any of its Affiliates', sublicensees' or contractors' actions in connection with the Development, Manufacture or Commercialization of the MPAG Compounds or Products; (b) the gross negligence or willful misconduct of Novartis or any Novartis Indemnitee; (c) an MPAG Ongoing Clinical Trial; or (d) the material breach of any provision of this License Agreement or a Pharmacovigilance Agreement or Quality Agreement by Novartis; provided, that Novartis shall not be obliged to so indemnify and hold harmless the MPAG Indemnitees for any Claims to the extent that such Claims arise from the breach, negligence, or willful misconduct of MPAG or any MPAG Indemnitee.
- 1.3 **Indemnification Procedure.**
  - (a) If any of the Novartis Indemnitees or MPAG Indemnitees (the "**Indemnified Parties**") receives written notice of the commencement of any Claim, and such Indemnified Party intends to seek indemnification pursuant to this Section 15, the Indemnified Party shall promptly provide

Novartis (if such Indemnified Party is a Novartis Indemnitee) or MPAG (if such Indemnified Party is a MPAG Indemnitee) written notice of such Claim, and such Party shall provide the other Party (the “**Indemnifying Party**”) with written notice of such Claim within [\*\*\*] of its receipt of notice from the Indemnified Party, stating the nature, basis and the amount thereof, to the extent known, along with copies of the relevant documents evidencing such Claim and the basis for indemnification sought. Failure of the Indemnified Party to give such notice within the time frame specified will not relieve the Indemnifying Party from its indemnification obligations hereunder, except to the extent that the Indemnifying Party is actually prejudiced thereby.

- (b) The Indemnifying Party will have [\*\*\*] from receipt of any such notice of a Claim to give notice to assume the defense, appeal or settlement proceedings thereof; provided that the Indemnifying Party shall only be permitted to assume the defense of a Claim if it admits that it is liable to indemnify the Indemnified Party in respect of the Claim. If notice to the effect set forth in the immediately preceding sentence is given by the Indemnifying Party, the Indemnifying Party will have the right to assume the defense, appeal or settlement proceedings of the Indemnified Party against the Claim with counsel of its choice; provided, that the Indemnifying Party may not assume the defense, appeal or settlement of a Claim: (i) involving any criminal proceeding, action, indictment, allegation or investigation; (ii) in which relief other than monetary damages is sought; or (iii) if the Claim relates to taxes. In addition, the Indemnifying Party may not maintain the defense of a Claim if it has failed to defend such Claim in good faith. So long as the Indemnifying Party has assumed the defense, appeal or settlement proceedings of the Claim in accordance herewith, (x) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense, appeal or settlement proceedings of the Claim, and (y) the Indemnifying Party shall not admit to any wrongdoing by the Indemnified Party.
- (c) The Indemnifying Party shall have the right to settle any Claim for which: (i) the Indemnifying Party is responsible for [\*\*\*] of the applicable Losses under this Section 15; and (ii) the Indemnifying Party obtains a full release of the Indemnified Party with respect to such Claim or to which settlement the Indemnified Party consents in writing (such consent not to be unreasonably withheld, conditioned or delayed). As to any Claim with respect to which the Indemnifying Party does not assume control of the defense, the Indemnified Party will afford the Indemnifying Party an opportunity to participate in such defense, at its cost and expense, and will consult with the Indemnifying Party prior to settling or otherwise disposing of any of the same. The Indemnified Party and the Indemnifying Party will act in good faith in responding to, defending against, settling or otherwise dealing with Claims. The Indemnified Party and the Indemnifying Party will also cooperate in any such defense, appeal or settlement proceedings, and give each other reasonable access to all information relevant thereto. Whether or not the Indemnifying Party has assumed the defense, appeal or settlement proceedings with respect to a Claim, such Indemnifying Party will not be obligated to indemnify the Indemnified Party for (1) any settlement entered into or any judgment that was consented to without the Indemnifying Party’s prior written consent (such consent not to be unreasonably withheld, conditioned or delayed) or (2) any Losses not indemnifiable pursuant to this Section 15.

15.4 **Survival of Option Agreement Indemnification Obligations.** Notwithstanding anything to the contrary herein or in the Option Agreement, Article 11 of the Option Agreement survives expiration or termination of the Option Agreement and applies to Claims (as defined under the Option Agreement) arising under the Option Agreement.

15.5 **Mitigation of Loss.** Each Indemnified Party will take and will procure that its Affiliates take all such reasonable steps and action as are necessary or as the Indemnifying Party may reasonably require in order to mitigate any Claims (or potential losses or damages) under this Section 15. Nothing in this

License Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

15.6 **Special, Indirect and Other Losses.** NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OR FOR ANY ECONOMIC LOSS OR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY AS PART OF A CLAIM FOR WHICH A PARTY PROVIDES INDEMNIFICATION UNDER THIS SECTION 15.

15.7 **No Exclusion.** Neither Party excludes any liability for death or personal injury caused by its negligence or that of its employees, agents or sub-contractors.

## 16. PUBLICATIONS AND PUBLICITY

### 1.1 Publications.

- (a) In the event that Novartis proposes to make any scientific or other publication or presentation regarding a MPAG Compound or Product, Novartis shall provide MPAG with an advance copy of each proposed publication or presentation at least [\*\*\*] prior to its proposed date of publication or presentation. MPAG shall have [\*\*\*] to review and provide any comments on the proposed publication or presentation and Novartis shall consider such comments in good faith. In any event, Novartis shall comply with any request to delete reference to MPAG's Confidential Information from such publication or presentation and will withhold publication or presentation for an additional [\*\*\*] if so requested by MPAG, in order to permit MPAG to obtain Patent Right protection in accordance with the terms of this License Agreement. Novartis shall reasonably acknowledge MPAG's contribution and authorship according to customary standards.
- (b) MPAG shall not be permitted to make any scientific or other publication or presentation regarding a MPAG Compound or Product without Novartis' prior written consent; provided that, the foregoing restriction shall not apply MPAG's to ability to make any publications or presentations: (i) which relate to [\*\*\*], or (ii) where the initial draft of such publication was first submitted for review by Novartis prior to the Effective Date.

### 1.2 Publicity.

- (a) Except as permitted under Section 10.7(b), neither Party shall use the name, symbol, trademark, trade name or logo of the other Party or any of its Affiliates in any press release, publication or other form of public disclosure without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed), except for those disclosures for which consent has already been obtained.
- (b) Subject to Section 16.2(c), each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the existence of this License Agreement, the terms hereof or any information relating to this License Agreement without the prior written consent of the other Party; provided that following execution of this License Agreement MPAG shall be permitted to issue a press release in the form attached hereto as Exhibit G. Notwithstanding the foregoing, neither Party shall be required to seek the permission of the other Party to repeat any information regarding the terms of this License Agreement that has already been publicly disclosed by such Party or by the other Party in accordance with this Section 16.2; provided that

such information remains accurate as of such time and provided the frequency and form of such disclosure are reasonable and commercially justifiable.

- (c) Notwithstanding anything to the contrary in this Section 16, Novartis may issue press releases and other public statements as it deems appropriate in connection with the Development and Commercialization of MPAG Compounds or Products under this License Agreement, provided that Novartis shall first provide MPAG with an advance copy of each proposed press release or public statement at least [\*\*\*] prior to its proposed date of publication or presentation, it being understood that such provision by Novartis shall be for informational purposes only; provided that Novartis shall reasonably consider any comments that MPAG may have on such press release or public statement.
- (d) Notwithstanding the foregoing in this Section 16.2, each Party may make any disclosures required of it to comply with any duty of disclosure it may have pursuant to Applicable Law or governmental regulation or pursuant to the rules of any recognized stock exchange. In the event of a disclosure required by Applicable Law, governmental regulation or the rules of any recognized stock exchange, the Parties shall coordinate with each other with respect to the timing, form, and content of such required disclosure. If so requested by the other Party, the Party subject to such obligation shall use commercially reasonable efforts to obtain an order protecting to the maximum extent possible the confidentiality of such provisions of this License Agreement as reasonably requested by the other Party. If the Parties are unable to agree on the form or content of any required disclosure, such disclosure shall be limited to the minimum required as determined by the disclosing Party in consultation with its legal counsel. Without limiting the foregoing, each Party shall consult with the other Party and reasonably cooperate with the other Party on the provisions of this License Agreement, together with Exhibits, Schedules or other attachments attached hereto, to be redacted in any filings made by MPAG or Novartis with the Securities and Exchange Commission (or other regulatory body) or as otherwise required by law.

## 17. GENERAL PROVISIONS

- 17.1 **Assignment.** Neither Party may assign or transfer this License Agreement or its rights and obligations under this License Agreement without the other Party's prior written consent, except that: (a) either Party may assign or transfer this License Agreement or its rights and obligations under this License Agreement or any part hereof to one (1) or more of its Affiliates without the consent of the other Party; and (b) either Party may assign or transfer this License Agreement in its entirety to a successor to all or substantially all of its business or assets to which this License Agreement relates, whether by merger, sale of stock, sale of assets, or otherwise without the consent of the other Party. The assigning Party shall provide the other Party with prompt written notice of any such assignment. Any permitted assignee shall assume all obligations of its assignor under this License Agreement (or related to the assigned portion in case of a partial assignment to an Affiliate), and no permitted assignment shall relieve the assignor of liability hereunder. Any attempted assignment in contravention of the foregoing shall be void. Subject to the terms of this License Agreement, this License Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.
- 17.2 **Change of Control Event Involving MPAG.** In the event MPAG is subject to a Change of Control, it will provide written notice to Novartis within [\*\*\*] following the closing of such Change of Control, and such notice will identify the Third Party acquiring company (the "**Acquirer**") and the contact information of the person at the Acquirer with whom Novartis will work to schedule meetings between the Acquirer and Novartis. Promptly following the closing of such Change of Control, MPAG or the Acquirer will meet or hold a teleconference with Novartis at a mutually agreed date, time and place to discuss any possible impacts of the Change of Control for this License Agreement and, if Novartis has

elect to terminate this License Agreement pursuant to Section 12.3(c), the orderly transition of all Development, Manufacture, and Commercialization activities of the Terminated Products to MPAG, the Acquirer or an Affiliate or designee. Notwithstanding anything to the contrary herein, in the event of a Change of Control of MPAG, the intellectual property rights of the Acquirer (and its Affiliates existing prior to the Change of Control or thereafter other than MPAG), whether controlled prior to the Change of Control or developed independently of this License Agreement, will not be included in the Products IP, the Enabling IP, or the Trademarks licensed by MPAG to Novartis hereunder.

- 17.3 **Extension to Affiliates.** Each Party shall have the right to extend the rights, licenses, immunities, and obligations granted in this License Agreement to one or more of its Affiliates. All applicable terms and provisions of this License Agreement shall apply to any such Affiliate to which this License Agreement has been extended to the same extent as such terms and provisions apply to such Party, and such Party shall remain fully liable for any acts or omissions of such Affiliates in breach thereof.
- 17.4 **Severability.** Should one (1) or more of the provisions of this License Agreement become invalid or unenforceable as a matter of law, then this License Agreement shall be construed as if such provision were not contained herein and the remainder of this License Agreement shall be in full force and effect, and the Parties will use their commercially reasonable efforts to substitute for the invalid or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.
- 17.5 **Dispute Resolution.** Except with respect to the Transition Plan which shall be governed by Section 13.2(c), in the event of any disputes, controversies or differences between the Parties, arising out of, in relation to, or in connection with this License Agreement, including any alleged failure to perform, or breach, of this License Agreement, or any issue relating to the validity, construction, interpretation, enforceability, breach, performance, application, or termination of this License Agreement a (“**Dispute**”), then upon the written request of either Party, the Parties agree to a meeting of the appropriate subject matter expert at each Party, as determined by each Party’s Alliance Director, and discuss in good faith an amicable resolution thereof. If the Dispute is not resolved within [\*\*\*] following the written request for amicable resolution, then either Party may then escalate the matter to the Chief Executive Officer of each of Novartis and MPAG. If the Chief Executive Officers of the Parties cannot resolve the Dispute within [\*\*\*] following escalation thereto for amicable resolution, then either Party may initiate arbitration under Section 17.6. Any disputes concerning the propriety of initiating arbitration or the scope or applicability of the agreement to arbitrate shall be determined by arbitration.
- 17.6 **Governing Law and Jurisdiction.** This License Agreement shall be governed by, and interpreted in accordance with, the substantive laws of Switzerland (excluding its rules on conflict of laws and excluding the UN Convention on Contracts for the International Sale of Goods). Any Dispute, shall be resolved by arbitration in accordance with the Swiss Rules of International Arbitration of the Swiss Chambers’ Arbitration Institution in force on the date on which the Notice of Arbitration is submitted in accordance with these Rules. The number of arbitrators shall be three; the seat of the arbitration shall be Zurich, Switzerland; the arbitral proceedings shall be conducted in English. Notwithstanding the foregoing, inventorship of any invention conceived or reduced to practice by either Party or jointly by the Parties pursuant to the License Agreement, shall follow the rules of the Laws of the U.S. (without reference to any conflict of law principles). The arbitration award shall be final and binding on the Parties and the Parties undertake to carry out any award without delay. Judgment upon the award may be entered in any court of competent jurisdiction.
- 1.7 **Specific Performance.** The Parties agree that irreparable damage would occur if any provision of this License Agreement were not performed in accordance with the terms hereof and that each Party shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which it is entitled at law or in equity. It is therefore agreed that each Party shall be entitled to seek a temporary,

preliminary and/or permanent injunction or injunctions to prevent breaches of this License Agreement and to enforce specifically the performance of the terms of this License Agreement, without posting any bond or other undertaking, in addition to any other remedy to which they are entitled at law or in equity, and if any action should be brought in equity to enforce any of the provisions of this License Agreement, the other Party shall not raise the defense that there is an adequate remedy at law.

- 1.8 **Force Majeure.** Neither Party shall be responsible to the other Party for any failure or delay in performing any of its obligations under this License Agreement or for other nonperformance hereunder if such delay or nonperformance is caused by strike, stoppage of labor, lockout or other labor trouble, fire, flood, epidemic, pandemic, accident, war, act of terrorism, act of God or of the government of any country or of any local government, or by any other cause unavoidable or beyond the control of any Party hereto. In such event, the Party affected will use commercially reasonable efforts to resume performance of its obligations.
- 17.9 **Waivers and Amendments.** The failure of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this License Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this License Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.
- 17.10 **Relationship of the Parties.** Nothing contained in this License Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between MPAG and Novartis, or to constitute one as the agent of the other. Each Party shall act solely as an independent contractor, and nothing in this License Agreement shall be construed to give either Party the power or authority to act for, bind, or commit the other Party.
- 17.11 **Notices.** All notices, consents, waivers, and other communications under this License Agreement must be in writing and will be deemed to have been duly given when: (a) delivered by hand (with written confirmation of receipt); or (b) when received by the addressee, if sent by an internationally recognized overnight delivery service (receipt requested), in each case, to the appropriate addresses set forth below (or to such other addresses as a Party may designate by notice):
- If to MPAG:
- [\*\*\*]
- with a copy to:
- [\*\*\*]
- If to Novartis:
- [\*\*\*]
- with a copy to:
- [\*\*\*]
- 17.12 **Further Assurances.** Novartis and MPAG each hereby covenant and agree, without the necessity of any further consideration, to execute, acknowledge and deliver any and all such other documents and take

any such other action as may be reasonably necessary to carry out the intent and purposes of this License Agreement.

- 17.13 **Compliance with Law.** Each Party shall perform its obligations under this License Agreement in accordance with all Applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this License Agreement which violates, or which it believes, in good faith, may violate, any Applicable Law.
- 17.14 **No Third Party Beneficiary Rights.** The provisions of this License Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights to any Third Party (including any Third Party beneficiary rights).
- 17.15 **English Language.** This License Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this License Agreement and, in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.
- 17.16 **Expenses.** Except as otherwise expressly provided in this License Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this License Agreement.
- 17.17 **Entire Agreement.** This License Agreement, together with its Schedules and Exhibits and the Pharmacovigilance Agreement(s) and Quality Agreement(s), sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other prior communications between the Parties with respect to such subject matter. The Parties agree that the Option Agreement is hereby expired (in accordance with Section 9.1(a) thereof) as of the Effective Date, but (a) each Party's information that was the subject of confidentiality obligations under the Option Agreement shall be deemed to be Confidential Information of such Party under this License Agreement and (b) indemnification obligations under Article 11 of the Option Agreement survive and apply to Claims (as defined under the Option Agreement) arising under the Option Agreement.
- 17.18 **Counterparts.** This License Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This License Agreement may be executed by facsimile or electronically transmitted signatures (including .pdf) and such signatures shall be deemed to bind each Party hereto as if they were original signatures.
- 17.19 **Cumulative Remedies.** No remedy referred to in this License Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this License Agreement or otherwise available under law.

*[Signature Page Follows.]*

IN WITNESS WHEREOF, the Parties intending to be bound have caused this License Agreement to be executed by their duly authorized representatives as of the Execution Date.

**NOVARTIS PHARMA AG**

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]\_\_

By:

Name:

Title:

**MOLECULAR PARTNERS AG**

By:

Name:

Title:

By:

Name:

Title:



IN WITNESS WHEREOF, the Parties intending to be bound have caused this License Agreement to be executed by their duly authorized representatives as of the Execution Date.

**NOVARTIS PHARMA AG**

By:

Name:

Title:

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]

**MOLECULAR PARTNERS AG**

By:

Name:

Title:

By:

Name:

Title:

IN WITNESS WHEREOF, the Parties intending to be bound have caused this License Agreement to be executed by their duly authorized representatives as of the Execution Date.

**NOVARTIS PHARMA AG**

By:  
Name:  
Title:

By: \_\_  
Name: \_\_  
Title:

**MOLECULAR PARTNERS AG**

By: [\*\*\*]\_\_  
Name: [\*\*\*]  
Title: [\*\*\*]

By: [\*\*\*]\_\_  
Name: [\*\*\*]\_\_  
Title: [\*\*\*]

**EXHIBIT A**  
**MPAG COMPOUNDS**

[\*\*\*]

**EXHIBIT B**

**[PURPOSEFULLY BLANK]**

**EXHIBIT C**  
**PURCHASED INVENTORY**

[\*\*\*]

**EXHIBIT D**  
**DEVELOPMENT PLAN**

**\*\*\***

**EXHIBIT E**  
**SAMPLE INVOICE**

[\*\*\*]

**EXHIBIT F**  
**MPAG PATENTS**

[\*\*\*]



**EXHIBIT G**  
**PRESS RELEASE**

**[\*\*\*]**

**SCHEDULE 13.2(C)**

**RESOLUTION OF TRANSITION PLAN AGREEMENTS**

**\*\*\***

**SCHEDULE 14.2**  
**MPAG DISCLOSURES**

[\*\*\*]

**[REDACTED]** = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [\*\*\*], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

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**LICENSE AND COLLABORATION AGREEMENT**

**BY AND BETWEEN**

**NOVARTIS PHARMA AG**

**AND**

**MOLECULAR PARTNERS AG**

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## LICENSE AND COLLABORATION AGREEMENT

This LICENSE AND COLLABORATION AGREEMENT (“**Agreement**”) is made as of this 13th day of December 2021 (“**Effective Date**”), by and between Novartis Pharma AG, located at Lichtstrasse 35, CH-4056 Basel, Switzerland (“**Novartis**”) and Molecular Partners AG, located at Wagistrasse 14, 8952 Zurich-Schlieren, Switzerland (“**Licensor**”). Novartis and Licensor are each referred to individually as a “**Party**” and together as the “**Parties**.”

### RECITALS

WHEREAS, Novartis and Licensor desire to enter into a Collaboration (as defined below) under which Licensor will generate Research Compounds (defined below) specific for particular molecular targets for further development and commercialization by Novartis;

WHEREAS, Licensor owns or otherwise Controls the Licensor Technology (as defined below) relating to the Licensed Compounds (as defined below);

WHEREAS, Novartis wishes to obtain, and Licensor wishes to grant, rights to Licensed Compounds and Products (as defined below) in the Field (as defined below); and

WHEREAS, Novartis will have the right to develop and commercialize Products on a worldwide basis in the Field (defined below), subject to paying Licensor the royalty and milestone payments set out or otherwise agreed herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein, the Parties agree as follows:

### 1. DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** Unless the context otherwise requires, the terms in this Agreement with initial letters capitalized, shall have the meanings set forth below, or the meaning as designated in the indicated places throughout this Agreement.

“**Accounting Standards**” means the IFRS (International Financial Reporting Standards) as generally and consistently applied throughout each Party’s organization. Each Party shall promptly notify the other Party in the event that it changes the Accounting Standards pursuant to which its records are maintained, it being understood that each Party may only use internationally recognized accounting principles (e.g., IFRS, US GAAP, etc).

“**Act**” means 21 C.F.R. §§600-680.

“**Activity Threshold**” means with respect to a Licensed Compound a binding affinity to the applicable Target of [\*\*\*].

“**Affiliate**” means, with respect to a Party, any entity or person that controls, is controlled by, or is under common control with that Party. For the purpose of this definition, “control” or “controlled” means, direct or indirect, ownership of fifty percent (50%) or more of the shares of stock entitled to vote for the election of directors in the case of a corporation or fifty percent (50%) or more of the equity interest in the case of any other type of legal entity; status as a general partner in any partnership; or any other arrangement whereby the entity or person controls or has the right to control the board of directors or

equivalent governing body of a corporation or other entity or the ability to cause the direction of the management or policies of a corporation or other entity. The Parties acknowledge that in the case of entities organized under the laws of certain countries where the maximum percentage ownership permitted by law for a foreign investor is less than fifty percent (50%), such lower percentage shall be substituted in the preceding sentence, provided that such foreign investor has the power to direct the management and policies of such entity.

“**Agreement**” shall have the meaning set forth in the first paragraph of this Agreement.

“**Agreement Patent Action**” shall have the meaning set forth in Section 8.4(a).

“**Alliance Manager**” shall have the meaning set forth in Section 4.1.

“**Annual Net Sales**” mean Net Sales of Product(s) in a Calendar Year.

“**Auditor**” shall have the meaning set forth in Section 7.4(b).

“**Authorized Biosimilar**” means any Biosimilar Product marketed or sold by one or more Third Party(ies) who have not (a) obtained a license or sublicense from Novartis, any of its Affiliates or any of their sublicensees for the marketing or sale of such Biosimilar Product or (b) procured such Biosimilar Product through a chain of distribution that includes Novartis, any of its Affiliates or any of their sublicensees, except, in each case ((a) and (b)), to the extent that such license, sublicense, or chain of distribution was obtained or procured, as applicable, as a result of settlement of a patent dispute.

“**Biosimilar Product**” means, in a particular country with respect to a particular Product (the “**Reference Product**”), any biopharmaceutical product that: (a) has received all necessary approvals by the applicable Regulatory Authorities in such country to market and sell such product as a biopharmaceutical product through reference to the MAA and Regulatory Approval of the Reference Product; (b) is marketed or sold in such country by a Third Party that (i) has not obtained the rights to market or sell such product as a sublicensee or distributor of Novartis or any of its Affiliates or sublicensees, including pursuant to a license or settlement in connection with litigation with Novartis, its Affiliate or a sublicensee under the Biologics Price Competition and Innovation Act of 2009 or an equivalent under foreign law and (ii) did not purchase such product in a chain of distribution that included Novartis or any of its Affiliates or sublicensees; and (c) is approved as (i) a “biosimilar” (as defined in the United States under 42 U.S.C. § 262(i)(2)) of the Reference Product, (ii) a “similar biological medicinal product” (in the EU in accordance with Directive 2001/83/EC) with respect to which the Reference Product is the “reference medicinal product,” or (iii) if not in the US or EU, the foreign equivalent of a “biosimilar” or “similar biological medicinal product” of such Reference Product; in each case, for use in such country pursuant to an expedited regulatory approval process governing approval of generic biologics based on the then-current standards for regulatory approval in such country (e.g., the Biologics Price Competition and Innovation Act of 2009 or an equivalent under foreign law).

“**BLA**” means a Biologics License Application as defined in the Act and the regulations promulgated thereunder.

“**Budget Cap**” shall have the meaning set forth in Section 2.8(a).

“**Business Day**” means any day that is not a Saturday, Sunday or other day on which commercial banks are authorized or required to be closed, as the case may be, in Basel, Switzerland or Cambridge, Massachusetts.

“**Calendar Quarter**” means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31; provided, that: (a) the first Calendar Quarter of the Term shall extend from the Effective Date to the end of the first such three (3)-month period thereafter; and (b) the final Calendar Quarter of the Term shall extend from the first day of such three (3)-month period until the last day of the Term.

“**Calendar Term**” shall have the meaning set forth in Section 2.3.

“**Calendar Year**” means a period of twelve (12) consecutive calendar months ending on December 31; provided, that: (a) the first Calendar Year of the Term shall extend from the Effective Date to December 31; and (b) the final Calendar Year of the Term shall extend from January 1 until the last day of the Term.

“**Candidate DC**” means all Research Compounds selected by Novartis pursuant to Section 2.4 that are not identified as a Development Candidate.

“**Change of Control**” means any of the following events: (a) any Third Party (or group of Third Parties acting in concert) becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the total voting power of the stock then outstanding of Licensor normally entitled to vote in elections of directors; (b) Licensor consolidates with or merges into another corporation or entity, or any corporation or entity consolidates with or merges into Licensor, in either event pursuant to a transaction in which more than fifty percent (50%) of the total voting power of the stock outstanding of the surviving entity normally entitled to vote in elections of directors is not held by the parties holding at least fifty percent (50%) of the outstanding shares of Licensor preceding such consolidation or merger; or (c) Licensor conveys, transfers or leases all or substantially all of its assets to any Third Party.

“**Claims**” means all Third Party demands, claims, actions, proceedings and liability (whether criminal or civil, in contract, tort or otherwise) for losses, damages, reasonable legal costs and other reasonable expenses of any nature whatsoever.

“**Clinical Trial**” means any clinical trial in humans, including any Phase I Clinical Trial, Phase II Clinical Trial, phase IIa clinical trial, phase IIb clinical trial, phase III clinical trial, Pivotal Trial, or any post-approval clinical trial in humans.

“**Code**” shall have the meaning set forth in Section 10.2(c).

“**Collaboration**” shall have the meaning set forth in Section 2.1.

“**Combination Products**” shall have the meaning set forth in the definition of Net Sales.

“**Commercial Milestone Event**” shall have the meaning set forth in Section 6.3.

“**Commercial Milestone Payment**” shall have the meaning set forth in Section 6.3.

“**Commercialize**” means to market, promote, distribute, import, export, offer to sell and/or sell a product and/or conduct other commercialization, and “**Commercialization**” means commercialization activities relating to a product, including activities relating to marketing, promoting, distributing, importing, exporting, offering for sale and/or selling a product.

“**Commercially Reasonable Efforts**” means, with respect to the efforts to be expended by a Party with respect to any objective under this Agreement, reasonable, diligent, good-faith efforts to accomplish such objective [\*\*\*], it being understood and agreed that, with respect to the manufacture, Development,

processing and Commercialization of a Product, such efforts shall be substantially equivalent to those efforts and resources commonly used [\*\*\*], taking into account efficacy, safety, approved labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of Regulatory Approval given the regulatory structure involved, the profitability, and other relevant factors commonly considered in similar circumstances. It is anticipated that the level of effort may change over time, reflecting changes in the status of a Product.

“**Committee**” means the JSC, the JRDC, or any other subcommittee formed by the JSC pursuant to Section 4.2(b)(v).

“**Confidential Information**” means all Know-How and other proprietary information and data of a financial, commercial or technical nature which the disclosing Party or any of its Affiliates (the “**Disclosing Party**”) has supplied or otherwise made available to the other Party or any of its Affiliates (the “**Recipient Party**”), whether made available orally, in writing or in electronic form, including information comprising or relating to concepts, discoveries, inventions, data, designs or formulae in relation to this Agreement. Notwithstanding the foregoing the existence of, and the terms and conditions of, this Agreement shall be considered Confidential Information of each of Licensor and Novartis.

“**Control**” or “**Controlled**” means, with respect to any Know-How, Patent Rights, other intellectual property rights, or any proprietary or trade secret information, the legal authority or right (whether by ownership, license or otherwise) of a Party to grant a license or a sublicense of or under such Know-How, Patent Rights, or intellectual property rights to another Person, or to otherwise disclose such proprietary or trade secret information to another Person, without breaching the terms of any agreement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

“**Controlling Party**” shall have the meaning set forth in Section 8.4(c).

“**Cover**” means, with respect to given product (or component thereof) and Patent Right, that a Valid Claim of such Patent Right would, absent a license thereunder or ownership thereof, be infringed by the making, having made, use, sale, offer for sale or importation of such product or component, and for purposes of determining such infringement, considering claims of pending patent applications as Valid Claims (to the extent such claims would otherwise constitute Valid Claims) as if they have already been issued.

“**DARPin Binding Domain**” means an ankyrin repeat domain [\*\*\*] that [\*\*\*].

“**DC Selection Deadline**” shall have the meaning set forth in Section 2.4.

“**Debarred Person**” shall have the meaning set forth in Section 12.1(g).

“**Develop**” or “**Development**” means drug research and development activities, including test method development and stability testing, assay development and audit development, toxicology, formulation, quality assurance/quality control development, technical development, process development, statistical analysis, pre-clinical and clinical studies, packaging development, regulatory affairs, and the preparation, filing and prosecution of BLAs and MAAs.

“**Development Candidate**” or “**DC**” means a Research Compound that is: (i) selected for further Research and Development based on the achievement of the following, as reasonably determined by [\*\*\*] and (ii) identified in a written notice to Licensor by Novartis pursuant to Section 2.4.

“**Development Candidate Selection Date**” shall have the meaning set forth in Section 2.3.



“**Development Milestone Event**” means the milestones relating to the Product as set forth in Section 6.2.

“**Development Milestone Payment**” means the payments to be made by Novartis to Licensor upon the achievement of the corresponding Development Milestone Events as set forth in Section 6.2.

“**Diagnostic Field**” means the diagnosis [\*\*\*] of any human disease or disorder.

“**Disclosing Party**” shall have the meaning set forth in the definition of Confidential Information.

“**Effective Date**” shall have the meaning set forth in the first paragraph of this Agreement.

“**EMA**” means the European Medicines Agency or any successor entity thereto.

“**Encumbrance**” means any claim, charge, equitable interest, hypothecation, lien, mortgage, pledge, option, license, assignment, power of sale, retention of title, right of pre-emption, right of first refusal or security interest of any kind.

“**Executive Officers**” means, for Novartis, the [\*\*\*], and for Licensor, its [\*\*\*], in each case, or designees with similar authority thereto.

“**Excluded Matter**” shall have the meaning set forth in Section 4.6(a).

“**Expedited Arbitration**” shall have the meaning set forth in Section 15.6.

“**FDA**” means the United States Food and Drug Administration or any successor entity thereto.

“**Field**” means the Therapeutic Field and Diagnostic Field.

“**First Commercial Sale**” means, with respect to a Product, the first sale of such Product by Novartis, its Affiliate, or their sublicensee to a Third Party or governmental authority in a country following Regulatory Approval for sale of such Product in such country. Sales or transfers of reasonable quantities of a Product for Development, including proof of concept studies or other clinical trial purposes, or for compassionate or similar use, shall not be considered a First Commercial Sale.

“**First Interpretable Results**” means, with respect to a Clinical Trial, the set of clinical and non-clinical data (if applicable) from such Clinical Trial that are set forth as constituting the first interpretable results in the applicable Clinical Trial protocol.

“**First Patient First Dose**” or “**FPFD**” means the date of the administration of the first dose of a Licensed Compound or Product to the first patient (or healthy subject, as relevant) while such healthy subject or volunteer is participating in a Clinical Trial.

“**Force Majeure**” shall have the meaning set forth in Section 15.7.

“**FTE**” means a full-time employee or, in the case of less than a full-time employee, a full-time equivalent employee year, carried out by an appropriately qualified employee of a Party or any of its Affiliates directly engaged in the activities under the Research Plan, based on [\*\*\*]. For clarity, indirect personnel (including support functions such as managerial, financial, legal or business development) shall not constitute FTEs.

“**FTE Cost**” means, for any period, the FTE Rate multiplied by the number of FTEs in such period.

“**FTE Rate**” means the rate of [\*\*\*] per FTE per year. For the avoidance of doubt, the FTE Rate shall be the fully-burdened rate and includes the [\*\*\*]. Notwithstanding the foregoing, for any Calendar Year during the Term that is less than a full year, the above referenced rate will be proportionately reduced to reflect such portion of such full Calendar Year.

“**Human Material**” shall have the meaning set forth in Section 2.12.

“**ICC**” shall have the meaning set forth in Section 15.5(b).

“**IND**” means an Investigational New Drug application in the US filed with the FDA or the corresponding application for the investigation of pharmaceutical products in any other country or group of countries, as defined in the applicable Laws and filed with the Regulatory Authority of a given country or group of countries.

“**Indemnification Claim Notice**” shall have the meaning set forth in Section 13.3(b).

“**Indemnified Party**” shall have the meaning set forth in Section 13.3(b).

“**Indemnifying Party**” shall have the meaning set forth in Section 13.3(b).

“**Initial Target**” means [\*\*\*].

“**Insolvency Event**” means, in relation to either Party, any of the following: (a) that Party becomes Insolvent; (b) that Party shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or Insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any such Party shall make a general assignment for the benefit of its creditors; (c) there shall be commenced against such Party any case, proceeding or other action of a nature referred to in clause (b) above that (I) results in the entry of an order for relief or any such adjudication or appointment or (II) remains undismissed, undischarged or unbonded for a period of [\*\*\*]; (d) there shall be commenced against such Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within [\*\*\*] from the entry thereof; or (e) such Party shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (b), (c) or (d) above.

“**Insolvent**” means, in relation to either Party, that: (a) the sum of such Party’s debts is greater than all of such Party’s property, at a fair valuation; (b) such Party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (c) the Party’s external auditor includes in their opinion of the financial statements a going concern qualification.

“**Intellectual Property Rights**” means any Know-How, Patent Rights, trademarks, copyrights, trade secrets, and any other intellectual property rights however denominated throughout the world.

“**Invention**” means any invention, discovery or other Know-How that is discovered, generated, conceived or reduced to practice by or on behalf of a Party or its Affiliate or sublicensee through activities conducted under this Agreement (which, for clarity, includes any Development, manufacture or Commercialization of a Research Compound, Licensed Compound or Product and all activities under

a Research Plan), including all right, title and interest in and to the intellectual property rights therein and thereto.

“**Invoice**” shall have the meaning set forth in Section 2.8(c).

“**Joint Know-How**” shall have the meaning set forth in Section 8.1(a).

“**Joint Invention**” shall have the meaning set forth in Section 8.1(a).

“**Joint Patent Rights**” shall have the meaning set forth in Section 8.1(a).

“**Joint Product Patent Rights**” means a Joint Patent Right that specifically claims a Licensed Compound or Product or any use or method of manufacture thereof.

“**Joint Research and Development Committee**” or “**JRDC**” means the committee established as set forth in Section 4.3.

“**Joint Steering Committee**” or “**JSC**” means the committee established as set forth in Section 4.2.

“**Know-How**” means all technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, specifications, instructions, processes, formulae, materials (including cell lines and other biological materials), expertise and other technology applicable to compounds, formulations, compositions, products or to their manufacture, development, registration, use or commercialization or methods of assaying or testing them or processes for their manufacture, formulations containing them, compositions incorporating or comprising them and including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, quality control, manufacturing, preclinical and clinical data, instructions, processes, formulae, expertise and information, regulatory filings and copies thereof, relevant to the development, manufacture, use or commercialization of or which may be useful in studying, testing, development, production or formulation of products, or intermediates for the synthesis thereof.

“**Law**” means any federal, state, local, foreign or multinational law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any order by any governmental authority, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law, including GCP, GMP, and GLP, as applicable.

“**Licensor**” shall have the meaning set forth in the first paragraph of this Agreement.

“**Licensed Compound**” means a compound generated in the course of the Collaboration that (a) comprises one or more DARPin Binding Domains directed to a Target that have been selected as a DC or a Candidate DC pursuant to Section 2.4, as well as [\*\*\*]; *provided that* all such DARPin Binding Domains meet the Activity Threshold; and (b) does not include any [\*\*\*].

“**Licensor Indemnitees**” shall have the meaning set forth in Section 13.2.

“**Licensor Know-How**” means any Know-How owned or otherwise Controlled by Licensor or any of its Affiliates as of the Effective Date or thereafter during the Term relating to the Licensed Compounds or a Product that is necessary or reasonably useful for the Research, Development, manufacture, preparation, use or Commercialization of the Licensed Compounds or Products in the Field. Notwithstanding the foregoing, (a) Licensor Know-How will, subject to Section 6.6(b), include Know-How within Third Party IP and (b) if any Third Party becomes an Affiliate of Licensor after the Effective Date, Licensor

Know-How will exclude any Know-How that was Controlled by such Third Party (or its Affiliates in existence prior to such transaction) before such Third Party became Licensor's Affiliate or that is acquired by such Third Party (or its Affiliates in existence prior to such transaction) independently of this Agreement and without use, practice or reference to Novartis's Confidential Information; *provided however*, that the foregoing clause (b) will not apply where such Know-How Controlled by such Third Party is incorporated by Licensor into the collaboration, or otherwise utilized or relied on by Licensor in its performance of the Collaboration.

**"Licensor Patent Rights"** means the Patent Rights identified in Exhibit B, and, any other Patent Rights owned or otherwise Controlled by Licensor or any of its Affiliates as of the Effective Date or thereafter during the Term that are necessary or reasonably useful for the Research, Development, manufacture, preparation, use or Commercialization of the Licensed Compounds or Products in the Field. Licensor shall update Exhibit B as necessary from time to time to reflect the then-current Licensor Patent Rights. For the avoidance of doubt, any Joint Patent Rights shall not be deemed Licensor Patent Rights for purposes of this Agreement. Notwithstanding the foregoing, (a) Licensor Patent Rights will, subject to Section 6.6(b) include Patent Rights within Third Party IP and (b) if any Third Party becomes an Affiliate of Licensor after the Effective Date, Licensor Patent Rights will exclude any Patent Rights that are Controlled by such Third Party (or its Affiliates in existence prior to such transaction) before such Third Party became Licensor's Affiliate or that are filed or acquired by such Third Party (or its Affiliates in existence prior to such transaction) independently of this Agreement and without use, practice or reference to Novartis's Confidential Information; *provided however*, that the foregoing clause (b) will not apply where the Invention Covered by such Patent Rights Controlled by such Third Party is incorporated by Licensor into the collaboration, or otherwise utilized or relied on by Licensor in its performance of the Collaboration.

**"Licensor Technology"** means the Licensor Know-How and the Licensor Patent Rights.

**"[\*\*\*]"** means [\*\*\*].

**"Loss of Market Exclusivity"** means, with respect to a Product on a country-by-country basis, the Net Sales of such Product in that country in any Calendar Year are less than [\*\*\*] as compared with the Net Sales of such Product in that country in the Calendar Year preceding the marketing or sale of the first Biosimilar Product of such Product.

**"Losses"** means any and all liability, damage, loss, cost or expense of any nature (including reasonable attorney's fees and litigation expenses).

**"MAA"** means an application for the authorization to market the product in any country or group of countries outside the United States, as defined in the applicable Laws and filed with the Regulatory Authority of a given country or group of countries.

**"Major Markets"** means the [\*\*\*].

**"Materials"** shall have the meaning set forth in Section 2.10.

**"Milestone"** means a Development Milestone Event or a Commercial Milestone Event.

**"Milestone Payment"** means a Development Milestone Payment or a Commercial Milestone Payment.

**"Net Sales"** means the net sales recorded by Novartis or any of its Affiliates or their sublicensees (excluding, for clarity, any distributors or wholesalers) for any Product sold to Third Parties other than sublicensees as determined in accordance with Novartis' Accounting Standards as consistently applied,

less a deduction of [\*\*\*] for direct expenses related to the sales of the Product, distribution and warehousing expenses and uncollectible amounts on previously sold products. The deductions booked on an accrual basis by Novartis and its Affiliates under its Accounting Standards to calculate the recorded net sales from gross sales include the following:

- (i) normal trade and cash discounts;
- (ii) amounts repaid or credited by reasons of defects, rejections, recalls or returns;
- (iii) rebates and chargebacks to customers and other Third Parties (including Medicare, Medicaid, Managed Healthcare and similar types of rebates);
- (iv) amounts provided or credited to customers through coupons and other discount programs;
- (v) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates or retroactive price reductions;
- (vi) fee for service payments to customers for any non-separable services (including compensation for maintaining agreed inventory levels and providing information); and
- (vii) other reductions or specifically identifiable amounts deducted for reasons similar to those listed above in accordance with Novartis' Accounting Standards.

With respect to the calculation of Net Sales:

- (a) Net Sales only include the value charged or invoiced on the first arm's length sale to a Third Party. Sales between or among Novartis and its Affiliates and sublicensees shall be disregarded for purposes of calculating Net Sales;
- (b) If a Product is delivered to the Third Party before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under Novartis' Accounting Standards are met;
- (c) In the event that the Product is sold in a finished dosage form containing the Licensed Compound in combination with one (1) or more other active ingredients (a "**Combination Product**"), the Net Sales will be calculated by multiplying the Net Sales of the Combination Product by the fraction,  $A/(A+B)$  where A is the weighted (by sales volume) average sale price in the relevant country of the Product containing the Licensed Compound as the sole active ingredient in finished form, and B is the weighted average sale price (by sales volume) in that country of the product(s) containing the other component(s) as the sole active ingredient(s) in finished form. Regarding prices comprised in the weighted average price when sold separately referred to above, if these are available for different dosages from the dosages of Licensed Compound and other active ingredient components that are included in the Combination Product, then [\*\*\*]. If the weighted average sale price cannot be determined for the Product or other product(s) containing the single Licensed Compound or component(s), the calculation of Net Sales for Combination Products will be [\*\*\*].

"**Novartis**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Novartis Background Technology**" means any Know-How and Patent Rights that are owned or otherwise controlled by Novartis or any of its Affiliates, which Know-How and Patent Rights: (a) are in

existence as of the Effective Date; or (b) arise outside of activities under this Agreement after the Effective Date and without use, practice or reference to the Licensor Technology or Licensor's Confidential Information.

“**Novartis Indemnitees**” shall have the meaning set forth in Section 13.1.

“**[\*\*\*] Patent**” shall have the meaning set forth in Section 8.3(b).

“**Novartis Manufacturing Product Technology**” means all (a) manufacturing batch records, SOPs for any specific process, analytical methods and records, bills of materials, cell banks, plasmids, supply of reference standards and regulatory history, in each case, generated by or on behalf of Novartis, its Affiliates or sublicensees in the manufacture of any Reversion Product and (b) any other Know-How that is used by or on behalf of Novartis, its Affiliates or sublicensees in the manufacture of any Reversion Product, including all tangible biological materials, vectors, cell banks, cells (including any derivatives or progeny thereof), cell culture processes and purification processes, reference standards, and cell culture media.

“**Novartis Product Technology**” means (a) all Patent Rights that are Controlled by Novartis or its Affiliates that Cover, or are used (as of the effective date of termination) by or on behalf of Novartis, its Affiliates or sublicensees in, the Development or Commercialization of any Reversion Product, (b) all (i) material pre-clinical data and results and (ii) clinical data and results, in each case of (i) and (ii), generated by or on behalf of Novartis, its Affiliates or sublicensees (including their contractors) in the Development of any Reversion Product, and (c) all other Know-How that is Controlled by Novartis or its Affiliates that is necessary for or is being used (as of the effective date of termination) by or on behalf of Novartis, its Affiliates or sublicensees (including their contractors) in, the Development or Commercialization of any Reversion Product; provided, that if any Reversion Product is not being actively Developed or Commercialized by Novartis, its Affiliate or sublicensee as of the effective date of termination, then references in this definition to “as of the effective date of termination” shall be deemed to be references to the time that such Reversion Product stopped being actively Developed or Commercialized; provided, further, that Novartis Product Technology shall exclude all Novartis Manufacturing Product Technology.

“**Out-of-Pocket Costs**” means, with respect to certain activities performed pursuant to this Agreement, direct expenses paid or payable by either Party or its Affiliates to Third Parties and specifically identifiable and incurred to conduct such activities for a Licensed Compound or Product in the Territory, including payments to contract personnel (including contractors, consultants and subcontractors), in each case, pursuant to the applicable Research Plan, and provided that such expenses are been recorded as income statement items in accordance with such Party's Accounting Standards, and will not include [\*\*\*], or items intended to be covered by the FTE Rate.

“**Party**” and “**Parties**” shall have the meaning set forth in the first paragraph of this Agreement.

“**Payee**” shall have the meaning set forth in Section 7.1(c).

“**Payor**” shall have the meaning set forth in Section 7.1(c).

“**Patent Rights**” means all patents and patent applications, including all divisionals, continuations, substitutions, continuations-in-part, re-examinations, reissues, additions, renewals, extensions, registrations, supplemental protection certificates, utility models, design patents and the like of any of the foregoing.

“**Permitted Categories**” shall have the meaning set forth in Section 9.3(c).

“**Person**” means any individual, partnership, limited liability company, firm, corporation, association, trust, unincorporated organization or other entity.

“**Phase I Clinical Trial**” means, with respect to a product, a clinical study of such product in patients with the primary objective of characterizing its safety, tolerability, and pharmacokinetics and identifying a recommended dose and regimen for future studies, as described in 21 C.F.R. § 312.21(a) or a comparable clinical study prescribed by the relevant Regulatory Authority in a country other than the United States.

“**Phase II Clinical Trial**” means a clinical trial of an investigational product in patients with the primary objective of characterizing its activity in a specific disease state as well as generating more detailed safety, tolerability, pharmacokinetics, and dosing information as described in 21 C.F.R. 312.21(b), or a comparable Clinical Trial prescribed by the relevant Regulatory Authority in a country other than the United States. The investigational product can be administered to patients as a single agent or in combination with other investigational or marketed agents.

“**Pharma Investor**” means a company that is, on its own behalf, engaged in the Research, Development or Commercialization of human medicinal products that are regulated as such and Pharma Investor shall exclude any entity that is involved in the application of venture capital or private equity funding whether or not it is an Affiliate of a Pharma Investor provided that such venture capital or private equity entity is operated independently of the Pharma Investor’s human medicinal products business.

“**Pivotal Trial**” means a human clinical trial of a biopharmaceutical product that is designed to ascertain efficacy and safety of such product in support of the preparation and submission of an MAA for such product to a competent Regulatory Authority without the need for additional future Clinical Trials, regardless of whether such trial is referred to as a phase IIa, phase IIb, or phase III clinical trial.

“**Platform**” means Licensor’s proprietary DARPin Binding Domain platform technology, pursuant to which Licensor produces pharmaceutical product candidates, including the Research Compounds, utilizing DARPin Binding Domain libraries, protein modules, and domains.

“**Platform Patent Right**” will mean any Licensor Patent Right other than the Product Patent Rights, and including the Patent Rights scheduled in Exhibit D (as may be updated from time to time), that Cover the Platform.

“**Privacy and Data Security Laws**” means all Laws, including government-issued rules, guidelines, directives, and requirements, currently in effect and as they become effective, applicable to data protection and the processing of personal data or other sensitive information (collectively “**Sensitive Information**”) under the Agreement that may exist in any relevant jurisdiction, including security breach notification laws, laws imposing minimum security requirements and laws requiring the secure disposal of recordings containing Sensitive Information. For the avoidance of doubt, Privacy and Data Security Laws include, to the extent applicable, and the European Data Protection Laws and the Health Insurance Portability and Accountability Act of 1996, as amended.

“**Product**” means a product incorporating or comprising one or more Licensed Compounds in finished dosage pharmaceutical form, including, in each case, all formulations and modes of administration thereof.

“**Product Marks**” shall have the meaning set forth in Section 8.5.

“**Product Development Report**” shall have the meaning set forth in Section 5.10(b).

**“Product Patent Rights”** means a Patent Right conceived or reduced to practice by or on behalf of a Party or its Affiliates, or jointly by the Parties or their Affiliates during the term of the Agreement that specifically claims a Licensed Compound or Product or any use or method of manufacture thereof in the Therapeutic Field or in the Diagnostic Field.

**“Proposed Target”** shall have the meaning set forth in Section 2.5.

**“Prosecuting and Maintaining Party”** shall have the meaning set forth in Section 8.3(c).

**“Provider”** shall have the meaning set forth in Section 2.12.

**“Qualifying Terminated Product”** means, with respect to a Terminated Target, any Terminated Product that binds to such Terminated Target and for which Novartis, its Affiliate or sublicensee has achieved PFPD in a Phase I Clinical Trial prior to the applicable notice of termination.

**“Radioligand Therapy”** or **“RLT”** means the use of radioligands in the Therapeutic Field and Diagnostic Field, in either or both of their labeled/radioactive or unlabeled/non-radioactive states.

**“Recipient Party”** shall have the meaning set forth in the definition of Confidential Information.

**“Reference Product”** shall have the meaning set forth in the definition of Biosimilar Product.

**“Regulatory Approval”** means, with respect to a product in any country or jurisdiction, any approval (including where required, pricing and reimbursement approvals), registration, license or authorization from a Regulatory Authority in a country or other jurisdiction that is necessary to market and sell such product in such country or jurisdiction.

**“Regulatory Approval in Europe”** means Regulatory Approval in at least three (3) of the following countries: France, Germany, Italy, Spain, and the United Kingdom.

**“Regulatory Authority”** means any governmental agency or authority responsible for granting Regulatory Approvals for biopharmaceutical products or approvals for conducting clinical trials or manufacturing products, including the FDA, EMA, European Commission, and any corresponding national or regional regulatory authorities.

**“Regulatory Exclusivity”** means any rights or protections which are recognized, afforded or granted by the FDA or any other Regulatory Authority in any country or region of the Territory pursuant to applicable Laws of such country or region, in association with the marketing authorization of the Product, providing the Product: (a) a period of marketing exclusivity, during which a Regulatory Authority recognizing, affording or granting such marketing exclusivity will refrain from either reviewing or approving a marketing authorization application or similar regulatory submission, submitted by a Third Party seeking to market a Biosimilar Product of such Product, or (b) a period of data exclusivity, during which a Third Party seeking to market a Biosimilar Product of such Product is precluded from either referencing or relying upon, without an express right of reference from the dossier holder, the Product’s clinical dossier or relying on previous Regulatory Authority findings of safety or effectiveness with respect to such Product to support the submission, review or approval of a marketing authorization application or similar regulatory submission before the applicable Regulatory Authority.

**“Regulatory Filings”** means, with respect to a compound or a product, any submission to a Regulatory Authority of any appropriate regulatory application with respect to such compound or product, including any submission to a regulatory advisory board, marketing authorization application, and any supplement or amendment thereto. For the avoidance of doubt, Regulatory Filings shall include any IND, BLA,



MAA or the corresponding application in any other country or group of countries with respect to such products.

“**Replacement Target**” shall have the meaning set forth in Section 2.5.

“**Research**” or “**Researching**” means activities, other than Development, related to target validation, the design, discovery, generation, identification, profiling, characterization, production, process development, cell line development, pre-clinical development or non-clinical or pre-clinical studies of drug candidates and products, including such non-clinical studies and other material Development activities to be undertaken to generate data sufficient to enable the filing of an IND.

“**Research Budget**” shall have the meaning set forth in Section 2.2.

“**Research Compound**” means a compound generated in the course of the Collaboration pursuant to the Research Plan that comprises one or more DARPin Binding Domains with respect to the applicable Target.

“**Research Costs**” means, with respect to a Research Program, FTE Costs plus Out-of-Pocket Costs.

“**Research Plan**” shall have the meaning set forth in Section 2.2.

“**Research Plan Activities**” shall have the meaning set forth in Section 2.2.

“**Research Program**” shall have the meaning set forth in Section 2.1.

“**Research Results**” mean all tangible material, and all material data, results, and research records relating to a Target, or compounds that are directed to such Target generated in connection with a Research Program.

“**Research Term**” shall have the meaning set forth in Section 2.3.

“**Restricted Target**” shall have the meaning set forth in Section 2.5.

“**Reversion Product**” means any Qualifying Terminated Product that is being actively Developed or Commercialized by Novartis, its Affiliate or sublicensee as of the applicable notice of termination or, if no such Qualifying Terminated Product is being actively Developed or Commercialized by Novartis, its Affiliate or sublicensee as of such time, the most recent Qualifying Terminated Product to have been under Development or Commercialization by Novartis, its Affiliate or sublicensee.

“**Right of Reference**” means the authority of a Party as defined in 21 C.F.R. § 314.3(b) (or any successor rule or analogous Law recognized outside of the United States), to rely upon, and otherwise use, all information and data included in or used in support of any drug master file maintained by or on behalf of the other Party for the purpose of obtaining approval of a BLA, including the ability to make available the underlying raw data from the investigation for FDA audit, if necessary.

“**Royalty Patent**” means a Platform Patent Right, Licensor Product Patent Right, or Joint Product Patent Right.

“**Royalty Term**” shall have the meaning set forth in Section 6.4(b).

“**Sales & Royalty Report**” means a written report or reports showing each of: (a) the Net Sales of each Product in the Territory, on a country-by-country basis, during the reporting period by Novartis and its

Affiliates and their respective sublicensees; and (b) the royalties payable, in USD, which shall have accrued hereunder with respect to such Net Sales.

“[\*\*\*]” means [\*\*\*].

“**Sole Invention**” shall have the meaning set forth in Section 8.1(a).

“**Target**” means (a) [\*\*\*] is replaced pursuant to Section 2.5, such Replacement Target and (b) [\*\*\*].

“**Term**” shall have the meaning set forth in Section 10.1.

“**Terminated Target**” means (a) any Target with respect to which this Agreement is terminated pursuant to Section 10.2 or Section 10.3, and (b) in the event of termination of this Agreement in its entirety, all Targets.

“**Terminated Product**” shall have the meaning set forth in Section 11.1.

“**Territory**” means worldwide.

“**Therapeutic Field**” means the treatment or prevention of any human disease or disorder.

“**Third Party**” means any Person other than a Party or an Affiliate of a Party.

“**Third Party Code**” shall have the meaning set forth in Section 12.5.

“**Third Party Infringement**” shall have the meaning set forth in Section 8.4(a).

“**Third Party License**” shall have the meaning set forth in Section 3.4.

“**United States**” or “**US**” means the United States of America, its territories and possessions.

“**USD**” or “**US\$**” means the lawful currency of the United States.

“**Valid Claim**” means either (a) a claim of an issued and unexpired Patent Right that (i) has not been revoked or held unenforceable, unpatentable or invalid by a decision of a court or other governmental authority of competent jurisdiction that is not appealable or has not been appealed within the time allowed for appeal, and (ii) has not been canceled, withdrawn, abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise, or (b) a claim of a Patent Right that is a pending patent application that (i) has not been cancelled, withdrawn, abandoned or finally rejected by an administrative agency action from which no appeal can be taken, and (ii) has been pending for less than [\*\*\*] from the earliest date on which such patent application claims priority.

1.2 **Interpretation.** In this Agreement, unless otherwise specified:

- (a) “includes” and “including” shall mean respectively includes and including without limitation;
- (b) “or” is used in the inclusive sense (“and/or”) unless the context otherwise requires;
- (c) “hereof,” “herein,” and “herewith,” and words of similar import, shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement;

- (d) “will” shall be construed to have the same meaning and effect as the word “shall;”
- (e) a Party includes its permitted assignees or the respective successors in title to substantially the whole of its undertaking;
- (f) a statute or statutory instrument or any of their provisions is to be construed as a reference to that statute or statutory instrument or such provision as the same may have been or may from time to time hereafter be amended or re-enacted in accordance with any requirements with respect to such amendment or re-enactment;
- (g) words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders;
- (h) the Exhibits, Schedules and other attachments form part of the operative provision of this Agreement and references to this Agreement shall, unless the context otherwise requires, include references to the Exhibits, Schedules and attachments;
- (i) the headings in this Agreement are for information only and shall not be considered in the interpretation of this Agreement;
- (j) general words shall not be given a restrictive interpretation by reason of their being preceded or followed by words indicating a particular class of acts, matters or things; and
- (k) the Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement shall not be construed in favor of or against any Party by reason of the extent to which any Party participated in the preparation of this Agreement.

## 2. RESEARCH COLLABORATION

- 1.1 **Overview of Research Programs.** During the Research Term, and in accordance with the terms and conditions of this Agreement, the Parties will collaborate on [\*\*\*] separate Research programs (each, a “**Research Program**”; collectively, the “**Collaboration**”), under which the Parties will generate Research Compounds with respect to each Target in accordance with the Research Plan (defined below), with the aim of achieving selection of [\*\*\*] Development Candidate for each Target. Each Target and Research Compound will be Researched according to a separate Research Program, and Novartis, subject to Section 3.1(b) and Section 3.5, will have the sole right to Research, Develop, and Commercialize Licensed Compounds and any corresponding Product following the Development Candidate Selection Date. Novartis may, in its sole discretion, and at its cost and expense, elect to take forward, subject to Section 5.2 and Section 5.6, any and all Licensed Compounds and Products into Development and for Commercialization.
- 1.2 **Research Plans.** The initial research plan (the “**Research Plan**”) for the Initial Targets is attached hereto as Exhibit A. Any Research Plan under this Agreement will include (i) the activities to be performed by each Party to identify Research Compounds for a given Target until the Development Candidate Selection Date for a compound directed to such Target (the “**Research Plan Activities**”); (ii) the anticipated number of FTEs to be dedicated by Licensor and its Affiliates to perform the Research Plan Activities for the corresponding Target; and (iii) a budget setting out by Calendar Year the estimated FTE Costs and Out-of-Pocket Costs to be incurred by Licensor and its Affiliates in the conduct of the Research Plan Activities (the “**Research Budget**”). From time to time during the Research Term, but prior to the Development Candidate Selection Date for a Research Compound selected for such Target, and at least on an annual basis, which shall occur no later than August 15 of

each Calendar Year, the Parties through the JRDC will jointly develop and submit, or either Party through the JRDC may propose for submission, updates or amendments to the Research Plan and Research Budget for the JSC's review and approval. Each Research Plan shall be consistent with the terms of this Agreement.

- 1.3 **Conduct of Research Activities.** During the Research Term and subject to the JSC's and JRDC's review and, as applicable, approval of each Research Plan, the Parties will use Commercially Reasonable Efforts to perform (themselves or through their Affiliates or subject to Section 3.3(b) permitted subcontractors) the Research Plan Activities in accordance with the applicable Research Plan and the timelines set forth therein to achieve selection of a Research Compound with respect to a Target as a Development Candidate. On a Target-by-Target basis, the Research Program will begin on [\*\*\*], and end upon the earlier of (i) the date of selection by Novartis of a DC with respect to such Target pursuant to Section 2.4 (the "**Development Candidate Selection Date**"), and (ii) [\*\*\*] after the Effective Date (the "**Calendar Term**"), which period may be extended by mutual written agreement of the Parties (the "**Research Term**"). In performing its respective Research Plan Activities, each Party: (a) will conduct such activities in a good scientific manner, in compliance with all applicable Law in all material respects, including, where applicable, cGMP, cGLP, cGCP, and current international regulatory standards; and (b) will not employ or use any Debarred Person.
- 1.4 **Development Candidate Selection.** On a Target-by-Target basis (i) at any time during the Research Term, or (ii) within [\*\*\*] following the end of the Calendar Term, whichever is later (collectively, the "**DC Selection Deadline**"), Novartis will have the right, but not the obligation to select, by written notice to Licensor, up to [\*\*\*] Research Compounds to take forward into further development; provided that (a) at least [\*\*\*] such Research Compound will be identified by Novartis in such notice as a DC at or prior to the DC Selection Deadline and (b) any of the other such Research Compounds identified by Novartis in such notice but not selected as a DC will be each deemed a Candidate DC. If Novartis does not select any DC for such Target by the DC Selection Deadline, the Agreement will expire for such Target, unless the Parties agree to extend the Agreement for such Target. Upon selection of at least [\*\*\*] DC by Novartis pursuant to this Section 2.4, the exclusive license pursuant to Section 3.1(a) will become effective, and each DC and any applicable Candidate DCs, will be each deemed a Licensed Compound.
- 1.5 **Technical Failure.** With respect to the Initial Target [\*\*\*], at any time during the period beginning on the Effective Date and ending [\*\*\*] thereafter, Licensor may request that the JSC make a determination of whether there has been a technical failure in the generation of Research Compounds. In the event the JSC determines that there has been a technical failure with respect to the Research under the corresponding Research Plan of Research Compounds, the JSC shall discuss and recommend a replacement Target for [\*\*\*] (a "**Proposed Target**"); provided that, subject to the remainder of this Section 2.5 but notwithstanding anything in Section 4.5 or Section 4.6, [\*\*\*] will have the final decision, after [\*\*\*] with respect to the selection of a Proposed Target to replace [\*\*\*]. Notwithstanding [\*\*\*] final decision making authority with respect to the selection of a Proposed Target to replace [\*\*\*], if a Proposed Target is (i) subject to exclusive rights granted by Licensor to a Third Party; (ii) subject to a bona fide term sheet negotiations between Licensor and one or more Third Parties; or (iii) subject to a bona fide active Licensor internal research effort (each a "**Restricted Target**") such Proposed Target will not be available to Novartis for selection as a Target. If such Proposed Target is a Restricted Target, then Novartis may select another Proposed Target (and another if such other Proposed Target is a Restricted Target, and so on) until such time that Novartis selects a target that is not a Restricted Target, at which point such Proposed Target will be added as a Target under this Agreement (the "**Replacement Target**") and [\*\*\*] shall immediately cease to be a Target. Upon determination of the Replacement Target, the Parties shall revise the applicable Research Plan accordingly and shall agree in good faith on a revised Budget Cap.
- 1.6 **Research Records.** Each Party will maintain, and cause its Affiliates and their respective employees and subcontractors to maintain, records and laboratory notebooks of its Research Plan Activities in sufficient

detail and in a good scientific manner appropriate for scientific, regulatory and intellectual property protection purposes, which records and laboratory notebooks shall: (a) be segregated from other Research activities not performed under this Agreement; (b) be complete and accurate in all material respects; and (c) fully and properly reflect all work done, data and developments made, and results achieved. Novartis will have the right to audit and request a copy of such records of Licensor and its Affiliates and their respective employees and subcontractors from time to time during the Term. In the event that Novartis conducts such audit using a Third Party, Novartis shall cause such Third Party to be bound by obligations of confidentiality with respect to such records no less stringent than those set forth in Sections 9.1, 9.2, or 9.3. For the avoidance of doubt, Novartis will have the final decision with respect to whether to conduct such audit under this Section 2.6 itself or using a Third Party.

#### 1.7 Research Reports and Materials.

- (a) **General.** Each Party will keep the other Party reasonably informed regarding the status, progress, and results of its Research Plan Activities for each Research Program, including a review of results and progress against timelines in such Research Plan through regularly scheduled JRDC meetings.
- (b) **Interim Reports.** On a [\*\*\*] basis the Parties will jointly create and submit to the JRDC for its review and discussion, a written update, in a form agreed to by the JRDC for such updates, that includes: (i) a summary of the Research Plan Activities completed during the most recently completed [\*\*\*]; (ii) prior to the Development Candidate Selection Date, a summary of all results and data generated during such period related to each Target; and (iii) both Parties' progress against the timeline and Research Budget set forth in each Research Plan, with appropriate documentation to substantiate all such activities and results.
- (c) **Final Report.** Each Party shall provide the other Party with a final written report within [\*\*\*] after the completion or earlier termination of each Research Program, which report will summarize the activities undertaken and all accomplishments and deliverables achieved as specified under such Research Program and contain a copy of all Research Results generated by or on behalf of such Party in the performance of such Research Plan.
- (d) **Research Results.** From time to time during the Term, upon Novartis' request, and in all events within [\*\*\*] following the earlier of the termination or completion of each Research Program for a given Target, Licensor shall transfer to Novartis all Research Results generated by or on behalf of Licensor that have not yet been provided to Novartis. Novartis will have the right to use all Research Results for all purposes, and Licensor will have the right to use all Research Results generated by Licensor or on its behalf (i) for all purposes outside the scope of the licenses granted to Novartis, subject to Section 3.5, and subject to the non-compete provisions with respect to Licensor pursuant to Section 3.7 and (ii) to file, prosecute, maintain, and enforce Patent Rights as permitted in Article 8.

#### 1.8 Research Support and Payment

- (a) Novartis shall be responsible for [\*\*\*] of its own costs and expenses incurred in performing the activities assigned to it under the applicable Research Plan and, subject to this Section 2.8, [\*\*\*] of the FTE Costs and Out-of-Pocket Costs actually incurred by Licensor in performing the activities assigned to it under the applicable Research Plan. Subject to a potential replacement Target for [\*\*\*] pursuant to Section 2.5, the sum of FTE Costs and Out-of-Pocket Costs that Novartis will be obligated to reimburse under this Agreement shall not exceed [\*\*\*] (the "**Budget Cap**"), unless agreed otherwise by the Parties in writing. For clarity and

notwithstanding anything to the contrary herein, Licensor has no obligation to incur FTE Costs or Out-of-Pocket Costs in excess of the Budget Cap unless and until the Parties agree upon revised Research Costs (including a revised number of FTEs over a revised period of time for FTE Costs) with respect to Licensor's performance of the activities assigned to it under the Research Plan and the Budget Cap is similarly agreed in writing.

- (b) No later than [\*\*\*] following the beginning of each Calendar Quarter, Licensor shall provide to Novartis a good faith, non-binding estimate (in a form to be agreed by the Parties promptly following the Effective Date) of the Research Costs it anticipates incurring during such Calendar Quarter under each Research Plan.
- (c) Within [\*\*\*] after the end of each Calendar Quarter during the performance of the Collaboration, Licensor shall submit to Novartis an invoice substantially in the form of Exhibit C (an "Invoice") (accompanied by reasonable supporting documents) setting forth the Research Costs actually incurred by Licensor in such Calendar Quarter to perform activities assigned to it under a Research Plan in accordance with the Research Budget set forth therein. Such accompanying documentation will include (i) the specific budgeted item set forth in the Research Plan (e.g., FTEs conducting Collaboration activities), (ii) the applicable Collaboration activities that were conducted; and (iii) if applicable, documentation supporting any Out-of-Pocket Costs. Novartis shall pay the undisputed amount of all such Invoices within [\*\*\*] after the date of its receipt of such Invoice.
- (d) If Novartis disputes in good faith any portion of an Invoice for Research Costs provided by Licensor pursuant to Section 2.8(c), Novartis shall promptly notify Licensor and the Parties shall use good faith efforts to resolve such dispute expeditiously. Upon resolution of such dispute, if applicable, any Research Costs subject to such dispute shall be paid by Novartis at the next Calendar Quarter Invoice submission by Licensor.
- (e) The Research Costs to be reimbursed to Licensor by Novartis must be incurred in accordance with the Research Plan and shall not exceed the Research Budget set forth therein (i) for the Collaboration Term or (ii) by more than [\*\*\*] in a given Calendar Quarter as compared to the estimate provided pursuant to Section 2.8(b) for such Calendar Quarter. Out-of-Pocket Costs incurred by Licensor will be reimbursed by Novartis as a pass-through of the direct costs charged to Licensor by the applicable subcontractor without any mark-up. Novartis will have no obligation to reimburse Licensor for any overhead charged by such subcontractor. Licensor shall promptly notify Novartis in the event that it anticipates incurring Research Costs which would exceed the foregoing thresholds. Any amount exceeding the aforementioned [\*\*\*] variance threshold in a Calendar Quarter will automatically roll over to the following Calendar Quarter and will be included in the next quarterly estimate for Research Costs provided pursuant to Section 2.8(b). At the end of the Research Term, any such Research Costs incurred by Licensor in excess of the Research Budget shall be borne by Licensor unless the Research Budget is increased by an amendment of the Research Plan approved by the JSC in accordance with Section 4.2(b).

#### 1.9 Know-How Transfer.

- (a) **Licensor Know-How Transfer for Research Program.** Within [\*\*\*] after the Effective Date, Licensor will, for no additional compensation, provide to Novartis, in a commercially reasonable format, a copy of all Licensor Know-How necessary or reasonably useful for Novartis to conduct its activities for a Research Program pursuant to the Research Plan.
- (b) **Licensor Know-How Transfer.** Within [\*\*\*] after the date on which Novartis notifies Licensor of its selection of a Development Candidate (and any Candidate DCs, as applicable) pursuant to

Section 2.4, Licensor will, for no additional compensation, provide to Novartis, in a commercially reasonable format, a copy of all Licensor Know-How necessary or reasonably useful for the Development, manufacture, or Commercialization of, including with respect to obtaining or maintaining Regulatory Approval for, Licensed Compounds or Products, in accordance with this Agreement. Thereafter, on a continuing basis during the Term as may be requested by Novartis no more than [\*\*\*] per Calendar Quarter, Licensor shall promptly, and for no additional compensation, disclose to Novartis through the JSC or JRDC, as applicable, all additional Licensor Know-How that comes into existence since the prior disclosure, and will provide reasonable assistance to Novartis in connection with understanding and using all such Know-How for purposes consistent with the licenses and rights granted to Novartis hereunder.

- (c) **Cooperation.** Licensor will provide reasonable assistance to Novartis or its designated Affiliate in connection with understanding and using the Licensor Know-How for purposes consistent with licenses and rights granted to Novartis hereunder, including by providing information to assist Novartis or its designated Affiliate in developing formulations of the Licensed Compounds or Products and its related activities.

1.10 **Material Transfer.** In connection with a Research Program, each Party may transfer certain materials to the other Party (the “Materials”). The receiving Party may use the Materials only for the purpose of performing such Research Program and shall acquire no rights therein. The Materials (a) will be used solely for performance of the Research Program at the receiving Party’s facilities, under suitable containment conditions in accordance with all applicable Laws and regulations, as well as with all guidelines for use of the Materials and for research conducted with animals; (b) will under no circumstances be administered to humans; (c) will not be analyzed, reverse engineered or modified other as expressly provided in the applicable Research Plan; (d) will not be transferred or made available to any individual other than the relevant FTEs for the applicable Research Program without the prior written consent of the providing Party; (e) are being supplied to the receiving Party with no warranties, express or implied, of merchantability or fitness for a particular purpose or otherwise, and in particular, the providing Party does not represent or warrant that the use of the Materials will not infringe or violate any patent or proprietary rights of third parties; and (f) are to be used with caution and prudence in any experimental work, since not all of the characteristics of such Materials are necessarily known. The receiving Party shall bear all risk to it and/or any others resulting, directly or indirectly, from use, application, storage or disposal or destruction of the Materials. At any time, the providing Party may require the receiving Party to return or destroy any unused Materials in accordance with all applicable Laws and the providing Party’s instructions (if any), and the receiving Party will return or destroy (as applicable) such Material within ten days of the providing Party’s request.

1.11 **Animal Research Compliance.** To the extent a Research Program involves the use of animals, the provisions of this Section 2.11 will apply. All such animals will be cared for, used, and disposed of in conformity with the highest legal and ethical standards of animal testing as defined by the U.S. Animal Welfare Act (P.L. 89-544, as amended) and the guidelines prescribed in DHHS Publication No. 72-23 (NIH), “Guide for the Care and Use of Laboratory Animals” (1996 edition or succeeding revised editions). The relevant environment, housing, management, veterinary care, and physical plant used in connection with such animals in a Research Program will be appropriate for type(s) of animal(s) and the nature of the Research Program. An institutional animal care and use committee, as that term is contemplated by the U.S. Animal Welfare Act (or its equivalent worldwide) must approve the activities described in a Research Plan prior to commencement of the relevant Research Program and will provide oversight of animal care, use, housing, management and disposal for the duration of the Research Program. In no circumstances will any such animals be used as food for humans or animals. If specific instructions for animal use, care, handling, or disposal are provided by Novartis, Licensor shall use good faith efforts to comply with such instructions in connection with the relevant Research Program. Each Party will have the right to review and audit the relevant facilities of the other Party and related records

to confirm compliance with this Section 2.11 not more than [\*\*\*] per Calendar Year during the audited Party's normal business hours to ensure conformity with the provisions of this Section 2.11.

- 1.12 **Human Material.** Each Party represents and warrants (a) that it has complied, or shall comply, with all applicable Laws relating to the collection and/or use of human primary cell lines, human tissue, human clinical isolates or similar human-derived materials that have been or are to be collected in and/or used in a Research Program ("**Human Material**") and (b) that it has obtained, or shall obtain, all necessary approvals, consents, and/or authorization required by law for the collection, use and/or transfer of such Human Material as contemplated by this Agreement. Each Party shall provide documentation of such approvals, consents, and authorizations upon the other Party's request. Each Party further represents and warrants that such Human Material may be used as contemplated in this Agreement without any obligations to the individuals or entities ("**Providers**") other than required by applicable Law who contributed the Human Material, including any obligations of compensation to such Providers for any purposes, including any obligations of compensation to such Providers or any other Third Party for the intellectual property associated with the Human Material or the commercial use thereof for any purposes.

### 3. LICENSE

#### 3.1 License Grant to Novartis. Subject to the terms and conditions of this Agreement:

- (a) Licensor hereby grants an exclusive (subject to Section 3.5, even as to Licensor and its Affiliates), sub-licensable (pursuant to Section 3.3), royalty-bearing license, under the Licensor Technology to Novartis to Research, Develop, manufacture, have manufactured, use, import, offer for sale, sell, have sold and otherwise Commercialize the Licensed Compounds and Products in the Therapeutic Field in the Territory. For the avoidance of doubt and subject to Section 3.5, the foregoing license is exclusive to Novartis and Licensor has no retained rights (and will not attempt to license any rights, directly or indirectly, to any Third Party) with respect to the Licensed Compounds and Products in the Therapeutic Field in the Territory; except for activities undertaken pursuant to the terms of this Agreement.
- (b) Licensor hereby grants a worldwide, sublicensable, non-exclusive license under the Licensor Technology to Novartis (i) effective as of the Effective Date, to Research, Develop, manufacture, have manufactured, use, and import Licensed Compounds and Products in the Diagnostic Field, and (ii) effective as of the date on which the Parties agree in writing on terms and conditions under Section 6.8, to offer for sale, sell, have sold and otherwise Commercialize Licensed Compounds and Products in the Diagnostic Field.
- (c) Licensor hereby grants a non-exclusive, worldwide, fully paid-up sublicensable license under the Licensor Technology to Novartis solely to perform Novartis' activities under the Research Plan during the Research Term.

#### 3.2 License Grant to Licensor. Subject to the terms and conditions of this Agreement, Novartis hereby grants to Licensor a non-exclusive, worldwide, fully paid-up sublicensable license under the Novartis Background Technology solely for the purpose of performing Licensor's activities under the Research Plan during the applicable Research Term.

#### 3.3 Sublicense Rights; Subcontracting.

- (a) Subject to the terms and conditions of this License Agreement, Novartis may sublicense the rights granted to it by Licensor under this Agreement at any time at its sole discretion through multiple tiers and without reference to the Licensor. Novartis will ensure that all permitted sublicenses granted under this Section 3.3(a) are consistent with the terms of this Agreement.



Novartis will remain responsible for any action or failure to act by its sublicensees to whom Novartis' obligations under this Agreement have been sublicensed, and which action or failure to act would constitute a breach of this Agreement if such action or failure to act were committed by Novartis. Within [\*\*\*] after the execution of any sublicense agreement with a Third Party (other than subcontractors) under which Novartis grants rights to such Third Party to Develop or Commercialize Licensed Compounds or Products, Novartis shall provide Licensor with a copy of such sublicense agreement, provided, that Novartis may redact any terms of such sublicense agreement (i) to the extent not pertinent to either Party's rights or obligations under this Agreement or verification of compliance with the requirements of this Agreement or (ii) that are financial in nature or are otherwise competitively sensitive. For clarity, distributors and wholesalers shall not be considered sublicensees. Novartis may exercise its rights and perform its rights and obligations under this Agreement itself or through any of its Affiliates, provided that Novartis remains responsible for the performance of such Affiliates as if such activities of such Affiliates were activities of Novartis under this Agreement and Novartis remains responsible for any payments due to Licensor under this Agreement with respect to activities of such Affiliates. Licensor may not sublicense the rights granted to it by Novartis under this Agreement without first obtaining, in each case, Novartis' prior written consent and complying with the terms of any such consent.

- (b) Each Party may engage subcontractors to perform any obligations assigned to it under this Agreement; provided that: (a) Licensor shall obtain Novartis' prior written consent before subcontracting any such obligations to any subcontractor that is not either engaged by Licensor as of the Effective Date or included in an approved Research Plan; (b) the subcontracting Party remains fully responsible for the work allocated to, and payment to, such subcontractors to the same extent it would if it had done such work itself; (c) each contract between a Party and a subcontractor is consistent with the provisions of this Agreement, but only as it pertains to the obligations being performed by such subcontractor pursuant to this Agreement, including (i) obligations of confidentiality and non-use applicable to Confidential Information that are at least as stringent as those set forth in Sections 9.1, 9.2, and 9.3, and (ii) obligations of assignment of all Inventions and other Intellectual Property Rights developed in the course of performing any such work under this Agreement to the subcontracting Party and obligations of cooperation to execute any documents to confirm or perfect such assignment; and (d) the subcontracting Party remains at all times fully liable for all acts or omissions of such subcontractor.

3.4 **Third Party Licenses.** All Intellectual Property Rights licensed to a Party from a Third Party (a "**Third Party License**") and sublicensed to the other Party under this Agreement will be subject to and subordinate to the terms of the applicable Third Party License to the extent such terms applies to a sublicensee of such Third Party Intellectual Property Rights. Each Party will comply with the terms of any such Third Party License; *provided, that*, a Party shall not be obligated to comply with any such Third Party License until the relevant terms of any such Third Party License that apply to a Party's exercise of such rights have been fully and accurately disclosed to such Party.

3.5 **No Implied Rights; Retained Rights.** Neither Party nor its Affiliates grants any right or license to the other Party under Know-How, Patent Rights or other Intellectual Property Rights Controlled by such Party or its Affiliates, except as expressly granted in this Agreement. All rights not expressly granted by a Party under this Agreement are reserved to and retained by such Party. Notwithstanding the exclusive license granted by Licensor to Novartis under Section 3.1, Licensor retains the rights under the Licensor Technology (a) to perform its obligations and to exercise its rights under this License Agreement, whether directly or through one or more Affiliates or, subject to Section 3.3(b), subcontractors and (b) to conduct internal pre-clinical and non-clinical research of the Licensed Compound solely to the extent such research relates to improvement of the Platform.

1.6 **Section 365(n).** All rights and licenses granted under or pursuant to Section 3.1 are and shall otherwise be deemed to be for purposes of Section 365(n) of the United States Bankruptcy Code, and any similar laws in any other country, licenses of rights of “intellectual property” as defined in Section 101(35A) of the United States Bankruptcy Code. The Parties shall retain and may fully exercise all of their respective rights and elections under the United States Bankruptcy Code and any similar laws in any other country or jurisdiction throughout the world. Upon the Insolvency Event of a Party, the other Party shall further be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in its possession, will be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party.

1.7 **Non-Compete.**

- (a) During the Term, Licensor will not, by itself or in collaboration with any Third Party, Research, Develop, manufacture or Commercialize in the Therapeutic Field a Product, Licensed Compound, or any product that includes a Licensed Compound, except as otherwise provided in Section 3.5.
- (b) During the period beginning on the Effective Date and ending[\*\*\*] upon receipt [\*\*\*] of the [\*\*\*] from the [\*\*\*] of the [\*\*\*], Licensor will not, by itself or in collaboration with any Third Party, [\*\*\*] (a “**Competing Program**”).
- (c) Notwithstanding anything to the contrary in this Section 3.7, (a) nothing in this Section 3.7 will apply to or otherwise limit a Change of Control of Licensor and (b) if after the Effective Date, any acquirer in connection with a Change of Control of Licensor is engaged in a Competing Program as of the closing date of such transaction, the acquirer and its Affiliates existing prior to such Change of Control may continue to Research, Develop, manufacture and Commercialize such Competing Program; provided, that, (i) none of Novartis’ Confidential Information (including any jointly owned Confidential Information) is used in connection with such Competing Program, (ii) none of the Licensor Technology, or Licensor’s Confidential Information (including jointly owned Confidential Information) or personnel of Licensor or its Affiliates are used in connection with such Competing Program, provided, that the foregoing shall not apply to any senior management of the acquiror or Licensor (or their Affiliates) who merely have knowledge of the relationship with Novartis or who are receiving general information regarding the progress of the Research, Development, or Commercialization activities but do not direct or are not otherwise directly involved in the Research, Development, or Commercialization of any Licensed Compound or Product) and (iii) Licensor immediately establishes reasonable firewall safeguards for use of or access to information to ensure that such use or access does not occur (which include appropriate administrative, physical, and technical safeguards, including underlying operating system and network security controls and other firewalls).

4. **GOVERNANCE**

4.1 **Alliance Managers.** Within [\*\*\*] following the Effective Date, each Party will appoint (and notify the other Party in writing of the identity of) a senior representative having a general understanding of pharmaceutical development and commercialization issues to act as its alliance manager under this Agreement (each, an “**Alliance Manager**”). The Alliance Managers will serve as the contact point between the Parties for the purpose of providing the Parties with information on the progress of Novartis’ Development and Commercialization of the Products and will be primarily responsible for: (a) facilitating the flow of information and otherwise promoting communication, coordination and

collaboration between the Parties; (b) providing single point communication for seeking consensus both internally within the respective Party's organization and together regarding key global strategy and planning issues, as appropriate; and (c) raising cross-Party or cross-functional disputes in a timely manner. Each Party may replace its Alliance Manager on written notice to the other Party.

#### 4.2 **Joint Steering Committee.**

- (a) The Parties will establish a Joint Steering Committee (“**JSC**”), composed of [\*\*\*] senior personnel of Licensor and [\*\*\*] senior personnel of Novartis ([\*\*\*] of which will be the Party's Alliance Manager and which personnel for each Party, collectively, shall have a general understanding of drug manufacturing, Development and Commercialization issues).
- (b) In addition to providing general oversight with respect to the Parties' activities under this Agreement, the JSC shall in particular have the following responsibilities:
  - (i) review, discuss, and determine whether to approve any Research Plan (including the Research Budget set forth therein) for any Replacement Target named to the Collaboration after the Effective Date;
  - (ii) on a Target-by-Target basis, review, discuss, and determine whether to approve any amendments to each Research Plan (including the Research Budget set forth therein and amending the FTEs provided for under any such Research Plan);
  - (iii) receive and discuss reports from the other Committees;
  - (iv) provide guidance to the other Committees on all significant strategic issues that fall within the scope of such Committees;
  - (v) establish such additional joint subcommittees as it deems necessary to achieve the objectives and intent of this Agreement;
  - (vi) resolve disputes for which the JSC is responsible as expressly provided in this Agreement; and
  - (vii) perform such other functions as expressly provided in this Agreement.

#### 1.3 **Joint Research and Development Committee.** The Parties hereby establish a joint research committee (the “**JRDC**”) as a joint subcommittee under the JSC, composed of [\*\*\*] (or a larger number agreed by the Parties) representatives of each Party, each of whom will have the appropriate experience and expertise to perform its responsibilities on the JRDC. The JRDC shall:

- (a) coordinate the Collaboration and facilitate communications between the Parties with respect to the Collaboration;
- (b) prepare a Research Plan (including the Research Budget set forth therein) for any Replacement Target named to the Collaboration after the Effective Date and submit such Research Plan to the JSC to review, discuss and determine whether to approve;
- (c) on at least [\*\*\*] basis during the Research Term in accordance with Section 2.2, prepare amendments to each Research Plan (including the Research Budget set forth therein) and submit the Research Plan to the JSC to review, discuss and determine whether to approve such amendment;

- (d) discuss the data and results of performance of the Research Plans and the anticipated timeline for initiating and completing the activities set forth therein; and
- (e) perform such other functions as may be appropriate to further the purposes of this Agreement with respect to the Research of the Products, as directed by the JSC.

#### 4.4 Meetings of the JSC and JRDC.

- (a) Within [\*\*\*] after the Effective Date, each Party shall appoint its representatives on the JSC and the JRDC by providing written notification to the other Party. Each Party may replace its representatives on any Committee on written notice to the other Party, but each Party shall strive to maintain continuity in the representation of its Committee members. Each Party shall appoint [\*\*\*] of its representatives on each Committee to act as a co-chairperson of such Committee. The co-chairpersons shall jointly prepare and circulate agendas to the applicable Committee's members at least [\*\*\*] before each Committee meeting and shall direct the preparation of reasonably detailed minutes for each Committee meeting, which shall be approved by the co-chairpersons and circulated to Committee members within [\*\*\*] after such meeting. Each Party shall be solely responsible for the costs incurred by its representatives in attending any Committee meeting.
- (b) Each Committee shall hold meetings at such times as it elects to do so, but in no event shall such meetings be held less frequently than (i) for the JSC, once per Calendar Quarter; (ii) for the JRDC, once every month (unless otherwise agreed by the JRDC) until completion of the Collaboration on a Target-by-Target basis. Committee meetings may be held in person or by audio or video teleconference. No action taken at any Committee meeting shall be effective unless at least [\*\*\*] representative of each Party is participating.
- (c) Each Party may from time to time invite a reasonable number of participants, in addition to its representatives, to attend JSC meetings in a non-voting capacity, with the consent of the other Party (which shall not be unreasonably withheld); provided, that such participants will be, before attending such meetings, bound by written confidentiality obligations consistent with Article 9.
- (d) On [\*\*\*] prior written notice, either Party may request an ad-hoc meeting of a Committee to discuss issues that urgently need to be addressed prior to the next scheduled Committee meeting and such Party will provide the relevant Committee materials reasonably adequate to enable an informed discussion by its members reasonably in advance of such meeting. Ad-hoc meetings may occur via audio or video teleconference or in-person as the Parties may agree.

1.5 **Decisions.** All decisions within the authority of each Committee shall be made by unanimous vote, with each Party's representatives collectively having one (1) vote. If a Committee is unable to reach agreement as to a particular matter within such Committee's jurisdiction, within [\*\*\*] (or a later date mutually agreed to by the Parties) after such matter has been brought to such Committee for resolution, then such disagreement shall (i) in case of disagreement of the JRDC or other joint subcommittee, be referred to the JSC for resolution, and (ii) in the case of disagreement of the JSC, except as expressly provided in Section 4.6, be referred to the Executive Officers of the Parties for resolution.

1.6 **JSC Final Decision Making.** If the Executive Officers do not fully resolve any matter within the JSC's authority or referred to them under Section 4.5 within [\*\*\*] (or a later date mutually agreed to by the Parties) of the matter being referred to them, then the resolution or course of action shall be determined by [\*\*\*], in its sole discretion; provided, that notwithstanding the foregoing, Excluded Matters shall [\*\*\*] (in each case acting reasonably and in good faith):

- (a) **“Excluded Matters”** shall be the following:
- (i) The approval of any new Research Plan pursuant to Section 4.2(b)(i);
  - (ii) Any amendments, changes or additions to the procedural rules or standing rules of the JSC or the JRDC; or
  - (iii) Any amendments, changes or additions to a Research Plan, including any decision that (1) would expand the scope of the work to be carried out under the Research Plan that results in an increase in the Research Costs borne by Licensor (including FTE costs), or (2) would require Licensor to assume additional obligations under the Research Plan.

4.7 **Costs of Governance.** The Parties agree that the costs incurred by each Party in connection with its participation at any meetings under this Article 4 shall be borne solely by such Party.

4.8 **Limitations of Committee Authority; Discontinuation.** The activities to be performed by each Committee shall solely relate to governance under this Agreement, and are not intended to be or involve the delivery of services. Each Committee shall only have the powers expressly assigned to it in this Article 4 and elsewhere in this Agreement and shall not have the authority to: (a) modify or amend the terms and conditions of this Agreement; (b) waive or determine either Party’s compliance with the terms and conditions of under this Agreement; or (c) decide any issue in a manner that would conflict with the express terms and conditions of this Agreement. Each Committee shall continue to exist until the first to occur of: (A) the Parties mutually agreeing to disband the Committee; (B) Licensor providing written notice to Novartis of its intention to disband and no longer participate in such Committee; or (C) the expiration of the last-to-expire Research Term. Once a Committee ceases to exist as provided in the previous sentence, such Committee shall have no further obligations under this Agreement.

4.9 **Change of Control.** In the event of a Change of Control of Licensor, Novartis may, upon [\*\*\*] prior written notice to Licensor (or its successor entity), in addition to its rights under this Agreement, terminate the provisions of this Sections 4.2–4.8. Upon such notice, (i) neither Party will have any further obligations under Sections 4.2–4.8 for the remaining Term and (ii) [\*\*\*]. For clarity, the Alliance Managers will remain a point of information exchange as set forth in Section 4.1.

## 5. DEVELOPMENT, REGULATORY, MANUFACTURING, AND COMMERCIALIZATION

5.1 **Development.** Subject to Section 5.2, Novartis will be responsible for conducting, at its sole expense, such research and preclinical, clinical and other Development of the Licensed Compounds or Products as it determines appropriate in its sole discretion.

5.2 **Development Diligence.** Novartis shall itself, or through its Affiliates, sublicensees, or other Third Parties, use Commercially Reasonable Efforts to Develop at least [\*\*\*] for each Target in the Therapeutic Field. Subject to compliance with the foregoing, the Development of the Product shall be in Novartis’ sole discretion.

### 5.3 Regulatory.

- (a) Subject to the second sentence of Section 5.6, Novartis will be responsible for all regulatory matters with respect to the Licensed Compounds or Products as it determines appropriate in its sole discretion.
- (b) Novartis will (i) determine the regulatory plans and strategies for the Licensed Compounds or Products, (ii) (either itself or through its Affiliates or sublicensees) make all Regulatory Filings

with respect to the Product and (iii) be responsible for obtaining and maintaining Regulatory Approvals in the Territory in the name of Novartis or its Affiliates or sublicensees.

- (c) Subject to Section 5.9(c), Licensor shall fully cooperate with and provide assistance to Novartis in connection with filings to any Regulatory Authority relating to the Licensed Compounds or Product(s) (including, to the extent applicable, filings related to the quantitative and qualitative composition of Licensed Compounds or Products), including by executing any required documents, providing access to personnel and providing Novartis with copies of all reasonably required documentation.
- (d) To the extent required, Licensor shall grant or cause to be granted to Novartis and its Affiliates or sublicensees a Right of Reference to any relevant drug master files and other filings (including, to the extent applicable, filings related to the quantitative and qualitative composition of Licensed Compounds or Products) submitted by Licensor or its Affiliates with any Regulatory Authority.
- (e) Novartis shall have the right to disclose the existence of, and the results from, any clinical trials conducted under this Agreement in accordance with Section 5.1 and its standard policies.

5.4 **Compliance.** Each Party agrees that, in performing its obligations under this Agreement: (a) it shall comply with all applicable current international regulatory standards, including cGMP, cGLP, cGCP and other rules, regulations and requirements; and (b) it will not employ or use any person that has been debarred under Section 306(a) or 306(b) of the US Federal Food, Drug and Cosmetic Act (21 U.S.C. 335a).

5.5 **Manufacturing.** Novartis, its Affiliates or its designated sublicensee(s) and subcontractor(s) will be solely responsible for the manufacture and supply of the Licensed Compounds and Products being Developed or Commercialized under this Agreement as it determines appropriate in its sole discretion.

- (a) Subject to Section 5.9(c), during the period from the Effective Date until the First Commercial Sale of a Product under this Agreement, Licensor shall, at its expense, fully cooperate with and provide assistance to Novartis or its designee, through documentation, consultation, training and face-to-face meetings, to enable Novartis or its designee in an efficient and timely manner to proceed with Development and manufacturing of the Licensed Compounds or Products and to obtain all appropriate Regulatory Approvals for manufacturing (including qualification by the applicable Regulatory Authority of manufacturing sites).
- (b) Subject to Section 5.9(c), during such period, Licensor shall make appropriate personnel available to assist Novartis or its designee at any time and from time to time as reasonably requested by Novartis, and shall provide the appropriate personnel of Novartis or its designee with access to the personnel and manufacturing and other operations of Licensor for such periods of time and in such manner as is reasonable in order to familiarize the personnel of Novartis or its designee with Licensor Know-How relating to the Development and manufacture of the Licensed Compounds or Products and the application of the same. At Novartis' request, such assistance shall also be furnished at the manufacturing facilities of Novartis or its designee.
- (c) Subject to Section 5.9(c), Licensor shall fully cooperate with Novartis in complying with requirements of 35 U.S.C. §200 through 212, including requesting waivers where appropriate.

5.6 **Commercialization.** Novartis will be solely responsible for all aspects of Commercialization of the Products in the Territory, including planning and implementation, distribution, booking of sales, pricing and reimbursement. Novartis shall itself, or through its Affiliates, sublicensees, or other Third Parties, use Commercially Reasonable Efforts to Commercialize in the Therapeutic Field at least [\*\*\*] for

which Regulatory Approval has been obtained in each of the Major Markets. Notwithstanding the foregoing, Novartis' application of Commercially Reasonable Efforts shall not require Novartis to Commercialize a Product in any country or territory in which Novartis determines it is not commercially reasonable to do so for such Product. Subject to compliance with the foregoing, the Commercialization of the Products shall be in Novartis' sole discretion.

- 5.7 **Pharmacovigilance.** Within [\*\*\*] following the Effective Date, the Parties shall agree upon and implement a procedure for the mutual exchange of adverse event reports and safety information associated with the Products. Details of the operating procedure respecting such adverse event reports and safety information exchange shall be the subject of a mutually-agreed written pharmacovigilance agreement between the Parties which shall be entered into within such [\*\*\*] period.
- 5.8 **Technology and Material Transfer.** After expiration of the Research Term with respect to a Target, Licensor shall promptly (but in no event later than [\*\*\*] thereafter) transfer to Novartis (or, if instructed by Novartis with respect to Materials, to a Third Party working on behalf of Novartis) copies of all relevant Licensor Know-How and Materials for the applicable Target then existing and not previously provided to Novartis, including any manufacturing Licensor Know-How relating to such Licensed Compound or Product with respect to such Target.
- 5.9 **Assistance and Cooperation.** The Parties understand and agree that, from time to time, Novartis may reasonably request assistance and cooperation from Licensor in connection with:
- (a) following expiration of the Research Term with respect to a Target, the technology transfer contemplated by Section 5.8, including reasonable technical assistance in the practice of the Licensor Know-How in the Development and manufacture of the Licensed Compounds and Products directed to such Target, including reasonable access to Licensor's technical personnel involved in the Research of the applicable Licensed Compounds and Products; and
  - (b) the preparation and submission of any Regulatory Filings to obtain, support or maintain Regulatory Approvals.
  - (c) Licensor shall provide up to an aggregate of [\*\*\*] of work relating to any assistance and cooperation contemplated by Section 5.9(a) for all Targets combined, without additional compensation or reimbursement. Licensor may invoice Novartis for the FTE Costs that relate to any such work in excess of such [\*\*\*] and the reasonable documented Out-of-Pocket Costs, in each case, requested by Novartis and incurred by Licensor to provide such requested assistance or cooperation and Novartis shall pay all such undisputed Invoices within [\*\*\*] of the date of receipt by Novartis of such Invoice; provided, that the scope of Licensor's assistance and cooperation and the related costs are discussed and agreed by the Parties prior to Licensor's provision thereof. Novartis' right to request such support shall expire on a Target-by-Target basis on the [\*\*\*] of the expiration of the Research Term for a Target.
- 5.10 **Novartis Reporting.**
- (a) Subject to Section 5.10(b), on a Target-by-Target basis, Novartis will provide Licensor (or its successor entity) with [\*\*\*] written report summarizing Development activities that Novartis and its Affiliates and their respective agents, licensees and sublicensees have conducted during the prior Calendar Year with respect to each Target and the corresponding Licensed Compounds and Products (as applicable) (each, a "**Product Development Report**") in sufficient detail to permit Licensor to evaluate whether Novartis has complied with its diligence obligations pursuant to Sections 5.2 and 5.6. The first [\*\*\*] Product Development Report shall be provided by Novartis to Licensor on the first [\*\*\*] after the end of the Research Term for a Target, and annually on [\*\*\*] thereafter until the First Commercial Sale of the first Product with respect to

each Target. Each [\*\*\*] Product Development Report will include: (a) a summary of accomplishments during the prior Calendar Year, and projects then being conducted and planned to be conducted during the current Calendar Year (including clinical trials), in each case relating to the Development and Commercialization of the relevant Target and related Licensed Compound and Products; (b) Regulatory Approvals achieved during the prior Calendar Year and Regulatory Filings planned for submission during the current Calendar Year with respect to the relevant Target and related Licensed Compounds and Products For clarity, Development activities, Regulatory Filings and submissions planned for the then-current Calendar Year are intended to describe anticipated activities, and the Parties acknowledge that the actual Development of Products may change during the Calendar Year due to unforeseen or unknown developments or information.

- (b) Novartis’ financial reporting obligations under Article 7 will survive a Change of Control of Licensor; provided that in the event of a Change of Control of Licensor, Novartis may, in addition to its rights under Section 5.10(a), redact any competitively sensitive information from any Product Development Reports provided to Licensor (or its successor) pursuant to Section 5.10(a).

**6. FINANCIAL PROVISIONS**

6.1 **Upfront Payment.** In consideration of the licenses and rights granted to Novartis hereunder, Novartis shall pay to Licensor a one-time, non-refundable, non-creditable upfront payment of twenty million dollars (\$20,000,000) within [\*\*\*] after receipt by Novartis of an Invoice from Licensor, which invoice shall be issued by Licensor no earlier than the Effective Date.

6.2 **Development Milestone Payments.** In consideration of the licenses and rights granted to Novartis hereunder, Novartis will make the following development and regulatory milestone payments (each a “**Development Milestone Payment**”) on a Target-by-Target basis upon the first achievement by a Product with respect to a Target of the corresponding milestone (each a “**Development Milestone Event**”) by Novartis, its Affiliates, or their sublicensees. Each Development Milestone Payment will be paid once per Target, regardless if more than one Product with respect to such Target achieves the relevant milestone.

	Development Milestone Event	Development Milestone Payment (USD)
1	[***]	[***]
2	[***]	[***]
3	[***]	[***]
4	[***]	[***]
5	[***]	[***]
	<b>Total Amount per Target if all Development Milestones Events are Achieved</b>	[***]



Each Development Milestone Payment shall be deemed earned as of the first achievement of the corresponding Development Milestone Event, as determined by Novartis. Novartis shall provide Licensor with written notice of the achievement of each Development Milestone Event within [\*\*\*] after such Development Milestone Event is achieved. Each Development Milestone Payment set forth above shall be due and payable only once for each Target, regardless of how many times the corresponding Development Milestone Event is achieved or the number of Products that achieve such Development Milestone Event. The total amount of Development Milestone Payments for Products associated with a particular Target shall not exceed [\*\*\*], and the aggregate Development Milestone Payments under this Agreement with respect to all Targets and Products under this Agreement, shall not exceed [\*\*\*].

6.3 **Commercial Milestone Payments.** In consideration of the licenses and rights granted to Novartis hereunder, Novartis shall make the following payments to Licensor (each a “**Commercial Milestone Payment**”) after the first achievement of the applicable commercial milestone event set forth below with respect the Annual Net Sales of a Product directed to such Target (each a “**Commercial Milestone Event**”).

Commercial Milestone Event	Commercial Milestone Payment (Dollars)
[***]	[***]
[***]	[***]
[***]	[***]
<b>Total Amount per Target</b>	<b>[***]</b>

Each Commercial Milestone Payment is payable only once with respect to the first Product specific for each Target to achieve such Commercial Milestone Event (and, for clarity, shall be deemed earned as of the first achievement of such corresponding Commercial Milestone Event by a Product specific for such Target). Novartis will notify Licensor in writing of the achievement of each Commercial Milestone Event via the applicable Sales & Royalty Report, and Novartis shall pay to Licensor the corresponding Commercial Milestone Payment together with the royalty payment in the manner set forth in Section 7.1. The total amount of Commercial Milestone Payments with respect to each Target shall not exceed [\*\*\*], and the aggregate Commercial Milestone Payments under this Agreement with respect to all Targets and Products under this Agreement, shall not exceed [\*\*\*].

6.4 **Royalty Payments.**

- (a) In consideration of the licenses and rights granted to Novartis hereunder, during the applicable Royalty Term, Novartis will pay Licensor a royalty on aggregate worldwide Annual Net Sales in the Therapeutic Field of Products directed to a given Target sold by Novartis, its Affiliates, or sublicensees as set forth in the table below:

Annual Net Sales of Products directed to a given Target in the Therapeutic Field in the Territory during the Royalty Term	Royalty Rate for Products
[***]	[***]
[***]	[***]
[***]	[***]

- (b) Royalties will be payable on a Product-by-Product and country-by-country basis from First Commercial Sale of such Product in such country until the latest of (i) the expiration of the last to expire Valid Claim of the Royalty Patents which Covers the composition of matter, manufacture, import, sale or use of such Product in such country, (ii) the expiration of Regulatory Exclusivity covering such Product in such country, and (iii) ten (10) years from the First Commercial Sale of such Product in such country (“**Royalty Term**”). Following the expiration of the Royalty Term on a Product-by-Product and country-by-country basis, Novartis’ licenses under Section 3.1 with respect to such Product shall continue in effect, but become fully paid-up, royalty-free, transferable, perpetual and irrevocable. For the avoidance of doubt, royalties shall be payable only once with respect to the same unit of Product.

**6.5 Know-How Royalty; Loss of Market Exclusivity.**

- (a) If, on a country-by-country basis during the Royalty Term, the relevant Product is not covered by a Valid Claim of a Royalty Patent in the applicable country, the Net Sales for such country to be included in worldwide Annual Net Sales for the purposes of the calculation of royalties due to Licensor pursuant to Section 6.4 will thereafter be reduced by [\*\*\*].
- (b) **Loss of Market Exclusivity.** If, during the Royalty Term, there is a Loss of Market Exclusivity in a country, then, the Net Sales for such country to be included in worldwide Annual Net Sales for the purposes of the calculation of royalties due to Licensor pursuant to Section 6.4 will thereafter be reduced by [\*\*\*].

**6.6 Third Party Obligations.**

- (a) Subject to Section 6.6(b) and Section 6.6(c), Licensor shall remain responsible for the payment of royalty, milestone and other payment obligations, if any, due to Third Parties under any Licensor Patent Rights or Licensor Know-How which have been licensed to Licensor as of the Effective Date, or are licensed to Licensor during the Term, and are sublicensed to Novartis under this Agreement. All such payments shall be made promptly by Licensor in accordance with the terms of the applicable license agreement.
- (b) If Licensor Controls any Patent Right or Know-How through a right or license from a Third Party obtained after the Effective Date, but excluding any such Patent Right or Know-How that relates solely to the Platform (“**Third Party IP**”) that would be included in the definition of Licensor Technology, then Licensor shall promptly disclose the terms and conditions of such license and such Third Party IP to Novartis. Following the disclosure of such license terms and conditions, such Third Party IP shall be deemed part of the Licensor Technology only if Novartis provides Licensor with written notice that (i) Novartis consents to adding such Patent Rights and Know-How to the definition of Licensor Technology, as applicable, (ii) Novartis

agrees to be responsible for the payment obligations set forth in this Section 6.6(b) with respect to such Third Party IP agreement, and (iii) Novartis acknowledges that its sublicense under such Third Party IP agreement is subject to the terms and conditions of such agreement. With respect to any Third Party IP for which Novartis has elected to take a sublicense in accordance with the foregoing (i)–(iii), Novartis shall reimburse Licensor for [\*\*\*] of all payments payable by Licensor to such Third Party to the extent that such payments directly result from the Research, Development, manufacture, use, import, sale, or other Commercialization the Licensed Compounds and Products by or on behalf Novartis, its Affiliates or sublicensees in the Field in the Territory. For any payment that is owed to such Third Party that is partially due to the Research, Development, manufacture, use, import, sale, or other Commercialization the Licensed Compounds and Products by or on behalf Novartis, its Affiliates or sublicensees in the Field in the Territory (e.g., license maintenance fees where the Third Party IP is also applicable to products other than Products), [\*\*\*].

- (c) In the event that, after the Effective Date, Novartis obtains rights to any Patent Right or Know-How owned or otherwise controlled by a Third Party that relates solely to Platform and that are necessary for the Development, manufacture, or Commercialization of a Licensed Compound, Novartis shall have the right to deduct from the royalty payments due to Licensor under Section 6.4 [\*\*\*] of the amounts paid [\*\*\*] by Novartis to such Third Party. Licensor agrees to fully cooperate with Novartis to acquire such rights.
- (d) In the event that, after the Effective Date, Novartis obtains rights to any Patent Right or Know-How owned or otherwise controlled by a Third Party that does not fall under Section 6.6(c) that are necessary for the Development, manufacture, or Commercialization of a Licensed Compound, Novartis shall have the right to deduct from the royalty payments due to Licensor under Section 6.4 [\*\*\*] of the amounts paid [\*\*\*] by Novartis to such Third Party. Licensor agrees to fully cooperate with Novartis to acquire such rights.

6.7 **Royalty Floor.** Notwithstanding anything to the contrary herein, in no event shall the Calendar Quarter royalty payment on Net Sales payable to Licensor under this Agreement pursuant to Section 6.4 be reduced pursuant to Sections 6.5 and 6.6 to less than [\*\*\*] of the amounts that would have been paid had no deductions been made pursuant to Sections 6.5 or 6.6; provided, however, that if Novartis is precluded from applying the full amount it would otherwise be entitled to apply in reducing its royalty payment in any Calendar Quarter by virtue of this Section 6.7, then it shall be permitted to apply such unapplied portion to reduce its royalty obligations in subsequent Calendar Quarters until the full amount of such reductions has been applied.

1.8 **Products in the Diagnostic Field.** In the event that either Party intends to Commercialize a Product in the Diagnostic Field, then no later than the date of [\*\*\*] for a Product in the Therapeutic Field, the Parties will initiate good faith negotiations with respect to the terms of such Commercialization, which terms may include the [\*\*\*]. If the Parties are unable to reach agreement after [\*\*\*] of the initiation of such negotiations, then such matter will be referred to the Executive Officers of each Party for resolution. If the Executive Officers do not fully resolve such matter within [\*\*\*] (or a later date agreed to by each of the Parties) of the matter being referred to them, then to the extent that the matter relates to financial terms, it will be resolved by Expedited Arbitration and to the extent that the matter relates to non-financial terms, it will be resolved pursuant to Section 15.5(b). Notwithstanding the foregoing, Novartis will have no payment obligation under Section 6.2 for Novartis' Development of a Product in the Diagnostic Field or use of such Product in the Diagnostic Field in the conduct of Clinical Trials of a Product in the Therapeutic Field.

6.9 **No Projections.** Licensor and Novartis acknowledge and agree that nothing in this Agreement shall be construed as representing an estimate or projection of anticipated sales of any Product, and that the Milestones and Net Sales levels set forth above or elsewhere in this Agreement or that have otherwise

been discussed by the Parties are merely intended to define the Milestone Payments and royalty obligations to Licensor in the event such Milestones or Net Sales levels are achieved. NEITHER LICENSOR NOR NOVARTIS MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, THAT IT WILL BE ABLE TO SUCCESSFULLY COMMERCIALIZE ANY PRODUCT OR, IF COMMERCIALIZED, THAT ANY PARTICULAR NET SALES LEVEL OF SUCH PRODUCT WILL BE ACHIEVED.

## 7. REPORTS AND PAYMENT TERMS

### 7.1 Payment Terms.

- (a) After receipt of a notice of the achievement of a Milestone, Licensor shall submit an Invoice to Novartis with respect to the corresponding Milestone Payment, provided that no such Invoice shall be submitted prior to the Effective Date. Novartis shall make the Milestone Payment within [\*\*\*] after receipt of such invoice.
- (b) Within [\*\*\*] after each Calendar Quarter during the Term following the First Commercial Sale of a Product, Novartis will provide to Licensor a Sales & Royalty Report. Licensor shall submit an Invoice to Novartis with respect to the royalty amount owed for such Calendar Quarter. Novartis shall pay such royalty amount within [\*\*\*] after receipt of the Invoice.
- (c) Each Party (the “Payee”) shall provide to the other Party (the “Payor”) an Invoice for all amounts due to it under this Agreement. Unless otherwise noted, payments on such Invoices shall be made to the Payee within [\*\*\*] of the Payor’s receipt of the applicable Invoice.
- (d) All payments from Novartis to Licensor shall be made by wire transfer in USD to the credit of such bank account as may be designated by Licensor in this Agreement or in writing to Novartis. Any payment which falls due on a date which is not a Business Day in the location from which the payment will be made may be made on the next succeeding Business Day in such location.
- (e) If Payor fails to pay any payment under this Agreement by the date when such payment is due, then, without limiting any other right or remedy of Payee, such late payment shall be paid together with interest thereon at an annual rate (but with interest accruing on a daily basis) of [\*\*\*] above the [\*\*\*] of [\*\*\*] rate from the date on which such payment was originally due until the date of payment (provided, that, such rate shall not exceed the rate permissible under applicable Law).. Interest shall not accrue on undisputed amounts that were paid after the due date solely as a result of mistaken Licensor actions (e.g., if a payment is late as a result of Licensor or any of its Affiliates providing an incorrect account for receipt of payment).

7.2 **Currency.** All payments under this Agreement shall be payable in USD. When conversion of payments from any foreign currency is required to be undertaken by Novartis, the USD equivalent shall be calculated using Novartis’ then-current standard exchange rate methodology as applied in its external reporting.

### 7.3 Taxes.

- (a) In the event any payments to be made to Licensor or its Affiliates under this Agreement are subject to withholding tax under applicable Laws, including extra-territorial taxation, or if it is unclear whether the requirements of applicable Laws, including extra-territorial taxation, are met, Novartis or its Affiliates shall be authorized to deduct the withholding tax from the payments, and shall pay all such withholding tax to the relevant tax authority, so that only the

correspondingly reduced amount of payments (i.e. the full amount payable less withholding tax) is paid out to Licensor. Novartis shall provide Licensor with proof of the withholding tax payment. Licensor and Novartis shall make all reasonable efforts to obtain relief or reduction of withholding tax under the applicable tax treaties, including the submission or issuance of requisite forms and information. If a special procedure is required for treaty relief by Law, a treaty relief based on a tax treaty will only be taken into account if Licensor submits any exemption certificate requested by Novartis to Novartis in accordance with legal requirements on or prior to the time of the payment to Licensor.

- (b) If no withholding tax deduction has been made on the payments to Licensor or its Affiliates under this Agreement, but tax authorities subsequently take the position that a withholding tax deduction should have been made, including extra-territorial taxation, Licensor shall provide, at its own expense, all reasonable support to Novartis to obtain relief or reduction of withholding under the applicable Laws, including tax treaties, including the submission or issuance of requisite forms and information, and the Parties will bear such liability (reimburse one another as necessary) in a manner consistent with that which would have resulted had the tax been originally withheld. Any refunds of withholding taxes that are granted to Licensor by the competent tax authority and which would cause Licensor to receive payments in excess of that which Novartis would owe under this Agreement, including related interest, shall be paid to Novartis by Licensor.
- (c) All amounts mentioned in this Agreement are exclusive of any VAT. Licensor and Novartis shall issue all Invoices including claim of expenses etc. in full compliance with the VAT laws and regulations applicable at Licensor's and Novartis' place of business. If any VAT is due based on local law, Licensor and Novartis will be allowed to add the amount of VAT to the amounts mentioned in this Agreement and invoice the other party the net amount plus applicable VAT.

#### 7.4 Records and Audit Rights.

- (a) Each Party shall keep complete, true and accurate books and records in accordance with its Accounting Standards in relation to this Agreement, including, with respect to Novartis, in relation to Net Sales and royalties. Each Party will keep such books and records for at least [\*\*\*] following the Calendar Year to which they pertain.
- (b) Licensor may, upon written request to Novartis, cause an internationally-recognized independent accounting firm (which is reasonably acceptable to Novartis) (the "**Auditor**") to inspect the relevant records of Novartis or its Affiliates to verify the royalties payable by Novartis and the related reports, statements and books of accounts, as applicable. Before beginning its audit, the Auditor shall execute an undertaking acceptable to Novartis by which the Auditor shall agree to keep confidential all Confidential Information reviewed during such audit. The Auditor shall have the right to disclose to Licensor only its conclusions regarding any payments owed under this Agreement.
- (c) Novartis and its Affiliates shall make their records relating to each Sales & Royalty Report available for inspection by such Auditor during regular business hours at such place or places where such records are customarily kept, upon receipt of reasonable advance notice from Licensor. The records shall be reviewed solely to verify the accuracy of Novartis' royalties and compliance with this Agreement. Such inspection right shall not be exercised more than once in any Calendar Year and not more frequently than once with respect to records covering any specific period of time. In addition, Licensor shall only be entitled to audit the relevant books and records of Novartis from the [\*\*\*] prior to the Calendar Year in which the audit request is made. Licensor agrees to hold in strict confidence all Confidential Information received and all

Confidential Information learned in the course of any audit or inspection, except to the extent necessary to enforce its rights under this Agreement or to the extent required to comply with any law, regulation or judicial order.

- (d) The Auditor shall provide its audit report and basis for any determination to Novartis at the time such report is provided to Licensor, before it is considered final. Novartis shall have the right to request a further determination by such Auditor as to matters which Novartis disputes within [\*\*\*] following receipt of such report. Novartis will provide Licensor and the Auditor with a reasonably detailed statement of the grounds upon which it disputes any findings in the audit report and the Auditor shall undertake to complete such further determination within [\*\*\*] after the dispute notice is provided, which determination shall be limited to the disputed matters. Any matter that remains unresolved shall be resolved in accordance with the dispute resolution procedures contained in Section 15.5.
- (e) In the event that the final result of the inspection reveals an undisputed underpayment or overpayment by Novartis, the underpaid or overpaid amount shall be settled promptly.
- (f) Licensor shall pay for such audits, as well as its own expenses associated with enforcing its rights with respect to any payments hereunder. In addition, if an underpayment of more than [\*\*\*] of the total payments due for the applicable audit period is discovered, the fees and expenses charged by the Auditor shall be paid by Novartis.

## 8. INTELLECTUAL PROPERTY RIGHTS

### 1.1 Ownership of Inventions.

- (a) **By Inventorship.** Except as set forth in Section 8.1(b), and Section 8.1(c) below, ownership of all Inventions shall be based on inventorship, as determined in accordance with the rules of inventorship under United States patent laws. Each Party shall solely own any Inventions made solely by its and its Affiliates' and sublicensees' employees, agents, or independent contractors ("**Sole Invention**"). The Parties shall jointly own any Inventions that are made jointly by employees, agents, or independent contractors of one Party and its Affiliates and sublicensees together with employees, agents, or independent contractors of the other Party and its Affiliates and sublicensees ("**Joint Invention**"). All (i) Know-How developed jointly by employees, agents, or independent contractors of one Party and its Affiliates and sublicensees together with employees, agents, or independent contractors of the other Party and its Affiliates and sublicensees and (ii) Patent Rights claiming patentable Joint Inventions shall be referred to herein as "**Joint Know-How**" or "**Joint Patent Rights**", respectively. Except to the extent either Party is restricted by the licenses granted to the other Party under this Agreement, or pursuant to Section 3.6, each Party shall be entitled to practice, license (through multiple tiers), assign and otherwise exploit the Joint Inventions and Joint Patent Rights in all countries and jurisdictions without the duty of accounting or seeking consent from the other Party.
- (b) **Improvements to Platform.** Notwithstanding Section 8.1(a) and subject to Section 8.1(d), Licensor shall solely own all Inventions that are improvements to the Platform. To the extent any such Invention that belongs to Licensor under this Section 8.1(b) is made by Novartis, its Affiliates or sublicensees or its or their employees, agents, or independent contractors, whether solely or jointly, Novartis shall and hereby does assign and transfer to Licensor, without additional consideration, all right, title and interest in and to such Invention (including all rights of action and claims for damages and benefits arising due to past and present infringement of such Invention), and such Invention shall be deemed Licensor's Sole Invention and Licensor's Confidential Information (and not the Confidential Information of Novartis). Subject to the terms and conditions of this Agreement, Licensor hereby grants to Novartis a perpetual,

irrevocable, non-exclusive, fully-paid, royalty-free, worldwide, freely sublicensable license, to use the Inventions assigned to Licensor pursuant to this Section 8.1(b), for any and all purposes.

- (c) **Improvements to Novartis Background Technology.** Notwithstanding Section 8.1(a) and subject to Section 8.1(d), Novartis shall solely own all Inventions that are improvements to the Novartis Background Technology. To the extent any such Invention that belongs to Novartis under this Section 8.1(c) is made by Licensor, its Affiliates or sublicensees or its or their employees, agents, or independent contractors, whether solely or jointly, Licensor shall and hereby does assign and transfer to Novartis, without additional consideration, all right, title and interest in and to such Invention (including all rights of action and claims for damages and benefits arising due to past and present infringement of such Invention), and such Invention shall be deemed Novartis' Sole Invention and Novartis' Confidential Information (and not the Confidential Information of Licensor). Subject to the terms and conditions of this Agreement, Novartis hereby grants to Licensor a perpetual, irrevocable, non-exclusive, fully-paid, royalty-free, worldwide, freely sublicensable license, to use the Inventions assigned to Novartis pursuant to this Section 8.1(c), for any and all purposes.
- (d) **Disclosure.** During the Research Term, each Party shall promptly disclose to the other Party all Inventions, including all invention disclosures or other similar documents submitted to such Party by its, or its Affiliates' or sublicensees', employees, agents or independent contractors relating to such Inventions, and shall also respond promptly to reasonable requests from such other Party for additional information relating to such Inventions.
- (e) **Personnel Obligations.** Each employee, agent or independent contractor of a Party or its respective Affiliates or sublicensees performing work under this Agreement shall, prior to commencing such work, be bound by invention assignment obligations, including: (i) promptly reporting any invention, discovery, process or other intellectual property right to the applicable Party, its Affiliate or sublicensee; (ii) presently assigning to the applicable Party, its Affiliate or sublicensee all of his or her right, title and interest in and to any invention, discovery, process or other intellectual property; (iii) cooperating in the preparation, filing, prosecution, maintenance and enforcement of any patent and patent application with respect to such invention, discovery, process or other intellectual property; and (iv) performing all acts and signing, executing, acknowledging and delivering any and all documents required for effecting the obligations and purposes of this Agreement. It is understood and agreed that any such invention assignment agreement need not reference or be specific to this Agreement.

8.2 **Ownership of Results and Data.** All data and results arising from the Parties' activities under this Agreement, including clinical and regulatory data and Information generated for regulatory purposes relating to the Product shall be owned by Novartis.

8.3 **Patent Filing, Prosecution, Maintenance, Management & Strategy.**

- (a) **Responsibility for Prosecuting and Maintaining Platform Patent Rights and Certain Joint Patent Rights.** Subject to the terms of this Section 8.3, (i) [\*\*\*] to file, prosecute and maintain the Platform Patent Rights and (ii) [\*\*\*] to file, prosecute and maintain the Joint Patent Rights that are [\*\*\*], using counsel of its own choice (including outside counsel or internal counsel) to whom [\*\*\*] has no reasonable objection; provided that, [\*\*\*] will be deemed to have no objection to [\*\*\*] counsel. [\*\*\*] will keep [\*\*\*] reasonably informed of the status of such Platform Patent Rights and will provide a copy of material substantive communications from any governmental authority concerning such Platform Patent Rights, upon [\*\*\*] request. If [\*\*\*] decides not to prosecute or maintain any such Joint Patent Right, [\*\*\*] shall notify [\*\*\*] in writing at least [\*\*\*] prior to any relevant deadline or filing or response date, and [\*\*\*] shall

thereupon have the [\*\*\*] to assume the prosecution and maintenance of such Joint Patent Right, as applicable, subject to the terms of this Section 8.3.

- (b) **Responsibility for Prosecuting and Maintaining [\*\*\*] Patents and Product Patent Rights.** Subject to the terms of this Section 8.3, [\*\*\*] to prosecute and maintain Patent Rights claiming Inventions [\*\*\*] (“[\*\*\*] Patents”) and the [\*\*\*] to file, prosecute and maintain Product Patent Rights using counsel of its own choice (including outside counsel or internal counsel) to whom [\*\*\*] has no reasonable objection; provided that, [\*\*\*] will be deemed to have no objection to [\*\*\*] counsel. If [\*\*\*] decides not to prosecute or maintain any Product Patent Right, [\*\*\*] shall notify [\*\*\*] in writing at least [\*\*\*] prior to any relevant deadline or filing or response date, and [\*\*\*] shall thereupon have the [\*\*\*] to assume the prosecution and maintenance of such Product Patent Right, as applicable, subject to the terms of this Section 8.3.
- (c) **Costs; Cooperation.** All costs and expenses incurred by the Party which prosecutes and maintains any Platform Patent Right, Joint Patent Right, [\*\*\*] Patent, or Product Patent Right shall be borne by such Party (the “**Prosecuting and Maintaining Party**”). The Prosecuting and Maintaining Party of a Product Patent Right or Joint Patent Right will: (i) keep the other Party reasonably informed of the status of such Patent Rights and provide a copy of material substantive communications from any governmental authority concerning such Patent Rights; (ii) reasonably in advance of making any filings or submissions to any governmental authority with respect to such Patent Rights, such that the other Party may have a reasonable opportunity to review and comment thereon, provide a copy thereof to the other Party for its review and comment; and (iii) consider in good faith all comments timely provided to the Prosecuting and Maintaining Party by the other Party on such filings and communications. Upon the Prosecuting and Maintaining Party’s request and at its expense, the other Party shall provide the Prosecuting and Maintaining Party with all reasonable assistance and cooperation in connection with its prosecution and maintenance of the applicable Patent Rights, including by providing access to relevant persons and executing all documentation reasonably requested by the Prosecuting and Maintaining Party.
- (d) **Patent Term Extension.** [\*\*\*] will have the right to elect and file for patent term restorations or extensions, supplemental protection certificates, or any of their equivalents with respect to patent term restoration, supplemental protection certificates or their equivalents, and patent term extensions with respect to the Product Patent Rights and Joint Patent Rights in any country and/or region where applicable. [\*\*\*] shall keep [\*\*\*] reasonably informed of its efforts to obtain such restoration or extension, supplemental protection certificate or their equivalents and shall in good faith consider [\*\*\*] comments thereto. Licensor shall, and shall cause its Affiliates to, cooperate with and provide all reasonable assistance requested by [\*\*\*], including permitting [\*\*\*], and executing documents and providing any relevant information to [\*\*\*]. [\*\*\*].

#### 8.4 Patent Enforcement and Defense.

- (a) **Notice.** Each Party will promptly notify the other Party of any: (i) infringement, misappropriation, or other violation by a Third Party of any of the Licensor Patent Rights, Joint Patent Rights or Product Patent Rights, of which it becomes aware arising out of the exploitation of Licensed Compounds or Products (“**Third Party Infringement**”); or (ii) request for declaratory judgment, opposition, nullity action, interference, inter-partes reexamination, inter-partes review, post-grant review, derivation proceeding, or similar action alleging the invalidity, unenforceability or non-infringement of any of the Licensor Patent Rights, Joint Patent Rights, Product Patent Rights or [\*\*\*] Patents (each, an “**Agreement Patent Action**”).
- (b) **Control**



- (i) [\*\*\*] will have the sole right, but not the obligation, to bring and control any action in connection with a Third Party Infringement of a Platform Patent Right at its own expense as it reasonably determines appropriate. During any such action, [\*\*\*] shall (I) provide [\*\*\*] with drafts of all official papers and statements prior to their submission in such action, in sufficient time to allow [\*\*\*] to review, consider and substantively comment thereon; and (II) reasonably consider incorporating any such [\*\*\*] comments.
- (i) [\*\*\*] will have the first right, but not the obligation, to bring and control any action in connection with any Third Party Infringement of Joint Patent Rights, Product Patent Rights, or Licensor Patent Rights that do not constitute Platform Patent Rights at its own expense as it reasonably determines appropriate. [\*\*\*] will have the right to join as a party to any such action and participate with its own counsel at its own expense, provided that [\*\*\*]. During any such action, [\*\*\*] shall (I) provide [\*\*\*] with drafts of all official papers and statements prior to their submission in such action, in sufficient time to allow [\*\*\*] to review, consider and substantively comment thereon; and (II) reasonably consider incorporating any such [\*\*\*] comments. Solely with respect to the Joint Patent Rights and Licensor Patent Rights, if [\*\*\*] does not take commercially reasonable steps to prosecute any Third Party Infringement within [\*\*\*] following the first notice provided in Section 8.4(a) above or [\*\*\*] before the time limit, if any, for filing of such actions in accordance with applicable Law, whichever comes first, then [\*\*\*] may prosecute such Third Party Infringement at its own expense.
- (ii) [\*\*\*] will have the sole right, but not the obligation to defend against any Agreement Patent Action for any Platform Patent Right at its own expense as it reasonably determines appropriate.
- (iii) Subject to Section 8.4(b)(iv), [\*\*\*] will have the first right, but not the obligation, to defend against any Agreement Patent Action for any Licensor Patent Right at its own expense as it reasonably determines appropriate. [\*\*\*] may participate in any such Agreement Patent Action for a Licensor Patent Right with counsel of its choice at its own expense, provided that [\*\*\*] shall control the defense in such Agreement Patent Action. If [\*\*\*] informs [\*\*\*] that it does not intend to defend against such an Agreement Patent Action, or if [\*\*\*] determines to cease defending against any such Agreement Patent Action, and, in each case, such Agreement Patent Action is not brought as a defense against a Third Party Infringement, then [\*\*\*] will have the right, but not the obligation, upon written notice to [\*\*\*], to defend against such Agreement Patent Action for a Licensor Patent Right, or take over the defense of any Agreement Patent Action initiated by [\*\*\*], as applicable, in each case, solely as it relates to Licensor Patent Rights.
- (iv) [\*\*\*] will have the first right, but not the obligation, to defend against any Agreement Patent Action for any [\*\*\*] Patent, Product Patent Right or Joint Patent Right at its own expense as it reasonably determines appropriate. [\*\*\*] may participate in any such Agreement Patent Action for a Product Patent Right or Joint Patent Right with counsel of its choice at its own expense, provided that [\*\*\*] shall control the defense in such Agreement Patent Action. If [\*\*\*] informs [\*\*\*] that it does not intend to defend against an Agreement Patent Action with respect to a Product Patent Right or Joint Patent Right, or if [\*\*\*] determines to cease defending against any such Agreement Patent Action with respect to a Product Patent Right or Joint Patent Right, and, in each case, such Agreement Patent Action is not brought as a defense against a Third Party Infringement, then [\*\*\*] will have the right, but not the obligation, upon written notice to [\*\*\*], to defend against such Agreement Patent Action for a Product Patent Right or Joint Patent Right, or take over the defense of any Agreement Patent Action initiated by [\*\*\*], as applicable, in each case, solely as it relates to a Product Patent Right or Joint Patent Right.

- (c) **Cooperation and Recoveries.** At the request of the Party bringing and controlling any Third Party Infringement or defending any Agreement Patent Action, as applicable (“**Controlling Party**”), the other Party shall provide assistance in connection with such action, including by executing reasonably appropriate documents, providing access to such Party’s premises and employees, cooperating reasonably in discovery, and joining as a party to the action if requested by the Controlling Party. The Controlling Party will keep the other Party reasonably informed of all material developments in connection with any such suit, provide copies of all documents filed, and consider in good faith any comments from the other Party, and the other Party shall have the right to consult with the Controlling Party and to participate in and, if appropriate, be represented by independent but mutually agreed upon counsel in such litigation at such other Party’s own cost and expense. Neither Party shall, without the other Party’s prior written consent, enter into any settlement or consent decree that requires any payment by or admits or imparts any other liability to the other Party or admits the invalidity or unenforceability of or adversely affects the scope of any Platform Patent Right, Product Patent Right, or Joint Patent Right, which consent shall not be unreasonably withheld, delayed, or conditioned. Any recoveries resulting from a Claim of Third Party Infringement (whether by way of settlement or otherwise) shall be first applied against payment of each Party’s costs and expenses in connection therewith (which amounts will be allocated pro rata if insufficient to cover the totality of such costs and expenses). Any remainder after such reimbursement to the extent relating to (i) Third Party Infringement [\*\*\*]; and (ii) Third Party Infringement [\*\*\*].

- 8.5 **Trademarks.** Novartis shall have the right to brand the Products using Novartis-related trademarks and any other trademarks and trade names it determines appropriate for the Products, which may vary by country or within a country (“**Product Marks**”). Novartis shall own all rights in the Product Marks and register and maintain the Product Marks in the countries and regions it determines reasonably necessary.

## 9. CONFIDENTIALITY

### 9.1 Duty of Confidence.

- (a) Subject to the other provisions of this Article 9, all Confidential Information of a Disclosing Party under this Agreement will be maintained in confidence and otherwise safeguarded by the Recipient Party. The Recipient Party may only use the Confidential Information for the purposes of this Agreement and pursuant to the rights granted to the Recipient Party under this Agreement. Subject to the other provisions of this Article 9, each Party and its Affiliates shall hold as confidential such Confidential Information of the other Party or its Affiliates in the same manner and with the same protection as such Recipient Party maintains its own confidential information but in no event with less than a reasonable degree of care. Subject to the other provisions of this Article 9, a Recipient Party may only disclose Confidential Information of the Disclosing Party to employees, agents, contractors, consultants and advisers of the Recipient Party and its Affiliates and sublicensees and to Third Parties in each case to the extent reasonably necessary for the purposes of, and for those matters undertaken pursuant to, this Agreement; provided that such Persons are bound to maintain the confidentiality of the Confidential Information of Disclosing Party in a manner consistent with the confidentiality provisions of this Agreement.
- (b) With respect to Licensor’s obligations under this Article 9 with respect to Licensor Know-How that is solely and specifically related to a Licensed Compound or Product, Licensor shall maintain in confidence and otherwise safeguard such Licensor Know-How as such in accordance with this Article 9.

9.2 **Exceptions.** The obligations under this Article 9 shall not apply to any information to the extent that such information:

- (a) is (at the time of disclosure) or becomes (after the time of disclosure) known to the public or part of the public domain through no breach of this Agreement by the Recipient Party;
- (b) was known to, or was otherwise in the possession of, the Recipient Party prior to the time of disclosure by the Disclosing Party, as demonstrated by competent evidence;
- (c) is disclosed to the Recipient Party on a non-confidential basis by a Third Party who is entitled to disclose it without breaching any confidentiality obligation to the Disclosing Party; or
- (d) is independently developed by or on behalf of the Recipient Party, as evidenced by its written records, without reference to the Confidential Information disclosed by or on behalf of the Disclosing Party under this Agreement.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the Recipient Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of the Recipient Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the Recipient Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the Recipient Party unless the combination and its principles are in the public domain or in the possession of the Recipient Party.

9.3 **Authorized Disclosures.**

- (a) In addition to disclosures allowed under Section 9.1 and 9.2, Novartis may disclose Confidential Information belonging to Licensor or its Affiliates to the extent such disclosure is necessary in the following instances: (i) filing or prosecuting and maintaining Patent Rights as permitted by this Agreement; (ii) in connection with Regulatory Filings for Products; (iii) prosecuting or defending litigation as permitted by this Agreement; (iv) complying with applicable court orders or governmental regulations; or (v) to the extent otherwise necessary in connection with exercising the license and other rights granted to it hereunder. In addition to disclosures allowed under Section 9.1 and 9.2, Licensor may disclose Confidential Information to the extent such disclosure is necessary in the following instances: (i) filing or prosecuting and maintaining Patent Rights as permitted by this Agreement; or (ii) prosecuting or defending litigation as permitted by this Agreement.
- (b) In addition, Novartis and its Affiliates and their respective sublicensees may disclose Confidential Information of Licensor or its Affiliates to Third Parties as may be necessary or reasonably useful in connection with the Development, manufacture, preparation, use or Commercialization of the Licensed Compounds or Product(s) as contemplated by this Agreement, including in connection with subcontracting transactions.
- (c) In addition, each party may disclose Confidential Information of the other Party to actual or bona fide prospective investors, lenders, advisors, and acquirors, provided, that in each such case (x) such recipients are bound by confidentiality and non-use obligations at least as restrictive as those contained in the Agreement and (y) the term of confidentiality for recipients may be shorter than the period set forth in this Agreement as long as it is no less than [\*\*\*]; provided, further, that, solely in the case of any disclosure by a Party pursuant to this Section 9.3(c) to an actual or potential Pharma Investor, (1) except for the Permitted Categories of Information, all such disclosures of Confidential Information of the other Party will be provided to advisors of such Pharma Investor (e.g., outside legal counsel or scientific advisors) bound by

confidentiality and non-use obligations in accordance with the previous proviso and not directly to employees of such Pharma Investor, (2) to the extent any advisor of such Pharma Investor receives Confidential Information of Novartis or any of its Affiliates that is not also disclosed directly to such Pharma Investor in accordance with the terms of this Agreement, such advisor will be entitled to provide the Pharma Investor only a qualitative assessment of such Confidential Information reviewed, which may include (i) a recommendation as to whether to participate as an investor or lender or (ii) statements confirming that the applicable Confidential Information of Novartis or its Affiliates reviewed by such advisor provides a reasonable basis for Licensor's prior public disclosures made in accordance with this Agreement, but in no event shall such advisor be authorized to disclose to the Pharma Investor any Confidential Information of Novartis or its Affiliates that is not otherwise provided directly to the Pharma Investor in accordance with the terms of this Agreement, and (3) Licensor will use Commercially Reasonable Efforts to provide Novartis, prior to or contemporaneously with such disclosure, written notice that a disclosure will be or is being made in accordance with this Section 9.3(c) *provided that* such notice will not be required to identify the Pharma Investor. The "**Permitted Categories**" of Information shall comprise: (A) the terms of this Agreement, (B) the status of Development of Products, including the initiation and completion of each Clinical Trial of a Product, (C) anticipated timing for achievement of any Milestone Event and (D) summary financial information.

- (d) In the event the Recipient Party is required to disclose Confidential Information of the Disclosing Party by Law or in connection with bona fide legal process, such disclosure shall not be a breach of this Agreement; provided, that the Recipient Party: (i) informs the Disclosing Party as soon as reasonably practicable of the required disclosure; (ii) limits the disclosure to the required purpose; and (iii) at the Disclosing Party's request and expense, assists in an attempt to object to or limit the required disclosure.

1.4 **Ongoing Obligation for Confidentiality.** Upon early termination of this Agreement for any reason, each Party and its Affiliates shall immediately return to the other Party or destroy any Confidential Information disclosed by the other Party or any of its Affiliates, except for one copy which may be retained in its confidential files for archive or compliance purposes. Nothing in this Section 9.4 will require the alteration, modification, deletion or destruction of archival tapes or other electronic back-up media made in the ordinary course of business; provided that the Recipient Party and its Affiliates will continue to be bound by its obligations of confidentiality and other obligations under this Article 9 with respect to any of the Disclosing Party's Confidential Information contained in such archival tapes or other electronic back-up media.

1.5 **Data Privacy and Security.**

- (a) **Compliance with Privacy and Data Security Laws.** Each of the Parties agrees to comply with applicable Privacy and Data Security Laws in connection with the performance of its obligations or exercise of its rights hereunder.
- (b) **Protections.** Notwithstanding anything to the contrary herein, the Parties acknowledge that in performing their obligations hereunder, each Party may obtain or have access to, or otherwise store, process or transmit, certain Sensitive Information. Without limiting a Party's other obligations under this Agreement, each Party shall implement and maintain reasonable security procedures and practices appropriate to the nature of Sensitive Information that it obtains, accesses, stores, processes or transmits and take such other actions as are necessary to protect the security and confidentiality of such Sensitive Information against any anticipated or actual threats or hazards to the security or integrity of such Sensitive Information in accordance with Privacy and Data Security Laws.

- (c) **Breaches.** In the event that a Party or its Affiliates or sublicensee learns of (or has reason to believe that there has been) unauthorized access to or use of, or any security breach relating to or affecting, Sensitive Information of the other Party collected, prepared or developed in connection with this Agreement, or that any person who has had access to Sensitive Information has violated or intends to violate the terms of this Section 9.5, such Party shall immediately (within [\*\*\*]) notify the other Party of the same, and shall, at its expense, fully cooperate with the owning Party in (i) investigating and responding to the foregoing; (ii) notifying affected individuals as required by Privacy and Data Security Laws or as otherwise directed by the other Party; and (iii) seeking injunctive or other equitable relief against any such person or persons who have violated or attempted to violate the security of Sensitive Information. The Party whose Sensitive Information has been subject to a security breach (or alleged security breach) shall have the sole right to determine the content, timing and other details of any notices under subsection (ii). The Party who, themselves, or through their Affiliates or sublicensees has conducted or permitted to be conducted such security breach shall be responsible for reimbursing the Party owning such Sensitive Information for the costs of such notifications and fielding feedback and questions from those notified, and any other associated costs that such Party may incur in connection with responding to or managing a breach of the security of Sensitive Information (i.e., costs of credit monitoring services, call center services and forensics services, fines imposed by any government authority, fraud liability, compromise fees and other remediation costs).
- (d) **Changes to the Agreement.** If during the Term a Party believes that amendments to this Agreement are required to ensure the compliance of each Party with the requirements of applicable Privacy and Data Security Laws, such Party shall notify the other Party and the Parties will promptly discuss and agree in good faith on appropriate amendments to this Agreement. Notwithstanding anything to the contrary, no Party shall be required to transfer to or process on behalf of the other Party any personal data until such amendments have been executed if such Party reasonably believes such transfer or processing would put such Party in breach of applicable Privacy and Data Security Laws.

## 10. TERM AND TERMINATION

10.1 **Term.** The term of this Agreement shall commence upon the Effective Date and, unless terminated pursuant to Section 10.2 or 10.3, shall continue in full force and effect, on a Product-by-Product and country-by-country basis, until such time as the Royalty Term with respect to such Product expires in such country (the "**Term**"). On a Product-by-Product and country-by-country basis, effective upon the expiration of the Royalty Term for such Product in such country, the licenses granted to Novartis with respect to such Product will each become non-exclusive, fully paid-up, royalty-free, irrevocable, and perpetual in such country with respect to such Product.

### 10.2 Termination for Cause; Insolvency.

- (a) If either Novartis or Licensor is in material breach of any material obligation hereunder, the non-breaching Party may give written notice to the breaching Party specifying the claimed particulars of such breach, and in the event such material breach is not cured within [\*\*\*] (or [\*\*\*] with respect to undisputed payments due under Section 7.1 after the breaching Party's receipt of such notice, the non-breaching Party shall have the right thereafter to terminate this Agreement immediately on a Target-by-Target basis or in its entirety by giving written notice to the breaching Party to such effect; *provided, however*, that if such breach (other than a breach with respect to undisputed payments) is capable of being cured but cannot be cured within such [\*\*\*] period and the breaching Party initiates actions to cure such breach within such period and thereafter diligently pursues such actions, the breaching Party shall have an additional [\*\*\*] period to cure such breach. In the event that arbitration is commenced in accordance with

Section 15.5 with respect to any alleged breach hereunder, no purported termination of this Agreement pursuant to this Section 10.2(a) shall take effect until it is finally determined pursuant to such arbitration that such material breach occurred. Any termination by any Party under this Section 10.2(a) and the effects of termination provided herein shall be without prejudice to any damages or other legal or equitable remedies to which it may be entitled.

- (b) Either Licensor or Novartis may terminate this Agreement without notice if an Insolvency Event occurs in relation to the other Party. In any event when a Party first becomes aware of the likely occurrence of any Insolvency Event in regard to that Party, it shall promptly so notify the other Party in sufficient time to give the other Party sufficient notice to protect its interests under this Agreement.
- (c) Novartis may terminate this Agreement upon written notice to Licensor in the event Licensor rejects this Agreement under Section 365 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the “Code”) or under any similar laws in any other country in the Territory.
- (d) Novartis may terminate this Agreement upon [\*\*\*] written notice to Licensor where Novartis determines that a safety or regulatory issue exists which would be reasonably expected to adversely affect the Development, Manufacture, or Commercialization of any Licensed Compound or Product.
- (e) Novartis may terminate this Agreement upon written notice to Licensor in the event of a Change of Control of Licensor.

#### 10.3 Termination by Novartis Without Cause.

- (a) Novartis may terminate this Agreement without cause at any time in its entirety or on a Target-by-Target basis (i) on [\*\*\*] prior written notice at any time prior to the date that a Product has received Regulatory Approval or (i) on [\*\*\*] prior written notice at any time on or after the date that a Product has received Regulatory Approval.

#### 10.4 Rights in Bankruptcy.

- (a) The Parties agree that this Agreement constitutes an executory contract under Section 365 of the Code for the license of “intellectual property” as defined under Section 101 of the Code and constitutes a license of “intellectual property” for purposes of any similar laws in any other country in the Territory. The Parties further agree that Novartis, as licensee of such rights under this Agreement, will retain and may fully exercise all of its protections, rights and elections under the Code, including Section 365(n) of the Code, and any similar laws in any other country in the Territory. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against Licensor under the Code and any similar laws in any other country in the Territory, Novartis will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and the same, if not already in its possession, will be promptly delivered to it (i) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless Licensor elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of Licensor upon written request therefor by Novartis.
- (b) All rights, powers and remedies of Novartis provided for in this Section 10.4 are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including under the Code and any similar laws in any other country in the Territory). In the event of an Insolvency Event in relation to Licensor, Novartis, in

addition to the rights, power and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity (including under the Code). The Parties agree that they intend the following Novartis rights to extend to the maximum extent permitted by law, including for purposes of the Code: (i) the right of access to any intellectual property (including all embodiments thereof) of Licensor, or any Third Party with whom Licensor contracts to perform an obligation of Licensor under this Agreement which is necessary or reasonably useful for the Development, manufacture, preparation, use or Commercialization of Licensed Compounds or Products in the Territory; (ii) the right to contract directly with any Third Party described in (i) to complete the contracted work, and (iii) the right to cure any breach of or default under any such agreement with a Third Party and set off the costs thereof against amounts payable to Licensor under this Agreement.

10.5 [\*\*\*]. In the event that [\*\*\*] then [\*\*\*] by written notice to [\*\*\*] either [\*\*\*] provided that: [\*\*\*]

## 11. EFFECT OF TERMINATION

11.1 **General.** Upon termination of this Agreement, (i) all licenses and other rights granted by Licensor to Novartis under this Agreement shall terminate, all sublicenses granted by Novartis shall terminate, all Products with respect to which this Agreement is terminated shall each become a “**Terminated Product**”; (ii) all licenses and other rights granted by Novartis to Licensor under Section 3.2 (and all sublicenses thereunder granted by Licensor) shall terminate with respect to Terminated Targets and Terminated Products; and (iii) Licensor’s obligations under Section 3.7 will terminate; provided, for clarity, that if this Agreement is terminated on a Target-by-Target basis, then this Section 11.1 shall only apply to the Terminated Target and only Products directed to such Terminated Target shall be Terminated Products.

11.2 **License to Licensor.** Effective upon termination of this Agreement by Licensor pursuant to Section 10.2 or by Novartis pursuant to Section 10.3, Novartis will grant Licensor an exclusive worldwide, fee-bearing (subject to Section 11.3) license, with the right to grant sublicenses [\*\*\*] under its interest in the Product Marks to Develop, manufacture, and Commercialize Reversion Products in the Field that are being Commercialized as of the effective date of termination.

11.3 **Negotiation of Financial Terms for Reversion License.** The Parties shall negotiate in good faith reasonable financial compensation payable by Licensor to Novartis with respect to the exercise of the license granted to Licensor pursuant to Section 11.2. If the Parties cannot agree on such financial terms within a period of [\*\*\*] of the effective date of such termination, then such dispute shall be referred to the Executive Officers of the Parties for resolution. If the Executive Officers do not fully resolve such matter within [\*\*\*] (or a later date agreed to by each of the Parties) of the matter being referred to them, then such financial terms shall be decided by Expedited Arbitration.

11.4 **Transition to Licensor.** Within a reasonable period of time following the receipt of notice of termination given under this Agreement by Licensor pursuant to Section 10.2 or by Novartis pursuant to Section 10.3, the Parties shall meet to mutually agree upon a transition plan to effect an orderly and timely transition to Licensor of applicable Development, manufacture and Commercialization activities and responsibilities with respect to the Reversion Products, which shall be subject to Novartis’s sell off right in Section 11.5, if applicable, and which shall incorporate the following elements (which elements do not require mutual agreement after notice of termination) and other provisions as mutually agreed upon by the Parties:

- (a) Upon Licensor’s written request, (A) assignment and transfer to Licensor (or its designee) of all Regulatory Filings solely related to the Reversion Products and (B) to the extent not already assigned or transferred pursuant to (A) above, grant a Right of Reference or use with respect to

any DMF that relates to any Reversion Product to the extent necessary for preparing and submitting Regulatory Filings for such Reversion Product to a competent Regulatory Authority or to the extent used or referenced by Novartis, its Affiliates or sublicensees in its Regulatory Filings for such Reversion Product, and Novartis shall take other actions reasonably requested by Licensor to provide Licensor or its designee access to and the benefit of such DMF, including the data contained or referenced therein. If Novartis is prohibited by applicable Law from assigning or transferring ownership of any of the foregoing items to Licensor, Novartis shall grant Licensor (or its designee) a Right of Reference or use to such item as provided above and shall take other actions reasonably requested by Licensor to provide Licensor or its designee access to and such benefit of such Regulatory Filings, including the data contained or referenced therein. Each Party shall take actions reasonably necessary to effect such assignment and transfer or grant of Right of Reference or use to Licensor (or its designee), including by making such filings with Regulatory Authorities in the Territory that may be necessary to record such assignment or effect such transfer and, at Licensor's written request, to complete any pending regulatory filings with respect to the Reversion Products.

- (b) Upon Licensor's written request, transfer to Licensor (or its designee) a copy of all Know-How within the Novartis Product Technology with respect to the applicable Reversion Product. For clarity, such Know-How that is solely and specifically related to any Reversion Product shall be deemed to constitute the Confidential Information of both Parties after such transfer.
- (c) Upon Licensor's written request, provide to Licensor a final Product Development Report which describes the specified Development activities performed since the last report with respect to each Terminated Product.
- (d) Novartis shall promptly provide Licensor with a copy of each agreement between Novartis (or its Affiliates) and a Third Party directly relating to any Reversion Product or the Development, manufacture and Commercialization of any Reversion Product, and upon Licensor's request, Novartis shall assign or sublicense, and shall ensure that its Affiliates assign or sublicense, to Licensor (A) any such agreement that solely relates to Reversion Products, to the extent permitted under the terms thereof, and (B) for any such agreement that does not solely relate to Reversion Products and to the extent permitted under the terms of such agreement, the portion of such agreement (e.g., a work order or statement of work) that relates solely to Reversion Products. Upon Licensor's request, Novartis shall provide reasonable assistance to Licensor in connection with Licensor obtaining rights under any such agreement that is not assignable to Licensor (or equivalent rights), such as (x) subject to appropriate indemnification and to the extent permitted by the applicable agreement, working to effect a practical assignment of the rights and obligations under such agreement to Licensor solely with respect to such Reversion Product as if Licensor was a party to such agreement for a reasonable period of time or (y) introducing Licensor to such Third Party.
- (e) Novartis shall promptly deliver to Licensor a list of the inventory then in its (or its Affiliates') possession or control for each Reversion Product (including its inventory of the corresponding Licensed Compound). At Licensor's request, Novartis shall deliver to Licensor all or part of such inventory, and Licensor shall reimburse Novartis for its standard costs, calculated in accordance with Novartis' Accounting Standards, for such delivered inventory of Reversion Product and Licensed Compound, provided that such inventory complies with specifications and has been manufactured in compliance with all applicable Law, including cGMP.
- (f) If Novartis is, itself or through its Affiliate, manufacturing any Reversion Product at the time of the notice of termination, Novartis shall, upon Licensor's request, supply such Reversion Product to Licensor at its standard costs, calculated in accordance with Novartis' Accounting Standards, plus [\*\*\*] for both clinical and commercial supply for a reasonable period of time



until Licensor establishes an alternative supplier (not to exceed [\*\*\*]), and reasonably assist Licensor in establishing an alternative supplier for such Reversion Product.

- (g) If any Novartis Manufacturing Product Technology is (A) necessary or reasonably useful in order to manufacture a Reversion Product and (B) generating an alternative to such Novartis Manufacturing Product Technology to manufacture a Reversion Product would result in a material delay in or material increase in the cost of the Development or Commercialization of such Reversion Product, in each case, such that further Development or Commercialization of such Reversion Product would not be commercially reasonable, then, upon the written request of Licensor, the Parties shall negotiate in good faith for up to [\*\*\*] a reasonable mechanism for Licensor to manufacture or obtain supply of such Reversion Product, which mechanism may include (w) Novartis continuing to manufacture such Reversion Product beyond the [\*\*\*] time period set forth in Section 11.4(f), (x) to the extent not unreasonably jeopardizing the proprietary nature of the Novartis Manufacturing Product Technology, Novartis providing access to such Novartis Manufacturing Product Technology to [\*\*\*] or more mutually agreed upon Third Party contract manufacturers and Novartis authorizing such Third Party(ies) to manufacture such Reversion Product for Licensor, subject to reasonable terms and conditions in order to protect the proprietary nature thereof, or (y) Novartis non-exclusively licensing such Novartis Manufacturing Product Technology to Licensor on terms and conditions agreed upon by the Parties, including reasonable compensation and other reasonable terms and conditions in order to protect the proprietary nature of such Novartis Manufacturing Product Technology.
- (h) Upon the reasonable request of Licensor, Novartis will provide reasonable consulting assistance and cooperation in connection with the transition of the Development, manufacture and Commercialization of any Reversion Products to the extent contemplated by this Section 11.4. Novartis will provide up to an aggregate of [\*\*\*] of work relating to any assistance and cooperation contemplated by this Section 11.4(h) for all Reversion Products combined without additional compensation or reimbursement, above which Novartis shall be entitled to be reimbursed, as follows: Novartis may invoice Licensor at the rate of [\*\*\*] for Novartis' internal costs which relate to any such work that exceeds such [\*\*\*] cap, and the reasonable documented Out-of-Pocket Costs, in each case, incurred by Novartis to provide such requested assistance or cooperation and Licensor shall pay all such undisputed invoices within [\*\*\*] of the date of its receipt of such invoice; provided, that the scope of Novartis' assistance and cooperation and the related costs are discussed and agreed by the Parties prior to Novartis' provision thereof.
- (i) If, at the time of such termination, Novartis (or its Affiliates or sublicensees) is conducting any Clinical Trials for any Reversion Product, then, at Novartis' election on a trial-by-trial and site-by-site basis: (1) to the extent agreed by Licensor, Novartis shall transfer the conduct of all such Clinical Trials at such sites to Licensor and, in each such case, Licensor shall assume any and all liability for such Clinical Trials at such sites after the effective date of such termination; or (2) with respect to any Clinical Trials which are not assumed by Licensor under clause (1), Novartis (or its Affiliates or sublicensees) shall, at their expense, continue to conduct, or wind down, such Clinical Trials, as determined by Novartis in its sole discretion.

1.5 **Sell-Off Right.** Effective upon any termination other than a termination by Novartis pursuant to Section 10.3 and subject to the payment of all amounts required under Section 6.3 and Section 6.4, Novartis will have the right to sell or otherwise dispose of any inventory of any Terminated Product on hand at the time of such termination or in the process of manufacturing for a period of [\*\*\*] following the effective date of termination; provided, however, that any revenue obtained from such disposal will be treated as Net Sales.

1.6 **Return of Confidential Information.** Except as otherwise provided herein and subject to Section 9.4, within [\*\*\*] after any termination of this Agreement, each Party shall destroy or return to the other Party

(at the other Party's discretion) all tangible items bearing, containing, or contained in, any of the Confidential Information of the other Party. If the material is destroyed, it shall provide the other Party written certification of such destruction. For clarity, Licensor shall not be required to destroy or return to Novartis pursuant to this Section 11.6 any Confidential Information of Novartis to which Licensor has licenses or other rights pursuant to this Agreement.

- 11.7 **Survival.** Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Without limiting the foregoing, the provisions of Articles 1, 7, 9, 11, 13 and 15 as well as Sections 2.10, 2.12, 3.5, 6.2 (solely with respect to a Development Milestone Event reached before such expiration or termination), 6.3 (solely with respect to sales of the Product made before such expiration of termination), 6.4 (solely with respect to sales of the Product made before such expiration of termination), 6.9, 8.1, 10.1, 12.1, 12.1, 12.6 and 14.2(a) shall survive expiration or termination of this Agreement. The provisions of Article 9 shall survive the termination or expiration of this Agreement for a period of [\*\*\*].
- 11.8 **Termination Not Sole Remedy.** Termination is not the sole remedy under this Agreement and, whether or not termination is effected and notwithstanding anything contained in this Agreement to the contrary, all other remedies will remain available except as agreed to otherwise herein.

## 12. REPRESENTATIONS, WARRANTIES AND COVENANTS

- 12.1 **Representations and Warranties by Each Party.** Each Party represents and warrants to the other Party, as of the Effective Date, that:
- (a) such Party is an entity duly organized, validly existing and in good standing under the Laws of the state or country (as applicable) of its organization, is qualified to do business and is in good standing as a foreign entity in each jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification and failure to have such qualification would prevent it from performing its obligations under this Agreement, and has full power and authority to enter into this Agreement and to carry out the provisions hereof;
  - (b) such Party is duly authorized by all requisite action to execute and deliver this Agreement, and the execution, delivery and performance of this Agreement by such Party does not require any shareholder action or approval, and the Person executing this Agreement on behalf of such Party is duly authorized to do so by all requisite action;
  - (c) this Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms;
  - (d) other than as may be required to conduct clinical trials or to seek or obtain Regulatory Approvals or applicable regulatory materials, all consents, approvals and authorizations from all governmental authorities or other Third Parties required to be obtained by such Party in connection with this Agreement have been obtained;
  - (e) it shall maintain either Third Party insurance policies or a program of self-insurance with respect to its activities and obligations under this Agreement. Third Party insurance policies are to be in such amounts as are commercially reasonable in the industry for companies conducting similar business and shall require any of its Affiliates undertaking activities under this Agreement to do the same;
  - (f) the execution and delivery of this Agreement and all other instruments and documents required to be executed pursuant to this Agreement, and the consummation of the transactions

contemplated hereby do not and shall not (i) conflict with or result in a breach of any provision of its organizational documents, (ii) result in a breach of any agreement to which it is a party; or (iii) violate any applicable Law; and

- (g) (i) neither such Party nor, to the knowledge of such Party, any employee, agent or subcontractor of such Party involved or to be involved in the Development of the Licensed Compounds or the Products has been debarred under Subsection (a) or (b) of Section 306 of the Act (each, a “**Debarred Person**”); (ii) no Debarred Person who is known by such Party to have been debarred under Subsection (a) or (b) of Section 306 of the Act will be employed by such Party in the performance of any activities hereunder; and (iii) to the knowledge of such Party, no Debarred Person on any of the FDA clinical investigator enforcement lists (including the (1) Disqualified/Totally Restricted List, (2) Restricted List and (3) Adequate Assurances List) will participate in the performance of any activities hereunder.

12.2 **Representations and Warranties by Licensor.** Licensor represents and warrants to Novartis, as of the Effective Date, that:

- (a) Exhibit B sets forth a complete and accurate list of: (i) all Licensor Patent Rights in existence, indicating the owner, licensor or co-owner(s) thereof if such Licensor Patent Rights are not solely owned by Licensor; and (ii) all license, assignment, distribution or other agreements relating to the Licensor Patent Rights and Licensor Know-How;
- (b) Licensor is the sole and exclusive owner, or exclusive licensee, of all of the Licensor Patent Rights free from Encumbrances and is listed in the records of the applicable governmental agencies as the exclusive licensee or sole and exclusive owner of record for each registration, grant and application included in the Licensor Patent Rights;
- (c) Licensor has obtained from all individuals who have been identified as inventors of any Licensor Patent Rights effective assignments of all ownership rights of such individuals in such Licensor Patent Rights, either pursuant to written agreement or by operation of law;
- (d) All of its employees, officers, and consultants have executed agreements or have existing obligations under applicable laws requiring assignment to Licensor of all inventions made during the course of and as the result of their association with Licensor and obligating all such individuals to maintain as confidential Licensor’s Confidential Information as well as confidential information of other parties (including Novartis and its Affiliates) which such individual may receive, to the extent required to support Licensor’s obligations under this Agreement;
- (e) Licensor has the right to grant to Novartis the licenses under the Licensor Patent Rights and Licensor Know-How that it purports to grant hereunder;
- (f) Licensor has the right to use and disclose and to enable Novartis to use and disclose (in each case, under appropriate conditions of confidentiality) the Licensor Know-How free from Encumbrances;
- (g) to the knowledge of Licensor, the issued patents in the Licensor Patent Rights are valid and enforceable without any Claims, challenges, oppositions, nullity actions, interferences, inter-partes reexaminations, inter-partes reviews, post-grant reviews, derivation proceedings, or other proceedings pending or threatened, and Licensor has filed and prosecuted patent applications within the Licensor Patent Rights in good faith and complied with all duties of disclosure with respect thereto;

- (h) to Licensor's knowledge, Licensor has not committed any act, or omitted to commit any act, that may cause the Licensor Patent Rights to expire prematurely or be declared invalid or unenforceable;
- (i) all application, registration, maintenance, other related fees and renewal fees in respect of the Licensor Patent Rights have been paid and all necessary documents and certificates have been filed with the relevant agencies for the purpose of obtaining or maintaining the Licensor Patent Rights;
- (j) Licensor has not granted to any Third Party, including any academic organization or agency, any rights to the Licensed Compounds or any Product;
- (k) the Licensor Technology comprises all of the intellectual property rights used by Licensor, its Affiliates, and their respective consultants and contractors (if applicable) in the Development of the Licensed Compounds subject to the limitations in the definition of Licensor Know-How;
- (l) to Licensor's knowledge, the Development, use, importation, offering for sale, sale, having sold or other Commercialization of the Licensed Compounds or Products do not infringe the Patent Rights or misappropriate the Know-How of any Third Party, nor has Licensor received any written notice alleging such infringement or misappropriation;
- (m) Licensor has not initiated or been involved in any Claims in which it alleges that any Third Party is or was infringing or misappropriating any Licensor Technology, nor have any such Claims been threatened by Licensor, nor does Licensor know of any valid basis for any such Claims;
- (n) no officer or employee of Licensor is subject to any agreement with any other Third Party which requires such officer or employee to assign any interest in any Licensor Technology relating to the Licensed Compounds or Products to any Third Party;
- (o) Licensor has taken all reasonable precautions to preserve the confidentiality of the Licensor Know-How related to the composition of matter of the Licensed Compounds or resulting from the Research Program;
- (p) Licensor has not entered into a government funding relationship that would result in rights to any Licensed Compounds or Products residing in the US Government, National Institutes of Health, National Institute for Drug Abuse or other agency, and the licenses granted hereunder are not subject to overriding obligations to the US Government as set forth in Public Law 96 517 (35 U.S.C. 200 204) or any similar obligations under the laws of any other country;
- (q) Licensor has not granted any Third Party rights that would otherwise interfere or be inconsistent with Novartis' rights hereunder, and there are no agreements or arrangements to which Licensor or any of its Affiliates is a party relating to the Products, Licensed Compounds, Licensor Patent Rights, or Licensor Know-How that would limit the rights granted to Novartis under this Agreement or that restrict or will result in a restriction on Novartis' ability to Develop, manufacture, import, offer for sale, sell, have sold, or otherwise Commercialize the Licensed Compounds or the Products in the Territory; and
- (r) neither Licensor nor any Person acting on its behalf has: (i) made an untrue statement of a material fact or fraudulent statement to the FDA, EMA or any other Regulatory Authority or with respect to any Regulatory Filing; or (ii) failed to disclose a material fact required to be disclosed to the FDA, EMA or any other Regulatory Authority, or committed any act, made a statement, or failed to make a statement that, at the time such disclosure was made, would reasonably be expected to provide a basis for the FDA, EMA or any other Regulatory Authority

to invoke its policy regarding “Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities”, set forth in 56 Fed. Reg. 46191 (September 10, 1991) or any similar policy;

- (s) neither Licensor nor, to Licensor’s knowledge, any Person acting on its behalf is the subject of any pending or, to Licensor’s knowledge, threatened investigation by the FDA, EMA or any other Regulatory Authority;
- (t) Licensor has not, and to Licensor’s knowledge, no Third Parties have, altered, falsified, or otherwise manipulated any data generated or used in any clinical trials or other studies related to the development, use, handling, safety, efficacy, reliability or manufacturing of the Licensed Compounds or Products; and
- (u) notwithstanding anything to the contrary contained in this Agreement, Licensor has not failed to disclose to Novartis any fact or circumstance known to Licensor or any of its Affiliates and relating to any of the Licensed Compounds or the Products that would be reasonably material to Novartis in connection with this Agreement or the transactions contemplated herein.

**12.3 Covenants of Licensor.** Licensor covenants and agrees that:

- (a) it will not grant any interest in the Licensor Patent Rights or Licensor Know-How which is inconsistent with the terms and conditions of this Agreement, nor shall Licensor assign its right, title or interest in or to any of the Licensor Patent Rights or Licensor Know-How to any Third Party and will use all reasonable precautions to preserve the confidentiality of the Licensor Know-How;
- (b) it will not grant to any Third Party, including any academic organization or agency, any rights to the Licensed Compounds or any Product that would conflict with the rights granted to Novartis hereunder; and
- (c) if it becomes aware that it or any employee, agent or subcontractor of Licensor who participated, or is participating, in the performance of any activities hereunder is on, or is being added to the FDA Debarment List or any of the three (3) FDA Clinical Investigator Restriction Lists referenced in Section 12.1(g), it will provide written notice of this to Novartis within [\*\*\*] of it becoming aware of this fact.

**12.4 Compliance and Third Party Risk Management.**

- (a) Compliance with Law. In exercising its rights and performing its obligations under this Agreement, each Party will:
  - (i) not promise, offer, pay, cause to pay, accept payment or induce payment or take any action that could be considered a bribe;
  - (ii) comply with all applicable Laws, including those related to bribery and corruption (such as, but not limited to, the US Foreign Corrupt Practices Act, UK Bribery Act);
  - (iii) comply with industry standards; and
  - (iv) perform its obligations under this Agreement with high ethical and moral business and personal integrity standards.

- 1.5 **Third Party Risk Management.** Novartis has put in place a Third Party risk management framework which is aimed at promoting the societal and environmental values of the United Nations Global Compact with specific third parties that Novartis deals with (the “**Third Party Code**”). In connection with the above, Licensor shall:
- (a) comply with the Third Party Code as set out at [novartis.com/sites/novartis\\_com/files/novartis-third-party-code-v-2.pdf](http://novartis.com/sites/novartis_com/files/novartis-third-party-code-v-2.pdf);
  - (b) having regard to Section 12.6 of the Third Party Code, provide information/documentation on reasonable request to Novartis (or any Third Party auditor reasonably acceptable to Licensor) to allow Novartis to verify Licensor’s compliance with the Third Party Code in the form requested;
  - (c) use its Commercially Reasonable Efforts to rectify identified non-compliances with the Third Party Code (where capable of remedy) and report remediation progress to Novartis on request; and
  - (d) Licensor shall adopt standards that cover the same principles and content included in the Third Party Code when appointing its own suppliers or contractors who are engaged (and to the extent they are engaged) specifically for the purpose of this Agreement.

- 12.6 **No Other Warranties.** EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, (A) NO REPRESENTATION, CONDITION OR WARRANTY WHATSOEVER IS MADE OR GIVEN BY OR ON BEHALF OF NOVARTIS OR LICENSOR; AND (B) ALL OTHER CONDITIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED, INCLUDING ANY CONDITIONS AND WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

### 13. INDEMNIFICATION; LIABILITY

- 13.1 **Indemnification by Licensor.** Licensor shall indemnify, defend and hold Novartis, its Affiliates, and their respective officers, directors and employees (“**Novartis Indemnitees**”) harmless from and against any Claims against them to the extent arising or resulting from:
- (a) Licensor’s, or any of its Affiliates’, sublicensees’ or contractors’ actions in connection with the Research or Development of the Licensed Compounds or Products;
  - (b) the negligence or willful misconduct of Licensor or any of its Affiliates; or
  - (c) the breach of any of the covenants, warranties or representations made by Licensor to Novartis under this Agreement;

provided that Licensor shall not be obliged to so indemnify, defend and hold harmless the Novartis Indemnitees for any Claims to the extent Novartis has an obligation to indemnify Licensor Indemnitees pursuant to Section 13.2 or to the extent that such Claims arise from the breach, negligence or willful misconduct of Novartis or the Novartis Indemnitee.

- 13.2 **Indemnification by Novartis.** Novartis shall indemnify, defend and hold Licensor, its Affiliates, and their respective officers, directors and employees (“**Licensor Indemnitees**”) harmless from and against any Claims against them to the extent arising or resulting from:
- (a) Novartis’, or any of its Affiliates’, sublicensees’ or contractors’ actions in connection with the Development or Commercialization of the Licensed Compounds or Products;

- (b) the negligence or willful misconduct of Novartis or any of its Affiliates; or
- (c) the breach of any of the warranties or representations made by Novartis to Licensor under this Agreement;

provided that Novartis shall not be obliged to so indemnify, defend and hold harmless the Licensor Indemnitees for any Claims to the extent Licensor has an obligation to indemnify Novartis Indemnitees pursuant to Section 13.1 or to the extent that such Claims arise from the breach, negligence or willful misconduct of Licensor or the Licensor Indemnitee.

### 13.3 Indemnification Procedure.

- (a) All indemnification claims in respect of a Novartis Indemnitee or Licensor Indemnitee shall be made solely by Novartis or Licensor, respectively.
- (b) A Party seeking indemnification hereunder (“**Indemnified Party**”) shall notify the other Party (“**Indemnifying Party**”) in writing reasonably promptly after the assertion against the Indemnified Party of any Claim or fact in respect of which the Indemnified Party intends to base a claim for indemnification hereunder (“**Indemnification Claim Notice**”), but the failure or delay to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any obligation or liability that it may have to the Indemnified Party, except to the extent that the Indemnifying Party demonstrates that its ability to defend or resolve such Claim is adversely affected thereby. The Indemnification Claim Notice shall contain a description of the Claim and the nature and amount of the Claim (to the extent that the nature and amount of such Claim is known at such time). Upon the request of the Indemnifying Party, the Indemnified Party shall furnish promptly to the Indemnifying Party copies of all correspondence, communications and official documents (including court documents) received or sent in respect of such Claim.
- (c) Subject to the provisions of Sections 13.3(d) and 13.3(e), the Indemnifying Party shall have the right, upon written notice given to the Indemnified Party within [\*\*\*] after receipt of the Indemnification Claim Notice to assume the defense and handling of such Claim, at the Indemnifying Party’s sole expense, in which case the provisions of Section 13.3(d) below shall govern. The assumption of the defense of a Claim by the Indemnifying Party shall not be construed as acknowledgement that the Indemnifying Party is liable to indemnify any indemnitee in respect of the Claim, nor shall it constitute a waiver by the Indemnifying Party of any defenses it may assert against any Indemnified Party’s claim for indemnification. In the event that it is ultimately decided that the Indemnifying Party is not obligated to indemnify or hold an indemnitee harmless from and against the Claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including attorneys’ fees and costs of suit) and any losses incurred by the Indemnifying Party in its defense of the Claim. If the Indemnifying Party does not give written notice to the Indemnified Party, within [\*\*\*] after receipt of the Indemnification Claim Notice, of the Indemnifying Party’s election to assume the defense and handling of such Claim, the provisions of Section 13.3(e) shall govern.
- (d) Upon assumption of the defense of a Claim by the Indemnifying Party: (i) the Indemnifying Party shall have the right to and shall assume sole control and responsibility for dealing with the Claim; (ii) the Indemnifying Party may, at its own cost, appoint as counsel in connection with conducting the defense and handling of such Claim any law firm or counsel reasonably selected by the Indemnifying Party; (iii) the Indemnifying Party shall keep the Indemnified Party informed of the status of such Claim; and (iv) the Indemnifying Party shall have the right to settle the Claim on any terms the Indemnifying Party chooses; provided, however, that it shall not, without the prior written consent of the Indemnified Party, agree to a settlement of any Claim which could lead to liability or create any financial or other obligation on the part of the

Indemnified Party for which the Indemnified Party is not entitled to indemnification hereunder or which admits any wrongdoing or responsibility for the claim on behalf of the Indemnified Party. The Indemnified Party shall cooperate with the Indemnifying Party and shall be entitled to participate in, but not control, the defense of such Claim with its own counsel and at its own expense. In particular, the Indemnified Party shall furnish such records, information and testimony, provide witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours by the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Claim, and making the Indemnified Party, the Novartis Indemnitees or the Licensor Indemnitees, as applicable, and its and their employees and agents available on a mutually convenient basis to provide additional information and explanation of any records or information provided.

- (e) If the Indemnifying Party does not give written notice to the Indemnified Party as set forth in Section 13.3(c) or fails to conduct the defense and handling of any Claim in good faith after having assumed such, the Indemnified Party may, at the Indemnifying Party's expense, select counsel reasonably acceptable to the Indemnifying Party in connection with conducting the defense and handling of such Claim and defend or handle such Claim in such manner as it may deem appropriate. In such event, the Indemnified Party shall keep the Indemnifying Party timely apprised of the status of such Claim and shall not settle such Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. If the Indemnified Party defends or handles such Claim, the Indemnifying Party shall cooperate with the Indemnified Party, at the Indemnified Party's request but at no expense to the Indemnified Party, and shall be entitled to participate in the defense and handling of such Claim with its own counsel and at its own expense.

13.4 **Mitigation of Loss.** Each Indemnified Party will take and will procure that its Affiliates take all such reasonable steps and action as are necessary or as the Indemnifying Party may reasonably require in order to mitigate any Claims (or potential losses or damages) under this Article 13. Nothing in this Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

13.5 **Special, Indirect and Other Losses.** NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE IN CONTRACT, TORT, NEGLIGENCE, BREACH OF STATUTORY DUTY OR OTHERWISE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES OR FOR ANY ECONOMIC LOSS OR LOSS OF PROFITS SUFFERED BY THE OTHER PARTY, EXCEPT TO THE EXTENT ANY SUCH DAMAGES ARE REQUIRED TO BE PAID TO A THIRD PARTY AS PART OF A CLAIM FOR WHICH A PARTY PROVIDES INDEMNIFICATION UNDER THIS ARTICLE 13 OR AS A BREACH OF CONFIDENTIALITY UNDER ARTICLE 9 OR A BREACH OF THE PROVISIONS OF ARTICLE 8..

13.6 **No Exclusion.** Neither Party excludes any liability for death or personal injury caused by its negligence or that of its employees, agents or sub-contractors.

## 14. PUBLICATIONS AND PUBLICITY

### 14.1 Publications.

- (a) Any proposed public disclosure (whether written, electronic, oral or otherwise) by Licensor relating to the Licensed Compounds or Products shall require the prior written consent of Novartis; provided that the foregoing shall not apply (i) to information which is in the public domain or any public disclosure required by law or governmental regulation or by the rules of



any recognized stock exchange, (ii) to Licensor's ability to make any publication or presentation related to the Platform, or (iii) to any publication or presentation submitted by Licensor prior to the Effective Date. In the event that Licensor wishes to make a disclosure pursuant to this Section 14.1(a), Licensor shall provide Novartis with a complete copy of the intended disclosure at least thirty (30) days prior to submission of such disclosure for publication or prior to oral disclosure (or other form of presentation) and shall, except with respect to Section 14.1(a)(iii), remove any Novartis Confidential Information from such proposed disclosure upon the request of Novartis.

- (b) For the avoidance of doubt, Novartis or any of its Affiliates may, without any required consents from Licensor and subject to Section 14.2 and Article 9, (i) issue press releases and other public statements as it deems appropriate in connection with the Development, manufacture, or Commercialization of the Licensed Compounds or Products under this Agreement; and (ii) publish or have published information about clinical trials related to the Products, including the results of such clinical trials, provided that neither Novartis nor any of its Affiliates may publish any data or information related to the Platform without Licensor's prior written consent, which may be granted at Licensor's sole discretion.

#### 14.2 Publicity.

- (a) Subject to Section 14.2(c), neither Party shall use the name, symbol, trademark, trade name or logo of the other Party or any of its Affiliates in any press release, publication or other form of public disclosure without the prior written consent of the other Party (such consent not to be unreasonably withheld or delayed), except for those disclosures for which consent has already been obtained. Notwithstanding the foregoing, Novartis shall be entitled to use the name of Licensor to the extent necessary or reasonably useful in connection with the Development, manufacture or Commercialization of the Licensed Compounds or Products, including in connection with sublicensing and subcontracting transactions.
- (b) Licensor may issue a press release announcing this Agreement, in a form agreed to in writing by Novartis, on or promptly following the Effective Date.
- (c) Subject to Section 14.2(b), each Party agrees not to issue any press release or other public statement, whether oral or written, disclosing the existence of this Agreement, the terms hereof or any information relating to this Agreement without the prior written consent of the other Party; provided that Novartis may issue press releases and other public statements as it deems appropriate in connection with the Development and Commercialization of Products under this Agreement after giving Licensor reasonable advance notice of such press release or public statement, which notice will include a summary of the substantive content of such press release or public statement.
- (d) Notwithstanding the foregoing in this Section 14.2, each Party may make any disclosures required of it to comply with any duty of disclosure it may have pursuant to applicable Law, including pursuant to the rules of any recognized stock exchange. In the event of a disclosure required by applicable Law, including the rules of any recognized stock exchange, the Parties shall coordinate with each other with respect to the timing, form and content of such required disclosure. If so requested by the other Party, the Party subject to such obligation shall use commercially reasonable efforts to obtain an order protecting to the maximum extent possible the confidentiality of such provisions of this Agreement as reasonably requested by the other Party. If the Parties are unable to agree on the form or content of any required disclosure, such disclosure shall be limited to the minimum required as determined by the disclosing Party in consultation with its legal counsel. Without limiting the foregoing, each Party shall consult with the other Party on the provisions of this Agreement, together with the Exhibits, Schedules or

other attachments attached hereto, to be redacted in any filings made by Licensor or Novartis with the Securities and Exchange Commission (or other regulatory body) or as otherwise required by Law.

## 15. GENERAL PROVISIONS

- 15.1 **Assignment.** Neither Party may assign this Agreement or any of its rights or obligations hereunder without the other Party's prior written consent, except that Novartis may: (a) assign its rights or obligations under this Agreement or any part hereof to one or more of its Affiliates; or (b) assign this Agreement to a successor to all or substantially all of its business or assets to which this Agreement relates. Any permitted assignee will assume all obligations of its assignor under this Agreement (or related to the assigned portion in case of a partial assignment). Any attempted assignment in contravention of the foregoing will be null and void. Subject to the terms of this Agreement, this Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.
- 15.2 **Extension to Affiliates.** Novartis shall have the right to extend the rights, immunities and obligations granted in this Agreement to one or more of its Affiliates. All applicable terms and provisions of this Agreement shall apply to any such Affiliate to which this Agreement has been extended to the same extent as such terms and provisions apply to Novartis. Novartis shall remain primarily liable for any acts or omissions of its Affiliates.
- 15.3 **Severability.** Should one or more of the provisions of this Agreement become invalid, void or unenforceable as a matter of law, then this Agreement shall be construed as if such provision were not contained herein and the remainder of this Agreement shall be in full force and effect, and the Parties will use commercially reasonable efforts to substitute for the invalid, void or unenforceable provision a valid and enforceable provision which conforms as nearly as possible with the original intent of the Parties.
- 15.4 **Governing Law and Jurisdiction.** This Agreement shall be governed by and construed under the laws of New York, without giving effect to the conflicts of laws provision thereof. The United Nations Convention on Contracts for the International Sale of Goods (1980) shall not apply to the interpretation of this Agreement.
- 15.5 **Dispute Resolution.**
- (a) In the event of a dispute between the Parties relating to, arising out of, or in any way connected with this Agreement or any term or condition hereof, or the performance by either Party of its obligations hereunder, whether before or after termination of this Agreement, the Parties will refer the dispute to the Alliance Managers for discussion and resolution. If the Alliance Managers are unable to resolve such a dispute within [\*\*\*] of the dispute being referred to them, either Party may require that the Parties forward the matter to the Executive Officers, who shall attempt in good faith to resolve such dispute. If the Executive Officers cannot resolve such dispute within [\*\*\*] of the matter being referred to them, either Party shall be free to initiate the arbitration proceedings outlined in Section 15.5(b) or 15.6, as applicable.
  - (b) Subject to Section 15.6, either Party may refer any unresolved disputes between the Parties relating to, arising out of or in any way connected with this Agreement or any term or condition hereof, or the performance by either Party of its obligations hereunder, whether before or after termination of this Agreement, for resolution by final and binding arbitration. Whenever a Party shall decide to institute arbitration proceedings, it shall give written notice to that effect to the other Party. The seat, or legal place, of the arbitration shall be New York, New York. Arbitration shall be held in New York, New York, according to the then-current commercial

rules of the International Chamber of Commerce (“**ICC**”). The arbitration will be conducted by a panel of three arbitrators appointed in accordance with ICC rules; provided, that each Party shall, within [\*\*\*] after the institution of the arbitration proceedings, appoint an arbitrator, and such arbitrators shall together, within [\*\*\*], select a third arbitrator as the chairman of the arbitration panel. Each arbitrator shall have significant experience in the pharmaceutical business. If the two initial arbitrators are unable to select a third arbitrator within such [\*\*\*] period, the third arbitrator shall be appointed in accordance with ICC rules. The arbitrators shall render their opinion within [\*\*\*] of the final arbitration hearing. No arbitrator (nor the panel of arbitrators) shall have the power to award punitive damages under this Agreement and such award is expressly prohibited. Decisions of the panel of arbitrators shall be final and binding on the Parties. Judgment on the award so rendered may be entered in any court of competent jurisdiction. The losing Party to the arbitration (if any) as determined by the arbitrators shall pay the costs of the arbitration. The existence and content of the arbitral proceedings and any rulings or awards shall be kept confidential by the Parties and members of the arbitral tribunal except (i) to the extent that disclosure may be required of a Party to fulfill a legal duty, protect or pursue a legal right, or enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority, (ii) with the consent of all Parties, (iii) where needed for the preparation or presentation of a claim or defense in this arbitration, (iv) where such information is already in the public domain other than as a result of a breach of this clause, or (v) by order of the arbitral tribunal upon application of a Party.

1.6 **Expedited Arbitration.** If a Party exercises its rights under this Agreement to refer a dispute to Expedited Arbitration pursuant to Section 6.8, 10.5, or 11.3, then the Parties will follow the expedited dispute resolution process in this Section 15.6 (and not the dispute resolution process in Section 15.5(b) of this Agreement) (“**Expedited Arbitration**”). The Parties agree and acknowledge that any good faith dispute under Expedited Arbitration will not be deemed to be a material breach of this Agreement. The Expedited Arbitration will be fast-track, binding arbitration carried out in accordance with the following (a) the Parties will refer the matter to arbitration before a mutually acceptable independent arbitrator, who shall be experienced in the pharmaceutical business; (b) each Party will submit its final proposed terms to the other Party at least [\*\*\*] prior to submission to the independent arbitrator, which final proposed terms shall be submitted to the independent arbitrator within [\*\*\*] after such dispute is referred to Expedited Arbitration; (c) the independent arbitrator will select between the two sets of terms (i.e., the independent arbitrator will select the more reasonable set of terms submitted by the Parties, and will not propose a third set of terms), and shall render his or her opinion within [\*\*\*] after the final arbitration hearing; (d) the independent arbitrator shall not have the authority to render any substantive decision other than to select the proposal submitted by either Novartis or Licensor and the independent arbitrator will have no discretion or authority with respect to modifying the positions of the Parties; and (d) the decision of the arbitrator shall be final and binding on the Parties, and shall not be subject to the dispute resolution provisions set forth in Section 15.5. The Parties shall equally share the costs and expenses in connection with such Expedited Arbitration proceeding. Except in a proceeding to enforce the results of the arbitration or as otherwise required by applicable Law, neither Party nor any arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of both Parties.

1.7 **Force Majeure.** In the event that either Party is prevented from performing its obligations under this Agreement as a result of any contingency beyond its reasonable control (“**Force Majeure**”), including any actions of governmental authorities or agencies, war, hostilities between nations, civil commotions, riots, national industry strikes, lockouts, sabotage, shortages in supplies, energy shortages, pandemics, fire, floods and acts of nature such as typhoons, hurricanes, earthquakes, or tsunamis, the Party so affected shall not be responsible to the other Party for any delay or failure of performance of its obligations hereunder, for so long as Force Majeure prevents such performance. In the event of Force Majeure, the Party immediately affected thereby shall give prompt written notice to the other Party specifying the Force Majeure event complained of, and shall use commercially reasonable efforts to

resume performance of its obligations. Notwithstanding the foregoing, if such a Force Majeure induced delay or failure of performance continues for a period of more than [\*\*\*] and such delay or failure frustrates or materially and adversely impacts achievement of the fundamental objectives of the Agreement, the Party not affected by the Force Majeure event may terminate this Agreement upon written notice to the other Party.

15.8 **Waivers and Amendments.** The failure or delay of any Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition by the other Party. No waiver shall be effective unless it has been given in writing and signed by the Party giving such waiver. No provision of this Agreement may be amended or modified other than by a written document signed by authorized representatives of each Party.

15.9 **Relationship of the Parties.** Nothing contained in this Agreement shall be deemed to constitute a partnership, joint venture, or legal entity of any type between Licensor and Novartis, or to constitute one as the agent of the other. Moreover, each Party agrees not to construe this Agreement, or any of the transactions contemplated hereby, as a partnership for any tax purposes. Each Party shall act solely as an independent contractor, and nothing in this Agreement shall be construed to give any Party the power or authority to act for, bind, or commit the other.

15.10 **Notices.** All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when: (a) delivered by hand (with written confirmation of receipt); (b) sent by fax (with written confirmation of receipt); provided that a copy is immediately sent by an internationally recognized overnight delivery service (receipt requested); or (c) when received by the addressee, if sent by an internationally recognized overnight delivery service (receipt requested), in each case, to the appropriate addresses and fax numbers set forth below (or to such other addresses and fax numbers as a Party may designate by notice):

If to Licensor:

[\*\*\*]

If to Novartis:

[\*\*\*]

with a copy to:

[\*\*\*]

15.11 **Further Assurances.** Novartis and Licensor hereby covenant and agree, without the necessity of any further consideration, to execute, acknowledge and deliver any and all such other documents and take any such other action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

15.12 **Compliance with Law.** Each Party shall perform its obligations under this Agreement in accordance with all applicable Laws. No Party shall, or shall be required to, undertake any activity under or in connection with this Agreement which violates, or which it believes, in good faith, may violate, any applicable Law.

15.13 **No Third Party Beneficiary Rights.** The provisions of this Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights to any Third Party (including any third party beneficiary rights).

- 15.14 **English Language.** This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this Agreement and, in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.
- 15.15 **Expenses.** Except as otherwise expressly provided in this Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this Agreement.
- 15.16 **Entire Agreement.** This Agreement, together with its Exhibits and Schedules, sets forth the entire agreement and understanding of the Parties as to the subject matter hereof and supersedes all proposals, oral or written, and all other prior communications between the Parties with respect to such subject matter. In the event of any conflict between a substantive provision of this Agreement and any Exhibit or Schedule hereto, the substantive provisions of this Agreement shall prevail.
- 15.17 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile or electronically transmitted signatures (including .pdf) and such signatures shall be deemed to bind each Party hereto as if they were original signatures.
- 15.18 **Cumulative Remedies.** No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

*[Signature Page Follows.]*

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

**NOVARTIS PHARMA AG**

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]\_\_

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]\_\_

**MOLECULAR PARTNERS AG**

By:

Name:

Title:

By:

Name:

Title:

IN WITNESS WHEREOF, the Parties intending to be bound have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

**NOVARTIS PHARMA AG**

By: \_\_

Name: \_\_

Title: \_\_

By: \_\_

Name: \_\_

Title: \_\_

**MOLECULAR PARTNERS AG**

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]\_\_

By: [\*\*\*]\_\_

Name: [\*\*\*]\_\_

Title: [\*\*\*]\_\_

**EXHIBIT A**  
**RESEARCH PLAN**

[\*\*\*]

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**EXHIBIT B**  
**LICENSOR PATENT RIGHTS**

- **\*\*\***

**EXHIBIT C**

**SAMPLE INVOICE TO NOVARTIS PHARMA AG**

[\*\*\*]

**EXHIBIT D**  
**PLATFORM PATENT RIGHTS**

- **\*\*\***

**Molecular Partners AG**

**Performance Share Plan 2021**

**Management Board**

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## **Annexes**

Annex 1: Definitions

Annex 2: Form of PSU Award Agreement

## Performance Share Plan 2021

### Purpose

The purpose of this performance share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Performance Share Units (each a **PSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in Annex 1.

Where this Plan refers to employer, employee or employment, such terms shall apply by analogy if the relevant eligible person or Participant is not engaged as an employee, but under a different type of contract or in a different capacity, e.g. as a consultant under a mandate agreement or as a member of a corporate body (e.g. member of a board of directors or advisory board).

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of PSUs that may be granted under this Plan and of shares to be allocated from the Company's conditional capital or otherwise in connection with such PSUs.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend or renew or terminate the Plan or to replace it with new editions or other plans.

Any grants of PSUs to members of the Management Board shall be approved by the Board of Directors based on individual recommendations of the Nomination and Compensation Committee and will, as long as shareholder approval of variable compensation is outstanding, be conditional upon such shareholder approval. In case that the amount approved by the shareholders does not cover the full amount of contemplated aggregate variable compensation for the year of grant, the entitlements to short term and long-term variable compensation may be reduced by the Nomination and Compensation Committee in its sole discretion.

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.



Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee to a third party service provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## Eligibility and Participation

As a rule, only members of the Management Board may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant PSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed PSU award agreement (**PSU Award Agreement**) among the Company (or the employer Group Company) and the eligible person, substantially in the form attached hereto as Annex 2. The right to receive PSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered, and have signed and returned, their individual PSU Award Agreement by the relevant due date (each a **Participant**).

Grants of PSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future performance share plans, regardless of the length of time a person has previously been allocated PSUs or other entitlements under this Plan or other plans.

Neither the grant of PSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to continue to be employed by any Group Company.

## Grant of PSUs

Grants of PSUs shall be exclusively made by way of PSU Award Agreements. The PSU Award Agreement shall set forth the number of PSUs and certain other terms and conditions of such grant. Except as otherwise determined in a PSU Award Agreement, PSUs shall be granted to the Participants free of charge.

One PSU represents a conditional entitlement to purchase a number of Shares at the nominal value of a Share. The number of Shares which shall be allocated to a Participant upon vesting shall be determined pursuant to a vesting multiple as described in Section 10 hereof (the **Vesting Multiple**), subject to, and in accordance with, the terms and conditions of this Plan and the PSU Award Agreement.

The date of grants shall be determined by the Nomination and Compensation Committee and set out in the PSU Award Agreement (the **Grant Date**).

A change of the regular working quota (*Arbeitspensum*) during the Vesting Period shall not lead to an adjustment of PSUs already granted. New Participants admitted to the Plan after the Grant Date may, if any, be granted a pro rata number of PSUs for that year, i.e. for the period between

the beginning of their employment and the next regular Grant Date, as an interim grant or as additional PSUs on the next regular Grant Date.

## **No Securities**

PSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the PSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, the restrictions and procedures set out in article 5 of the Company's articles of incorporation.

## **No Transfer**

PSUs granted under this Plan and the PSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the PSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 14 hereof shall apply.

## **Vesting and Delivery of Shares**

Unless otherwise set out in this Plan (in particular in Section 14) or in the PSU Award Agreement, PSUs shall vest on the third anniversary of the Grant Date (the **Vesting Date**). The period between the Grant Date and the Vesting Date shall be deemed the **Vesting Period**.

Subject to Section 14(b) and (c) below, no PSU shall vest if, during the Vesting Period, the relevant Participant's employment is terminated (i.e. notice of termination is given (even if the notice period is still running) or another reason for termination occurs other than through termination by the Participant for cause (*wichtige Gründe*), set by a Group Company.

The Shares shall be delivered by or on behalf of the Company to the Participant upon and subject to signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Alternatively, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise. Delivery of Shares or other consideration shall, subject to the further conditions of delivery being met, occur no later than three months following the Vesting Date of the relevant PSUs.

## **Underlying Shares**

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 16, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Company, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the

Company's conditional share capital and a respective maximum number of Shares out of conditional capital shall be deemed reserved, accordingly.

## **Vesting Multiple**

The Vesting Multiple shall not be lower than 0 nor higher than 1.2 (one point two). Within such range, the Vesting Multiple shall be determined by the Board of Directors upon proposal by the Nomination and Compensation Committee based on its assessment of the achievement of the goals set out in the score card (**LTI Score Card**) attached to the PSU Award Agreement or otherwise communicated by the Company to the Participant in connection with the grant (**Goals**). The Goals may include any corporate goals, i.e. strategic, operating or financial goals of the Company or the Group, any personal goals and performance of the relevant Participant and/or any goals relating to the total shareholder return or share price development. The LTI Score Card may attach a percentage weighting to each Goal for purposes of deriving the Vesting Multiple or require a global assessment of the achievement of goals.

The Vesting Multiple shall, unless the nature of the Goals demands otherwise, be determined in the year following the year of grant. Notwithstanding such determination, Vesting shall occur only at the time and subject to the conditions otherwise set out in this Plan or in the PSU Award Agreement.

Depending on the corporate goals set out in the LTI Score Card, the Vesting Multiple may be fixed (if all elements of Goal achievement are known at the time of determination) or variable (e.g. depending on further stock price development throughout the remainder of the Vesting Period).

## **Taxes and Social Security Contributions**

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of PSUs, on the allocation of Shares and the subsequent sale of Shares or on a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the PSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the employer Group Company. The Company and the relevant employer Group Company, shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for PSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the employer Group Company before settlement of the PSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of PSU awards, Shares or related events.

## **Disclosure Requirements**

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of PSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## **Other Obligations of the Participant**

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's employment) to any Group Company, until the Participant has satisfied such outstanding obligations.

## **Termination of Employment and Forfeiture**

If (i) a Participant's employment is terminated (i.e. notice of termination is given even if the notice period is still running) or (ii) another reason for termination occurs during the Vesting period, other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO and except as set out in Section 14(b) and (c) below, all PSUs shall immediately cease and be forfeited.

If a Participant's employment agreement is terminated by the Company or a Group Company for reasons *not* pertaining to the Participant, a *pro rata* number of PSUs granted to the Participant shall vest at the end of the Vesting Period with the remaining PSUs lapsing without further effect. For clarity, the *pro rata* calculation under this Section 14 shall be determined on a monthly basis (36/36), based on the complete months of employment worked during the Vesting Period.

If the employment agreement terminates by reason of (i) death, permanent illness or disability of the Participant or (ii) retirement, a *pro rata* number of PSUs granted to the Participant shall vest immediately with the remaining PSUs lapsing without further effect. In the case of (i) here before, the *pro rata* calculation will be made assuming that employment lasted one year longer (but in any case not longer than the end of the regular three-year Vesting Period).

The Board of Directors, based on a recommendation by the Nomination and Compensation Committee, may, taking into consideration the objectives of the Plan, at its sole discretion and with final and binding effect grant further exceptions from the forfeiture clause as per Section 14

(a) above and assess whether a Participant's employment agreement was terminated for reasons not pertaining to the Participant pursuant to Section 14(b) above.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all PSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all PSUs will vest immediately;
- (ii) the Vesting Multiple with respect to each PSU allocation will be determined by the Nomination and Compensation Committee at the time of the Change of Control unless the Vesting Multiple has already been determined prior to the Change of Control; and
- (iii) the PSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange PSUs or decides upon another solution to provide the Participants with the vesting value of the PSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to

justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control, but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the PSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the PSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding PSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of PSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the PSU Award Agreement by the Company, the Board of Directors and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used for the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the PSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the employer Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the PSU have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of PSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the PSUs and any shares granted thereunder.

Any grant of PSUs to members of the Management Board that qualifies as prohibited payment under the Compensation Ordinance or otherwise, shall be null and void.

If and to the extent that any term of this Plan, such as terms providing for early vesting in case of termination of employment or Change of Control should, at the time of the relevant event, qualify as providing additional value to a member of the Management Board in a manner that would violate the Compensation Ordinance or other legal provisions, such additional value shall be otherwise compensated, e.g. by a relevant deduction from cash compensation or other proceeds.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past PSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a PSU Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and

effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

### **Governing Law and Jurisdiction**

This Plan and any PSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the PSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

### **Entry into Force**

As per approval of the Board of Directors, this Plan shall enter into force as of March 24, 2021.



## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 15 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Goal** shall have the meaning set forth in Section 10 above.

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group** shall mean all Group Companies.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**LTI Score Card** shall have the meaning set forth in Section 10 above.

**Management Board** shall mean the members of the top level executive management, i.e. those managers whose compensation is subject to the Compensation Ordinance.

**Participant** shall mean any eligible person to whom the Company has granted PSUs through a PSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**PSU** shall have the meaning set forth in Section 1 above.

**PSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Multiple** shall be the multiple determined in accordance with Section 10 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.

**Annex 2**

**Management Board PSU Award Agreement 2021**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), Schlieren, Canton of Zurich, Switzerland and [*Name, Address*] (the **Participant**) in connection with the Performance Share Plan 2021 (the **PSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the PSU Plan.

Subject to the terms and conditions of the PSU Plan, the Company hereby grants to you the following PSUs:

**Number of PSUs**

[■]

**Grant Date**

[■]

**Year of regular Vesting**

[■]

The grants and any rights associated therewith are personal and not transferable. The number of Shares that may be allocated according to the PSU Plan shall be determined by the Nomination and Compensation Committee in accordance with the PSU Plan and the LTI Score Card setting out the corporate goals relevant for this award ([communicated to you separately] | [attached hereto]). Please note that the PSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. Any grants made to you the Participant as a member of the Management Board shall be subject to the approval of relevant compensation amounts for the Management Board by the shareholders' meeting for the year 2021.

By entering this Agreement, you accept the grant of the PSUs in accordance with this Agreement and the PSU Plan. In order to do so, please sign and return this Agreement no later than by [*Date*] to [*Name*] and keep a copy for your files

This grant of PSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The PSU Plan, your eligibility thereunder, the grant of PSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the PSU Plan or to receive grants of PSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_  
By: \_\_\_\_\_

Accepted and agreed by the Participant on (Date, Signature): \_\_\_\_\_

**[Annex to the PSU Award Agreement 2021]**

**Management Board PSU Plan 2021**

**LTI Score Card [for [Name]]**

**[...]**

**Molecular Partners AG**

**Performance Share Plan 2022**

**Employees**

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## **Annexes**

Annex 1: Definitions

Annex 2: Form of PSU Award Agreement



## Performance Share Plan 2022

### Purpose

The purpose of this performance share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Performance Share Units (each a **PSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in Annex 1.

Where this Plan refers to employer, employee or employment, such terms shall apply by analogy if the relevant eligible person or Participant is not engaged as an employee, but under a different type of contract or in a different capacity, e.g. as a consultant under a mandate agreement or as a member of a corporate body (e.g. member of a board of directors or advisory board).

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of PSUs that may be granted under this Plan and of shares to be allocated from the Company's conditional capital or otherwise in connection with such PSUs.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend or renew or terminate the Plan or to replace it with new editions or other plans. It may delegate, under its supervision, the implementation and administration, as well as grants of PSUs to one or several administrators (**Administrator**).

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee or, upon delegation by the Nomination and Compensation Committee, an Administrator pursuant to this Plan, including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee or the relevant Administrator to a third party service

provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## Eligibility and Participation

As a rule, employees (other than members of the Management Board) as well as selected consultants may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee or the relevant Administrator.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant PSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed PSU award agreement (**PSU Award Agreement**) among the Company (or the employer Group Company) and the eligible person, substantially in the form attached hereto as Annex 2. The right to receive PSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered, and have signed and returned, their individual PSU Award Agreement by the relevant due date (each a **Participant**).

Grants of PSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future performance share plans, regardless of the length of time a person has previously been allocated PSUs or other entitlements under this Plan or other plans.

Neither the grant of PSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to continue to be employed by any Group Company.

## Grant of PSUs

Grants of PSUs shall be exclusively made by way of PSU Award Agreements. The PSU Award Agreement shall set forth the number of PSUs and certain other terms and conditions of such grant. Except as otherwise determined in a PSU Award Agreement, PSUs shall be granted to the Participants free of charge.

One PSU represents a conditional entitlement to purchase a number of Shares at the nominal value of a Share. The number of Shares which shall be allocated to a Participant upon vesting shall be determined pursuant to a vesting multiple as described in Section 10 hereof (the **Vesting Multiple**), subject to, and in accordance with, the terms and conditions of this Plan and the PSU Award Agreement.

The date of grants shall be determined by the Nomination and Compensation Committee or the relevant Administrator and set out in the PSU Award Agreement (the **Grant Date**).

A change of the regular working quota (*Arbeitspensum*) during the Vesting Period shall not lead to an adjustment of PSUs already granted. New Participants admitted to the Plan after the Grant Date may, if any, be granted a pro rata number of PSUs for that year, i.e. for the period between

the beginning of their employment and the next regular Grant Date, as an interim grant or as additional PSUs on the next regular Grant Date.

## **No Securities**

PSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the PSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, the restrictions and procedures set out in article 5 of the Company's articles of incorporation.

## **No Transfer**

PSUs granted under this Plan and the PSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the PSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 14 hereof shall apply.

## **Vesting and Delivery of Shares**

Unless otherwise set out in this Plan (in particular in Section 14) or in the PSU Award Agreement, the PSUs granted by a PSU Award Agreement shall vest in three tranches of one third each. If the number of PSUs granted by a PSU Award Agreement cannot be divided by three, the two tranches vesting first shall be rounded up to the next integer and the tranche vesting last shall be rounded down and, if necessary, reduced in order to get to integers that add up to the total number of PSUs granted by the PSU Award Agreement.

The first tranche of the PSUs shall vest on the first anniversary of the Grant Date, the second tranche on the second anniversary of the Grant Date and the third tranche on the third anniversary of the Grant Date (each, with respect to the relevant tranche, the **Vesting Date**) The period between the Grant Date and the Vesting Date shall, with respect to the relevant tranche, be deemed the **Vesting Period**.

Subject to Section 14(b) and (c) below, no PSU shall vest if, during the relevant Vesting Period, the relevant Participant's employment is terminated (i.e. effective date of termination) or another reason for termination occurs other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO.

The relevant number of Shares shall be delivered by or on behalf of the Company to the Participant upon and subject to signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Alternatively, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise. Delivery of Shares or other consideration shall, subject to the further conditions of delivery being met, occur no later than three months following the Vesting Date of the relevant PSUs.

## Underlying Shares

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 16, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Company, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the Company's conditional share capital and a respective maximum number of Shares out of conditional capital shall be deemed reserved, accordingly.

## Vesting Multiple

The Vesting Multiple shall not be lower than 0 nor higher than 1.5 (one point five). Within such range, the Vesting Multiple shall be determined by the Board of Directors upon proposal by the Nomination and Compensation Committee based on its assessment of the achievement of the goals set out in the score card (**LTI Score Card**) attached to the PSU Award Agreement or otherwise communicated by the Company to the Participant in connection with the grant (**Goals**). The Goals may include any corporate goals, i.e. strategic, operating or financial goals of the Company or the Group, any personal goals and performance of the relevant Participant and/or any goals relating to the total shareholder return or share price development. The LTI Score Card may allocate a percentage weighting to each Goal for purposes of deriving the Vesting Multiple or require a global assessment of the achievement of goals.

The Vesting Multiple shall, unless the nature of the Goals demands otherwise, be determined for all tranches of the PSUs granted by a PSU Award Agreement in the year following the year of grant. Notwithstanding such determination, Vesting shall occur only at the time and subject to the conditions otherwise set out in this Plan or in the PSU Award Agreement.

Depending on the corporate goals set out in the LTI Score Card, the Vesting Multiple may be fixed (if all elements of Goal achievement are known at the time of determination) or variable (e.g. depending on further stock price development throughout the remainder of the Vesting Period).

## Taxes and Social Security Contributions

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of PSUs, on the allocation of Shares and the subsequent sale of Shares or on a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the PSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the employer Group Company. The Company and the relevant employer Group Company shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to

be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for PSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the employer Group Company before settlement of the PSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of PSU awards, Shares or related events.

## **Disclosure Requirements**

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of PSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## **Other Obligations of the Participant**

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's employment) to any Group Company, until the Participant has satisfied such outstanding obligations.

## **Termination of Employment and Forfeiture**

If (i) a Participant's employment is terminated (i.e. effective date of termination) or (ii) another reason for termination occurs during the Vesting Period, other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO and except as set out in Section 14(b) and (c) below, all remaining unvested PSUs shall immediately cease and be forfeited.

If a Participant's employment agreement is terminated by the Company or a Group Company for reasons *not* pertaining to the Participant, under each unvested tranche of PSUs granted, a *pro rata* (based on the effective date of termination) number of PSUs granted to the Participant shall vest at the end of the relevant Vesting Period with the remaining PSUs lapsing without further effect. For clarity, the *pro rata* calculation under this Section 14 shall be determined on a monthly basis (12/12, 24/24 and 36/36, respectively), based on the complete months of employment worked during the relevant Vesting Period.

If the employment agreement terminates by reason of (i) death, permanent illness or disability of the Participant or (ii) retirement, a *pro rata* number of PSUs granted to the Participant shall vest

immediately with the remaining PSUs lapsing without further effect. In the case of (i) here before, the pro rata calculation will be made assuming that employment lasted one year longer (but in any case not longer than the end of the regular three-year Vesting Period).

The Management Board may, taking into consideration the objectives of the Plan, at its sole discretion and with final and binding effect grant further exceptions from the forfeiture as per Section 14 (a) above and assess whether a Participant's employment agreement was terminated for reasons not pertaining to the Participant pursuant to Section 14(b) above.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all PSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all PSUs will vest immediately;
- (ii) the Vesting Multiple with respect to each PSU allocation will be determined by the Nomination and Compensation Committee at the time of the Change of Control unless the Vesting Multiple has already been determined prior to the Change of Control; and

- (iii) the PSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange PSUs or decides upon another solution to provide the Participants with the vesting value of the PSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control, but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the PSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the PSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding PSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of PSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the PSU Award Agreement by the Company, the Board of Directors, the Administrator and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used by the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the PSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors, any Administrator or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the employer Group Company.

### **Legal and regulatory restrictions**

Neither the Shares nor the PSUs have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of PSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the PSUs and any shares granted thereunder.

### **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past PSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a PSU Award Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

### **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.



## **Governing Law and Jurisdiction**

This Plan and any PSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the PSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

## **Entry into Force**

As per approval of the Board of Directors, this Plan shall enter into force as of March 14, 2022.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Administrator** shall have the meaning set forth in Section 3 above.

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 15 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Goal** shall have the meaning set forth in Section 10 above.

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group** shall mean all Group Companies.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**LTI Score Card** shall have the meaning set forth in Section 10 above.

**Management Board** shall mean the members of the top level executive management, i.e. those managers whose compensation is subject to the Compensation Ordinance.

**Participant** shall mean any eligible person to whom the Company has granted PSUs through a PSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**PSU** shall have the meaning set forth in Section 1 above.

**PSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Multiple** shall be the multiple determined in accordance with Section 10 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.

**Annex 2**

**Employee PSU Award Agreement 2022**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), Schlieren, Canton of Zurich, Switzerland and [Name, Address] (the **Participant**) in connection with the Performance Share Plan 2022 (the **PSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the PSU Plan.

Subject to the terms and conditions of the PSU Plan, the Company hereby grants to you the following PSUs:

**Number of PSUs**

[■]

**Grant Date**

[■]

**Schedule of regular Vesting**

[■] PSUs on [■], [■] PSUs on [■] and [■] PSUs on [■].

The grants and any rights associated therewith are personal and not transferable. The number of Shares that may be allocated according to the PSU Plan shall be determined by the Nomination and Compensation Committee in accordance with the PSU Plan and the LTI Score Card setting out the Goals relevant for this award ([communicated to you separately] | [attached hereto](#)). Please note that the PSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. [NB: PSU Awards Agreements with employees of Group companies may differ from this template]

By entering this Agreement, you accept the grant of the PSUs in accordance with this Agreement and the PSU Plan. In order to do so, please sign and return this Agreement no later than by [Date] to [Name] and keep a copy for your files

This grant of PSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The PSU Plan, your eligibility thereunder, the grant of PSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the PSU Plan or to receive grants of PSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_  
By: \_\_\_\_\_

Accepted and agreed by the Participant on (Date, Signature): \_\_\_\_\_

**[Annex to the PSU Award Agreement 2022]**

**Employee PSU Plan 2022**

**LTI Score Card [for [Name]]**

**[...]**

**Molecular Partners AG**

**Performance Share Plan 2022**

**Management Board**

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## **Annexes**

Annex 1: Definitions

Annex 2: Form of PSU Award Agreement

## Performance Share Plan 2022

### Purpose

The purpose of this performance share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Performance Share Units (each a **PSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in **Annex 1**.

Where this Plan refers to employer, employee or employment, such terms shall apply by analogy if the relevant eligible person or Participant is not engaged as an employee, but under a different type of contract or in a different capacity, e.g. as a consultant under a mandate agreement or as a member of a corporate body (e.g. member of a board of directors or advisory board).

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of PSUs that may be granted under this Plan and of shares to be allocated from the Company's conditional capital or otherwise in connection with such PSUs.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend or renew or terminate the Plan or to replace it with new editions or other plans.

Any grants of PSUs to members of the Management Board shall be approved by the Board of Directors based on individual recommendations of the Nomination and Compensation Committee and will, as long as shareholder approval of variable compensation is outstanding, be conditional upon such shareholder approval. In case that the amount approved by the shareholders does not cover the full amount of contemplated aggregate variable compensation for the year of grant, the entitlements to short term and long-term variable compensation may be reduced by the Nomination and Compensation Committee in its sole discretion.

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee to a third- party service provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## Eligibility and Participation

As a rule, only members of the Management Board may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant PSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed PSU award agreement (**PSU Award Agreement**) among the Company (or the employer Group Company) and the eligible person, substantially in the form attached hereto as **Annex 2**. The right to receive PSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered, and have signed and returned, their individual PSU Award Agreement by the relevant due date (each a **Participant**).

Grants of PSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future performance share plans, regardless of the length of time a person has previously been allocated PSUs or other entitlements under this Plan or other plans.

Neither the grant of PSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to continue to be employed by any Group Company.

## Grant of PSUs

Grants of PSUs shall be exclusively made by way of PSU Award Agreements. The PSU Award Agreement shall set forth the number of PSUs and certain other terms and conditions of such grant. Except as otherwise determined in a PSU Award Agreement, PSUs shall be granted to the Participants free of charge.

One PSU represents a conditional entitlement to purchase a number of Shares at the nominal value of a Share. The number of Shares which shall be allocated to a Participant upon vesting shall be determined pursuant to a vesting multiple as described in Section 10 hereof (the **Vesting Multiple**), subject to, and in accordance with, the terms and conditions of this Plan and the PSU Award Agreement.

The date of grants shall be determined by the Nomination and Compensation Committee and set out in the PSU Award Agreement (the **Grant Date**).

A change of the regular working quota (*Arbeitspensum*) during the Vesting Period shall not lead to an adjustment of PSUs already granted. New Participants admitted to the Plan after the Grant Date may, if any, be granted a pro rata number of PSUs for that year, i.e. for the period between

the beginning of their employment and the next regular Grant Date, as an interim grant or as additional PSUs on the next regular Grant Date.

## **No Securities**

PSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the PSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, the restrictions and procedures set out in article 5 of the Company's articles of incorporation.

## **No Transfer**

PSUs granted under this Plan and the PSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the PSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 14 hereof shall apply.

## **Vesting and Delivery of Shares**

Unless otherwise set out in this Plan (in particular in Section 14) or in the PSU Award Agreement, PSUs shall vest on the third anniversary of the Grant Date (the **Vesting Date**). The period between the Grant Date and the Vesting Date shall be deemed the **Vesting Period**.

Subject to Section 14(b) and (c) below, no PSU shall vest if, during the Vesting Period, the relevant Participant's employment is terminated (i.e. effective date of termination) or another reason for termination occurs other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO.

The Shares shall be delivered by or on behalf of the Company to the Participant upon and subject to signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Alternatively, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise. Delivery of Shares or other consideration shall, subject to the further conditions of delivery being met, occur no later than three months following the Vesting Date of the relevant PSUs.

## **Underlying Shares**

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 16, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Company, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the

Company's conditional share capital and a respective maximum number of Shares out of conditional capital shall be deemed reserved, accordingly.

## **Vesting Multiple**

The Vesting Multiple shall not be lower than 0 nor higher than 1.5 (one point five). Within such range, the Vesting Multiple shall be determined by the Board of Directors upon proposal by the Nomination and Compensation Committee based on its assessment of the achievement of the goals set out in the score card (**LTI Score Card**) attached to the PSU Award Agreement or otherwise communicated by the Company to the Participant in connection with the grant (**Goals**). The Goals may include any corporate goals, i.e. strategic, operating or financial goals of the Company or the Group, any personal goals and performance of the relevant Participant and/or any goals relating to the total shareholder return or share price development. The LTI Score Card may allocate a percentage weighting to each Goal for purposes of deriving the Vesting Multiple or require a global assessment of the achievement of Goals.

The Vesting Multiple shall, unless the nature of the Goals demands otherwise, be determined in the year following the year of grant. Notwithstanding such determination, Vesting shall occur only at the time and subject to the conditions otherwise set out in this Plan or in the PSU Award Agreement.

Depending on the corporate goals set out in the LTI Score Card, the Vesting Multiple may be fixed (if all elements of Goal achievement are known at the time of determination) or variable (e.g. depending on further stock price development throughout the remainder of the Vesting Period).

## **Taxes and Social Security Contributions**

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of PSUs, on the allocation of Shares and the subsequent sale of Shares or on a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the PSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the employer Group Company. The Company and the relevant employer Group Company shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for PSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the employer Group Company before settlement of the PSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of PSU awards, Shares or related events.

## Disclosure Requirements

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of PSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## Other Obligations of the Participant

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's employment) to any Group Company, until the Participant has satisfied such outstanding obligations.

## Termination of Employment and Forfeiture

If (i) a Participant's employment is terminated (i.e. effective date of termination) or (ii) another reason for termination occurs, during the Vesting Period, other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO and except as set out in Section 14(b) and (c) below, all PSUs shall immediately cease and be forfeited.

If a Participant's employment agreement is terminated by the Company or a Group Company for reasons *not* pertaining to the Participant, a *pro rata* (based on the effective date of termination) number of PSUs granted to the Participant shall vest at the end of the Vesting Period with the remaining PSUs lapsing without further effect. For clarity, the *pro rata* calculation under this Section 14 shall be determined on a monthly basis (36/36), based on the complete months of employment worked during the Vesting Period.

If the employment agreement terminates by reason of (i) death, permanent illness or disability of the Participant or (ii) retirement, a *pro rata* number of PSUs granted to the Participant shall vest immediately with the remaining PSUs lapsing without further effect. In the case of (i) here before, the *pro rata* calculation will be made assuming that employment lasted one year longer (but in any case not longer than the end of the regular three-year Vesting Period).

The Board of Directors, based on a recommendation by the Nomination and Compensation Committee, may, taking into consideration the objectives of the Plan, at its sole discretion and with final and binding effect grant further exceptions from the forfeiture as per Section 14 (a) above and assess whether a Participant's employment agreement was terminated for reasons not pertaining to the Participant pursuant to Section 14(b) above.

## Change of Control

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover- regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all PSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all PSUs will vest immediately;
- (ii) the Vesting Multiple with respect to each PSU allocation will be determined by the Nomination and Compensation Committee at the time of the Change of Control unless the Vesting Multiple has already been determined prior to the Change of Control; and
- (iii) the PSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange PSUs or decides upon another solution to provide the Participants with the vesting value of the PSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the PSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the PSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding PSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of PSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the PSU Award Agreement by the Company, the Board of Directors and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used by the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the PSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the employer Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the PSUs have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.



Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of PSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the PSUs and any shares granted thereunder.

Any grant of PSUs to members of the Management Board that qualifies as prohibited payment under the Compensation Ordinance or otherwise, shall be null and void.

If and to the extent that any term of this Plan, such as terms providing for early vesting in case of termination of employment or Change of Control should, at the time of the relevant event, qualify as providing additional value to a member of the Management Board in a manner that would violate the Compensation Ordinance or other legal provisions, such additional value shall be otherwise compensated, e.g. by a relevant deduction from cash compensation or other proceeds.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past PSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a PSU Award Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

## **Governing Law and Jurisdiction**

This Plan and any PSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the PSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

## **Entry into Force**

As per approval of the Board of Directors, this Plan shall enter into force as of March 14, 2022.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 15 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Goal** shall have the meaning set forth in Section 10 above.

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group** shall mean all Group Companies.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**LTI Score Card** shall have the meaning set forth in Section 10 above.

**Management Board** shall mean the members of the top level executive management, i.e. those managers whose compensation is subject to the Compensation Ordinance.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Participant** shall mean any eligible person to whom the Company has granted PSUs through a PSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**PSU** shall have the meaning set forth in Section 1 above.

**PSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Multiple** shall be the multiple determined in accordance with Section 10 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.

**Annex 2**

**Management Board PSU Award Agreement 2022**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), Schlieren, Canton of Zurich, Switzerland and [Name, Address] (the **Participant**) in connection with the Performance Share Plan 2022 (the **PSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the PSU Plan.

Subject to the terms and conditions of the PSU Plan, the Company hereby grants to you the following PSUs:

**Number of PSUs**

[■]

**Grant Date**

[■]

**Year of regular Vesting**

[■]

The grants and any rights associated therewith are personal and not transferable. The number of Shares that may be allocated according to the PSU Plan shall be determined by the Nomination and Compensation Committee in accordance with the PSU Plan and the LTI Score Card setting out the corporate goals relevant for this award ([communicated to you separately] | [attached hereto]). Please note that the PSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. Any grants made to you as a member of the Management Board shall be subject to the approval of relevant compensation amounts for the Management Board by the shareholders' meeting for the year 2022.

By entering this Agreement, you accept the grant of the PSUs in accordance with this Agreement and the PSU Plan. In order to do so, please sign and return this Agreement no later than by [Date] to [Name] and keep a copy for your files

This grant of PSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The PSU Plan, your eligibility thereunder, the grant of PSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the PSU Plan or to receive grants of PSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_  
By: \_\_\_\_\_

Accepted and agreed by the Participant on (Date, Signature): \_\_\_\_\_

**[Annex to the PSU Award Agreement 2022]**

**Management Board PSU Plan 2022**

**LTI Score Card [for [Name]]**

**[...]**

**Molecular Partners AG**

**Performance Share Plan 2023**

**Employees**

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## **Annexes**

Annex 1: Definitions

Annex 2: Form of PSU Award Agreement

## Performance Share Plan 2023

### Purpose

The purpose of this performance share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Performance Share Units (each a **PSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in Annex 1.

Where this Plan refers to employer, employee or employment, such terms shall apply by analogy if the relevant eligible person or Participant is not engaged as an employee, but under a different type of contract or in a different capacity, e.g. as a consultant under a mandate agreement or as a member of a corporate body (e.g. member of a board of directors or advisory board).

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of PSUs that may be granted under this Plan and of shares to be allocated from the Company's conditional capital or otherwise in connection with such PSUs.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend or renew or terminate the Plan or to replace it with new editions or other plans. It may delegate, under its supervision, the implementation and administration, as well as grants of PSUs to one or several administrators (**Administrator**).

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee or, upon delegation by the Nomination and Compensation Committee, an Administrator pursuant to this Plan, including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee or the relevant Administrator to a third party service

provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## Eligibility and Participation

As a rule, employees (other than members of the Management Board) as well as selected consultants may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee or the relevant Administrator.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant PSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed PSU award agreement (**PSU Award Agreement**) among the Company (or the employer Group Company) and the eligible person, substantially in the form attached hereto as Annex 2. The right to receive PSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered, and have signed and returned, their individual PSU Award Agreement by the relevant due date (each a **Participant**).

Grants of PSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future performance share plans, regardless of the length of time a person has previously been allocated PSUs or other entitlements under this Plan or other plans.

Neither the grant of PSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to continue to be employed by any Group Company.

## Grant of PSUs

Grants of PSUs shall be exclusively made by way of PSU Award Agreements. The PSU Award Agreement shall set forth the number of PSUs and certain other terms and conditions of such grant. Except as otherwise determined in a PSU Award Agreement, PSUs shall be granted to the Participants free of charge.

One PSU represents a conditional entitlement to purchase a number of Shares at the nominal value of a Share. The number of Shares which shall be allocated to a Participant upon vesting shall be determined pursuant to a vesting multiple as described in Section 10 hereof (the **Vesting Multiple**), subject to, and in accordance with, the terms and conditions of this Plan and the PSU Award Agreement.

The date of grants shall be determined by the Nomination and Compensation Committee or the relevant Administrator and set out in the PSU Award Agreement (the **Grant Date**).

A change of the regular working quota (*Arbeitspensum*) during the Vesting Period shall not lead to an adjustment of PSUs already granted. New Participants admitted to the Plan after the Grant Date may, if any, be granted a pro rata number of PSUs for that year, i.e. for the period between

the beginning of their employment and the next regular Grant Date, as an interim grant or as additional PSUs on the next regular Grant Date.

## **No Securities**

PSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the PSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, the restrictions and procedures set out in article 5 of the Company's articles of incorporation.

## **No Transfer**

PSUs granted under this Plan and the PSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the PSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 14 hereof shall apply.

## **Vesting and Delivery of Shares**

Unless otherwise set out in this Plan (in particular in Section 14) or in the PSU Award Agreement, the PSUs granted by a PSU Award Agreement shall vest in three tranches of one third each. If the number of PSUs granted by a PSU Award Agreement cannot be divided by three, the two tranches vesting first shall be rounded up to the next integer and the tranche vesting last shall be rounded down and, if necessary, reduced in order to get to integers that add up to the total number of PSUs granted by the PSU Award Agreement.

The first tranche of the PSUs shall vest on the first anniversary of the Grant Date, the second tranche on the second anniversary of the Grant Date and the third tranche on the third anniversary of the Grant Date (each, with respect to the relevant tranche, the **Vesting Date**) The period between the Grant Date and the Vesting Date shall, with respect to the relevant tranche, be deemed the **Vesting Period**.

Subject to Section 14(b) and (c) below, no PSU shall vest if, during the relevant Vesting Period, the relevant Participant's employment is terminated (i.e. effective date of termination) or another reason for termination occurs other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO.

The relevant number of Shares shall be delivered by or on behalf of the Company to the Participant upon and subject to signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Alternatively, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise. Delivery of Shares or other consideration shall, subject to the further conditions of delivery being met, occur no later than three months following the Vesting Date of the relevant PSUs.

## Underlying Shares

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 16, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Company, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the Company's conditional share capital and a respective maximum number of Shares out of conditional capital shall be deemed reserved, accordingly.

## Vesting Multiple

The Vesting Multiple shall not be lower than 0 nor higher than 1.5 (one point five). Within such range, the Vesting Multiple shall be determined by the Board of Directors upon proposal by the Nomination and Compensation Committee based on its assessment of the achievement of the goals set out in the score card (**LTI Score Card**) attached to the PSU Award Agreement or otherwise communicated by the Company to the Participant in connection with the grant (**Goals**). The Goals may include any corporate goals, i.e. strategic, operating or financial goals of the Company or the Group, any personal goals and performance of the relevant Participant and/or any goals relating to the total shareholder return or share price development. The LTI Score Card may allocate a percentage weighting to each Goal for purposes of deriving the Vesting Multiple or require a global assessment of the achievement of goals.

The Vesting Multiple shall, unless the nature of the Goals demands otherwise, be determined for all tranches of the PSUs granted by a PSU Award Agreement in the year following the year of grant. Notwithstanding such determination, Vesting shall occur only at the time and subject to the conditions otherwise set out in this Plan or in the PSU Award Agreement.

Depending on the corporate goals set out in the LTI Score Card, the Vesting Multiple may be fixed (if all elements of Goal achievement are known at the time of determination) or variable (e.g. depending on further stock price development throughout the remainder of the Vesting Period).

## Taxes and Social Security Contributions

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of PSUs, on the allocation of Shares and the subsequent sale of Shares or on a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the PSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the employer Group Company. The Company and the relevant employer Group Company shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to

be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for PSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the employer Group Company before settlement of the PSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of PSU awards, Shares or related events.

## **Disclosure Requirements**

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of PSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## **Other Obligations of the Participant**

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's employment) to any Group Company, until the Participant has satisfied such outstanding obligations.

## **Termination of Employment and Forfeiture**

If (i) a Participant's employment is terminated or (ii) another reason for termination occurs during the Vesting Period, other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO and except as set out in Section 14(b) and (c) below, all remaining unvested PSUs shall cease and be forfeited on the effective date of termination

If a Participant's employment agreement is terminated by the Company or a Group Company for reasons *not* pertaining to the Participant, the next unvested tranche of PSUs granted would vest *pro rata* (based on the effective date of termination) at the end of the relevant Vesting Period with the remaining PSUs lapsing without further effect. For clarity, the *pro rata* calculation under this Section 14 shall be determined on a monthly basis (Tranche 1, month 1 to 12, Tranche 2, month 13 to 24, Tranche 3, month 25 to 36, respectively, respectively), based on the complete months of employment worked during the relevant Vesting Period.

If the employment agreement terminates by reason of (i) death, permanent illness or disability of the Participant or (ii) retirement, a *pro rata* number of PSUs granted to the Participant shall vest

immediately with the remaining PSUs lapsing without further effect. In the case of (i) here before, the pro rata calculation will be made assuming that employment lasted one year longer (but in any case not longer than the end of the regular three-year Vesting Period).

The Management Board may, taking into consideration the objectives of the Plan, at its sole discretion and with final and binding effect grant further exceptions from the forfeiture as per Section 14 (a) above and assess whether a Participant's employment agreement was terminated for reasons not pertaining to the Participant pursuant to Section 14(b) above. Two Management Board members needs to approve and sign such agreement.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all PSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all PSUs will vest immediately;
- (ii) the Vesting Multiple with respect to each PSU allocation will be determined by the Nomination and Compensation Committee at the time of the Change of Control unless the Vesting Multiple has already been determined prior to the Change of Control; and



- (iii) the PSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange PSUs or decides upon another solution to provide the Participants with the vesting value of the PSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control, but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the PSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the PSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding PSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of PSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the PSU Award Agreement by the Company, the Board of Directors, the Administrator and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used by the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the PSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors, any Administrator or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the employer Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the PSUs have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of PSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the PSUs and any shares granted thereunder.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past PSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a PSU Award Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

## **Governing Law and Jurisdiction**

This Plan and any PSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the PSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

## **Entry into Force**

As per approval of the Board of Directors, this Plan shall enter into force as of March 8, 2023.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Administrator** shall have the meaning set forth in Section 3 above.

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 15 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Goal** shall have the meaning set forth in Section 10 above.

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group** shall mean all Group Companies.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**LTI Score Card** shall have the meaning set forth in Section 10 above.

**Management Board** shall mean the members of the top level executive management, i.e. those managers whose compensation is subject to the Compensation Ordinance.

**Participant** shall mean any eligible person to whom the Company has granted PSUs through a PSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**PSU** shall have the meaning set forth in Section 1 above.

**PSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Multiple** shall be the multiple determined in accordance with Section 10 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.

## Annex 2

### Employee PSU Award Agreement 2023

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), Schlieren, Canton of Zurich, Switzerland and [Name, Address] (the **Participant**) in connection with the Performance Share Plan 2023 (the **PSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the PSU Plan.

Subject to the terms and conditions of the PSU Plan, the Company hereby grants to you the following PSUs:

**Number of PSUs**

[■]

**Grant Date**

[■]

**Schedule of regular Vesting**

[■] PSUs on [■], [■] PSUs on [■] and [■] PSUs on [■].

The grants and any rights associated therewith are personal and not transferable. The number of Shares that may be allocated according to the PSU Plan shall be determined by the Nomination and Compensation Committee in accordance with the PSU Plan and the LTI Score Card setting out the Goals relevant for this award ([communicated to you separately] | [attached hereto](#)). Please note that the PSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. *[NB: PSU Awards Agreements with employees of Group companies may differ from this template]*

By entering this Agreement, you accept the grant of the PSUs in accordance with this Agreement and the PSU Plan. In order to do so, please sign and return this Agreement no later than by [Date] to [Name] and keep a copy for your files

This grant of PSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The PSU Plan, your eligibility thereunder, the grant of PSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the PSU Plan or to receive grants of PSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_  
By: \_\_\_\_\_

Accepted and agreed by the Participant on (Date, Signature): \_\_\_\_\_

**[Annex to the PSU Award Agreement 2023]**

**Employee PSU Plan 2023**

**LTI Score Card [for [Name]]**

[...]

**Molecular Partners AG**

**Performance Share Plan 2023**

**Management Board**



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## **Annexes**

Annex 1: Definitions

Annex 2: Form of PSU Award Agreement

## Performance Share Plan 2023

### Purpose

The purpose of this performance share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Performance Share Units (each a **PSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in **Annex 1**.

Where this Plan refers to employer, employee or employment, such terms shall apply by analogy if the relevant eligible person or Participant is not engaged as an employee, but under a different type of contract or in a different capacity, e.g. as a consultant under a mandate agreement or as a member of a corporate body (e.g. member of a board of directors or advisory board).

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of PSUs that may be granted under this Plan and of shares to be allocated from the Company's conditional capital or otherwise in connection with such PSUs.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend or renew or terminate the Plan or to replace it with new editions or other plans.

Any grants of PSUs to members of the Management Board shall be approved by the Board of Directors based on individual recommendations of the Nomination and Compensation Committee and will, as long as shareholder approval of variable compensation is outstanding, be conditional upon such shareholder approval. In case that the amount approved by the shareholders does not cover the full amount of contemplated aggregate variable compensation for the year of grant, the entitlements to short term and long-term variable compensation may be reduced by the Nomination and Compensation Committee in its sole discretion.

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee to a third- party service provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## Eligibility and Participation

As a rule, only members of the Management Board may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant PSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed PSU award agreement (**PSU Award Agreement**) among the Company (or the employer Group Company) and the eligible person, substantially in the form attached hereto as **Annex 2**. The right to receive PSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered, and have signed and returned, their individual PSU Award Agreement by the relevant due date (each a **Participant**).

Grants of PSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future performance share plans, regardless of the length of time a person has previously been allocated PSUs or other entitlements under this Plan or other plans.

Neither the grant of PSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to continue to be employed by any Group Company.

## Grant of PSUs

Grants of PSUs shall be exclusively made by way of PSU Award Agreements. The PSU Award Agreement shall set forth the number of PSUs and certain other terms and conditions of such grant. Except as otherwise determined in a PSU Award Agreement, PSUs shall be granted to the Participants free of charge.

One PSU represents a conditional entitlement to purchase a number of Shares at the nominal value of a Share. The number of Shares which shall be allocated to a Participant upon vesting shall be determined pursuant to a vesting multiple as described in Section 10 hereof (the **Vesting Multiple**), subject to, and in accordance with, the terms and conditions of this Plan and the PSU Award Agreement.

The date of grants shall be determined by the Nomination and Compensation Committee and set out in the PSU Award Agreement (the **Grant Date**).

A change of the regular working quota (*Arbeitspensum*) during the Vesting Period shall not lead to an adjustment of PSUs already granted. New Participants admitted to the Plan after the Grant Date may, if any, be granted a pro rata number of PSUs for that year, i.e. for the period between

the beginning of their employment and the next regular Grant Date, as an interim grant or as additional PSUs on the next regular Grant Date.

## **No Securities**

PSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the PSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, the restrictions and procedures set out in article 5 of the Company's articles of incorporation.

## **No Transfer**

PSUs granted under this Plan and the PSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the PSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 14 hereof shall apply.

## **Vesting and Delivery of Shares**

Unless otherwise set out in this Plan (in particular in Section 14) or in the PSU Award Agreement, PSUs shall vest on the third anniversary of the Grant Date (the **Vesting Date**). The period between the Grant Date and the Vesting Date shall be deemed the **Vesting Period**.

Subject to Section 14(b) and (c) below, no PSU shall vest if, during the Vesting Period, the relevant Participant's employment is terminated (i.e. effective date of termination) or another reason for termination occurs other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO.

The Shares shall be delivered by or on behalf of the Company to the Participant upon and subject to signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Alternatively, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise. Delivery of Shares or other consideration shall, subject to the further conditions of delivery being met, occur no later than three months following the Vesting Date of the relevant PSUs.

## **Underlying Shares**

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 16, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Company, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the

Company's conditional share capital and a respective maximum number of Shares out of conditional capital shall be deemed reserved, accordingly.

## **Vesting Multiple**

The Vesting Multiple shall not be lower than 0 nor higher than 1.5 (one point five). Within such range, the Vesting Multiple shall be determined by the Board of Directors upon proposal by the Nomination and Compensation Committee based on its assessment of the achievement of the goals set out in the score card (**LTI Score Card**) attached to the PSU Award Agreement or otherwise communicated by the Company to the Participant in connection with the grant (**Goals**). The Goals may include any corporate goals, i.e. strategic, operating or financial goals of the Company or the Group, any personal goals and performance of the relevant Participant and/or any goals relating to the total shareholder return or share price development. The LTI Score Card may allocate a percentage weighting to each Goal for purposes of deriving the Vesting Multiple or require a global assessment of the achievement of Goals.

The Vesting Multiple shall, unless the nature of the Goals demands otherwise, be determined in the year following the year of grant. Notwithstanding such determination, Vesting shall occur only at the time and subject to the conditions otherwise set out in this Plan or in the PSU Award Agreement.

Depending on the corporate goals set out in the LTI Score Card, the Vesting Multiple may be fixed (if all elements of Goal achievement are known at the time of determination) or variable (e.g. depending on further stock price development throughout the remainder of the Vesting Period).

## **Taxes and Social Security Contributions**

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of PSUs, on the allocation of Shares and the subsequent sale of Shares or on a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the PSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the employer Group Company. The Company and the relevant employer Group Company shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for PSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the employer Group Company before settlement of the PSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of PSU awards, Shares or related events.

## Disclosure Requirements

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of PSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## Other Obligations of the Participant

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's employment) to any Group Company, until the Participant has satisfied such outstanding obligations.

## Termination of Employment and Forfeiture

If (i) a Participant's employment is terminated or (ii) another reason for termination occurs, during the Vesting Period, other than through termination by the Participant for cause (*wichtige Gründe*) within the meaning of Article 337 CO and except as set out in Section 14(b) and (c) below, all PSUs shall cease and be forfeited on the effective date of termination.

If a Participant's employment agreement is terminated by the Company or a Group Company for reasons *not* pertaining to the Participant, a *pro rata* (based on the effective date of termination) number of PSUs granted to the Participant shall vest at the end of the Vesting Period with the remaining PSUs lapsing without further effect. For clarity, the *pro rata* calculation under this Section 14 shall be determined on a monthly basis (36/36), based on the complete months of employment worked during the Vesting Period.

If the employment agreement terminates by reason of (i) death, permanent illness or disability of the Participant or (ii) retirement, a *pro rata* number of PSUs granted to the Participant shall vest immediately with the remaining PSUs lapsing without further effect. In the case of (i) here before, the *pro rata* calculation will be made assuming that employment lasted one year longer (but in any case not longer than the end of the regular three-year Vesting Period).

The Board of Directors, based on a recommendation by the Nomination and Compensation Committee, may, taking into consideration the objectives of the Plan, at its sole discretion and with final and binding effect grant further exceptions from the forfeiture as per Section 14 (a) above and assess whether a Participant's employment agreement was terminated for reasons



not pertaining to the Participant pursuant to Section 14(b) above. Two Management Board members need to approve and sign such agreement.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover- regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all PSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all PSUs will vest immediately;
- (ii) the Vesting Multiple with respect to each PSU allocation will be determined by the Nomination and Compensation Committee at the time of the Change of Control unless the Vesting Multiple has already been determined prior to the Change of Control; and
- (iii) the PSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange PSUs or decides upon another solution to provide the Participants with the vesting value of the PSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to

justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the PSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the PSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding PSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of PSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the PSU Award Agreement by the Company, the Board of Directors and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used by the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the PSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the employer Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the PSUs have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of PSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the PSUs and any shares granted thereunder.

Any grant of PSUs to members of the Management Board that qualifies as prohibited payment under the Compensation Ordinance or otherwise, shall be null and void.

If and to the extent that any term of this Plan, such as terms providing for early vesting in case of termination of employment or Change of Control should, at the time of the relevant event, qualify as providing additional value to a member of the Management Board in a manner that would violate the Compensation Ordinance or other legal provisions, such additional value shall be otherwise compensated, e.g. by a relevant deduction from cash compensation or other proceeds.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past PSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a PSU Award Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and

effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

### **Governing Law and Jurisdiction**

This Plan and any PSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the PSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

### **Entry into Force**

As per approval of the Board of Directors, this Plan shall enter into force as of March 8, 2023.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 15 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Goal** shall have the meaning set forth in Section 10 above.

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group** shall mean all Group Companies.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**LTI Score Card** shall have the meaning set forth in Section 10 above.

**Management Board** shall mean the members of the top level executive management, i.e. those managers whose compensation is subject to the Compensation Ordinance.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Participant** shall mean any eligible person to whom the Company has granted PSUs through a PSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**PSU** shall have the meaning set forth in Section 1 above.

**PSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Multiple** shall be the multiple determined in accordance with Section 10 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.

**Annex 2**

**Management Board PSU Award Agreement 2023**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), Schlieren, Canton of Zurich, Switzerland and [*Name, Address*] (the **Participant**) in connection with the Performance Share Plan 2023 (the **PSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the PSU Plan.

Subject to the terms and conditions of the PSU Plan, the Company hereby grants to you the following PSUs:

**Number of PSUs**

[■]

**Grant Date**

[■]

**Year of regular Vesting**

[■]

The grants and any rights associated therewith are personal and not transferable. The number of Shares that may be allocated according to the PSU Plan shall be determined by the Nomination and Compensation Committee in accordance with the PSU Plan and the LTI Score Card setting out the corporate goals relevant for this award ([communicated to you separately] | [attached hereto]). Please note that the PSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. Any grants made to you as a member of the Management Board shall be subject to the approval of relevant compensation amounts for the Management Board by the shareholders' meeting for the year 2023.

By entering this Agreement, you accept the grant of the PSUs in accordance with this Agreement and the PSU Plan. In order to do so, please sign and return this Agreement no later than by [*Date*] to [*Name*] and keep a copy for your files

This grant of PSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The PSU Plan, your eligibility thereunder, the grant of PSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the PSU Plan or to receive grants of PSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Accepted and agreed by the Participant on (Date, Signature): \_\_\_\_\_

**[Annex to the PSU Award Agreement 2023]**

**Management Board PSU Plan 2023**

**LTI Score Card [for [Name]]**

**[...]**



**Molecular Partners AG**

**Restricted Share Plan 2022**

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Annex 1: Definitions

Annex 2: Form of RSU Award Agreement

## Restricted Share Plan 2022

### Purpose

The purpose of this restricted share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Restricted Share Units (each a **RSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in Annex 1.

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of RSUs that may be granted under this Plan.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend, renew or terminate the Plan or to replace it with new editions or other plans. It may delegate, under its supervision, the implementation and administration, as well as grants of RSUs other than to members of the Board of Directors to one or several administrators (**Administrator**).

Any grants of RSUs to members of the Board of Directors shall be approved by the Board of Directors based on individual recommendations of the Nomination and Compensation Committee and will, as long as shareholder approval for the aggregate amount of compensation is outstanding, be conditional upon such shareholder approval. In case that the amount approved by the shareholders does not cover the full amount of contemplated aggregate compensation for the year of grant, the entitlements to long-term compensation may be reduced by the Nomination and Compensation Committee in its sole discretion.

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee or, upon delegation by the Nomination and Compensation Committee, an Administrator pursuant to this Plan, including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee or the relevant Administrator to a third party service

provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## **Eligibility and Participation**

As a rule, members of the Board of Directors and selected consultants may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee or, other than to members of the Board of Directors, the relevant Administrator.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant RSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed RSU award agreement (**RSU Award Agreement**) among the Company (or the relevant Group Company) and the eligible person, substantially in the form attached hereto as Annex 2. The right to receive RSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered and have signed and returned their individual RSU Award Agreement by the relevant due date (each a **Participant**).

Grants of RSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future restricted share plans, regardless of the length of time a person has previously been allocated RSUs or other entitlements under this Plan or other plans.

Neither the grant of RSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to a continued Relationship with any Group Company.

## **Grant of RSUs**

Grants of RSUs shall be exclusively made by way of RSU Award Agreements. The RSU Award Agreement shall set forth the number of RSUs and certain other terms and conditions of such grant. Except as otherwise determined in a RSU Award Agreement, RSUs shall be granted to the Participants free of charge.

One RSU represents a conditional entitlement to purchase one Share at the nominal value of the Share. The number of Shares corresponding to the number vested RSUs shall be allocated to a Participant upon vesting, subject to, and in accordance with, the terms and conditions of this Plan and the RSU Award Agreement.

The date of grant shall be determined by the Nomination and Compensation Committee or the relevant Administrator and set out in the RSU Award Agreement (the **Grant Date**).

## No Securities

RSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the RSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, article 5 of the Company's articles of incorporation.

## No Transfer

RSUs granted under this Plan and the RSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the RSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 13 hereof shall apply.

## Vesting and Delivery of Shares

Unless otherwise set out in this Plan (in particular in Section 13) or in the RSU Award Agreement, RSUs shall vest in the third calendar year following the year of grant. In such case, vesting shall occur on the third anniversary of the Grant Date (the **Vesting Date**). The period between the Grant Date and the Vesting Date shall be deemed the **Vesting Period**.

Subject to section 13(b) below, no RSU shall vest if, during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office), the relevant Participant's Relationship is terminated or another reason for termination of such Relationship occurs other than through termination by the Participant for cause (*wichtige Gründe*), set by a Group Company.

The Shares shall be delivered by or on behalf of the Company to the Participant upon signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Instead, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise.

## Underlying Shares

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 15, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Nomination and Compensation Committee and the Board of Directors, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the Company's conditional share capital and a respective number of Shares out of conditional capital shall be deemed reserved, accordingly.

## **Taxes and Social Security Contributions**

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of RSUs, on the allocation of Shares and the subsequent sale of Shares or a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the RSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the relevant Group Company. The Company and the relevant Group Company, shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for RSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the relevant Group Company before settlement of the RSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of RSU awards, Shares or related events.

## **Disclosure Requirements**

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of RSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## **Other Obligations of the Participant**

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's Relationship with the Company) to any Group Company, until the Participant has satisfied such outstanding obligations.

## **Termination of Relationship**

If a Participant's Relationship is terminated or another reason for termination occurs during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office), other than through termination by the Participant for cause (*wichtige*



*Gründe*) and except as set out in subsection 13 (b) below, all RSUs shall immediately cease and be forfeited.

If the Relationship terminates during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office) by reason of death, permanent illness or disability of the Participant, a pro rata number of RSUs granted to the Participant shall vest immediately with the remaining RSUs lapsing without further effect. The Board of Directors may, at its sole discretion and with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the objectives of the Plan, grant further exceptions from the forfeiture clause as per section 13 (a) above.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all RSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all RSUs will vest immediately; and
- (ii) the RSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange RSUs or decides upon another solution to provide the Participants with the vesting value of the RSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control, but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the RSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the RSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding RSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of RSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the RSU Award Agreement by the Company, the Board of Directors, the Administrator and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used for the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the RSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors, any Administrator or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or

processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the relevant Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the RSU have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of RSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the RSUs and any shares granted thereunder.

Any grant of RSUs to members of the Board of Directors that qualifies as prohibited payment under the Compensation Ordinance or otherwise, shall be null and void.

If and to the extent that any term of this Plan, such as terms providing for early vesting, in particular in case of termination of Relationship or Change of Control, should, at the time of the relevant event, qualify as providing additional value to a member of the Board of Directors in a manner that would violate the Compensation Ordinance or other legal provisions, such additional value shall be otherwise compensated, e.g. by a relevant deduction from cash compensation or other proceeds.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past RSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a RSU Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

## **Governing Law and Jurisdiction**

This Plan and any RSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the RSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

## **Entry into Force**

As per the approval of the Board of Directors, this Plan shall enter into force as of March 24, 2022.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Administrator** shall have the meaning set forth in Section 3 above.

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 14 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**Participant** shall mean any eligible person to whom the Company has granted RSUs through a RSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**Relationship** shall mean the board relationship and any relating contractual relationship of a member of the Board of Directors and the consultancy or other legal or contractual relationship of any other Participant.

**RSU** shall have the meaning set forth in Section 1 above.

**RSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.



**Annex 2**

**RSU Award Agreement 2022**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), a Swiss corporation, with its domicile in Schlieren, Canton of Zurich, Switzerland and *[Name, Address]* (the **Participant**) in connection with the Restricted Share Plan 2022 (the **RSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the RSU Plan.

Subject to the terms and conditions of the RSU Plan, the Company hereby grants to you the following RSUs:

**Number of RSUs**

[■]

**Grant Date**

[■]

**Year of regular Vesting**

[■]

The grants and any rights associated therewith are personal and not transferable. Please note that the RSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. [Any grants made to members of the Board of Directors shall be subject to the approval of relevant compensation amounts for the Board of Directors by the shareholders' meeting for the year 2022.]

By entering this Agreement, you accept the grant of the RSUs in accordance with this Agreement and the RSU Plan. In order to do so, please sign and return this Agreement no later than by *[Date]* to *[Name]* and keep a copy for your files

This grant of RSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The RSU Plan, your eligibility thereunder, the grant of RSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the RSU Plan or to receive grants of RSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_ By: \_\_\_\_\_

Accepted and agreed by the Participant on \_\_\_\_\_  
(Date)

\_\_\_\_\_

(Signature)



**Molecular Partners AG**

**Restricted Share Plan 2023**

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## **Annexes**

Annex 1: Definitions

Annex 2: Form of RSU Award Agreement

## Restricted Share Plan 2023

### Purpose

The purpose of this restricted share plan (**Plan**) is to establish a framework that enables the Company to provide certain eligible persons with a variable long-term incentive to contribute to the future success and prosperity of the Company and to better align their interests with those of the Company and its shareholders by granting Restricted Share Units (each a **RSU**) to them.

### Definitions and Interpretation

Capitalized terms used in this Plan shall have the meaning set forth in Annex 1.

### Responsibilities and Administration

This Plan has been approved and issued by the Board of Directors and any amendments or new editions of this Plan or new or other plans shall require the approval by the Board of Directors. The Board of Directors shall be in charge of approving, upon recommendation of the nomination and compensation committee of the Board of Directors (**Nomination and Compensation Committee**), the maximum number of RSUs that may be granted under this Plan.

The Nomination and Compensation Committee shall be responsible for the implementation and administration of the Plan and shall make recommendations to amend, renew or terminate the Plan or to replace it with new editions or other plans. It may delegate, under its supervision, the implementation and administration, as well as grants of RSUs other than to members of the Board of Directors to one or several administrators (**Administrator**).

Any grants of RSUs to members of the Board of Directors shall be approved by the Board of Directors based on individual recommendations of the Nomination and Compensation Committee and will, as long as shareholder approval for the aggregate amount of compensation is outstanding, be conditional upon such shareholder approval. In case that the amount approved by the shareholders does not cover the full amount of contemplated aggregate compensation for the year of grant, the entitlements to long-term compensation may be reduced by the Nomination and Compensation Committee in its sole discretion.

All resolutions, decisions, determinations and interpretations made by the Nomination and Compensation Committee or, upon delegation by the Nomination and Compensation Committee, an Administrator pursuant to this Plan, including any amendments or withdrawals of grants, are final and binding, unless approval by the Board of Directors or the shareholders' meeting is required.

Any technical or administrative task in connection with the Plan may be outsourced by the Nomination and Compensation Committee or the relevant Administrator to a third party service

provider, e.g. the bank in charge with the creation of the Shares (each a **Plan Service Provider**).

## **Eligibility and Participation**

As a rule, members of the Board of Directors and selected consultants may become eligible to participate in this Plan. The decision on eligibility is reserved to the Nomination and Compensation Committee or, other than to members of the Board of Directors, the relevant Administrator.

Nothing in this Plan shall provide any rights to eligible persons or any other person nor create any obligation of the Company to grant RSUs based on this Plan or otherwise. This Plan is only applicable in connection with a mutually signed RSU award agreement (**RSU Award Agreement**) among the Company (or the relevant Group Company) and the eligible person, substantially in the form attached hereto as Annex 2. The right to receive RSUs shall accrue exclusively to those eligible persons who have, in accordance with this Plan, been duly and validly offered and have signed and returned their individual RSU Award Agreement by the relevant due date (each a **Participant**).

Grants of RSUs based on this Plan are discretionary and shall not create any entitlement to participate in future grants or in future participation, incentive or benefit plans, including future restricted share plans, regardless of the length of time a person has previously been allocated RSUs or other entitlements under this Plan or other plans.

Neither the grant of RSUs, nor the transfer of Shares in connection with this Plan shall confer upon any Participant any right to a continued Relationship with any Group Company.

## **Grant of RSUs**

Grants of RSUs shall be exclusively made by way of RSU Award Agreements. The RSU Award Agreement shall set forth the number of RSUs and certain other terms and conditions of such grant. Except as otherwise determined in a RSU Award Agreement, RSUs shall be granted to the Participants free of charge.

One RSU represents a conditional entitlement to purchase one Share at the nominal value of the Share. The number of Shares corresponding to the number vested RSUs shall be allocated to a Participant upon vesting, subject to, and in accordance with, the terms and conditions of this Plan and the RSU Award Agreement.

The date of grant shall be determined by the Nomination and Compensation Committee or the relevant Administrator and set out in the RSU Award Agreement (the **Grant Date**).

## No Securities

RSUs are neither Shares nor securities of any kind and no shareholder rights or similar rights are attached to the RSUs. The Participants will only obtain shareholder rights (including voting and dividend rights) upon actual transfer of Shares, if any, according to the terms and conditions of the Plan and upon entry into the share register, subject to, and in accordance with, article 5 of the Company's articles of incorporation.

## No Transfer

RSUs granted under this Plan and the RSU Award Agreement are personal and non-transferable. Participants shall not be permitted to sell, donate, pledge, assign or otherwise dispose of the RSUs to third parties other than as provided for in the Plan. In case of death of a Participant, Section 13 hereof shall apply.

## Vesting and Delivery of Shares

Unless otherwise set out in this Plan (in particular in Section 13) or in the RSU Award Agreement, RSUs shall vest in the third calendar year following the year of grant. In such case, vesting shall occur on the third anniversary of the Grant Date (the **Vesting Date**). The period between the Grant Date and the Vesting Date shall be deemed the **Vesting Period**.

Subject to section 13(b) below, no RSU shall vest if, during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office), the relevant Participant's Relationship is terminated or another reason for termination of such Relationship occurs other than through termination by the Participant for cause (*wichtige Gründe*), set by a Group Company.

The Shares shall be delivered by or on behalf of the Company to the Participant upon signing an acquisition declaration and payment of the nominal value of the Shares by the Participant. Instead, the Company may provide for cash-less acquisition or vesting-sale arrangements through a Plan Service Provider or otherwise.

## Underlying Shares

Shares to be delivered to Participants shall, subject to adjustment, if any, pursuant to Section 15, be registered shares of the Company with a nominal value of CHF 0.10 each (each a **Share**). Such Shares shall, at the discretion of the Nomination and Compensation Committee and the Board of Directors, be sourced from conditional share capital, from treasury shares or from other sources. Unless otherwise determined by the Board of Directors or the Nomination and Compensation Committee, Shares shall be sourced from the Company's conditional share capital and a respective number of Shares out of conditional capital shall be deemed reserved, accordingly.

## **Taxes and Social Security Contributions**

Any Participant shall be responsible for reporting the receipt of any income under the Plan, however made, to the appropriate tax and social security authorities. Income, capital gain or other taxes due on the granting of RSUs, on the allocation of Shares and the subsequent sale of Shares or a respective cash equivalent are in the sole responsibility of the Participant.

The grant, vesting, delivery or sale of Shares or other relevant event in connection with the RSUs may be subject to the withholding of tax and social security contributions by the Company or, if different, the relevant Group Company. The Company and the relevant Group Company, shall be entitled to deduct or withhold a sufficient portion of the value otherwise due to be released under this Plan or of any other payment to the relevant Participant to satisfy any withholding requirement in connection therewith. Without limitation, withholding arrangements may include the sale of Shares to be delivered for RSU awards on behalf of a Participant and withholding of proceeds or deductions from salary or bonus payments, or require a payment from the Participant to the Company or the relevant Group Company before settlement of the RSU awards.

The Company shall have the right (but no obligation, unless required by applicable law) to notify the tax and social security authorities of the grant of RSU awards, Shares or related events.

## **Disclosure Requirements**

Any Participant shall be responsible to promptly comply with any applicable disclosure requirements under securities law and stock exchange regulations in connection with the receipt of grants of RSUs or Shares or upon the sale of Shares, including any disclosure requirements triggered by the thresholds for the ownership of shares and/or rights to obtain shares under Article 120 Financial Market Infrastructure Act and any management transaction notifications under Article 56 of the SIX Swiss Exchange listing rules. See also the Company's public disclosure, reporting and securities trading policy.

## **Other Obligations of the Participant**

The Company is entitled to block or prohibit the issuance or release of Shares otherwise due to be issued or released if the Participant has any outstanding obligations (whether in connection with the Plan or otherwise arising in connection with the Participant's Relationship with the Company) to any Group Company, until the Participant has satisfied such outstanding obligations.

## **Termination of Relationship**

If a Participant's Relationship is terminated or another reason for termination occurs during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office), other than through termination by the Participant for cause (*wichtige*



*Gründe*) and except as set out in subsection 13 (b) below, all RSUs shall immediately cease and be forfeited.

If the Relationship terminates during the first year of the Vesting Period (or, in case of a member of the Board of Directors, prior to the end of a full term of office) by reason of death, permanent illness or disability of the Participant, a pro rata number of RSUs granted to the Participant shall vest immediately with the remaining RSUs lapsing without further effect. The Board of Directors may, at its sole discretion and with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the objectives of the Plan, grant further exceptions from the forfeiture clause as per section 13 (a) above.

## **Change of Control**

For purposes of this Plan, a change of control shall mean the occurrence of any of the following events (each a **Change of Control**):

- (i) the acquisition in one or more transaction by any person or group of persons acting in concert, directly or indirectly, of the beneficial ownership of Shares and | or rights to acquire Shares representing 50% or more of the voting rights pertaining to the total number of Shares issued and registered in the commercial register;
- (ii) any facts or circumstances that require any person or group of persons acting in concert to launch a mandatory offer within the meaning of applicable takeover regulations;
- (iii) a public offer for Shares by any person or persons (other than in order to implement a new parent company held by the same owners of Shares), for such number of Shares that, by itself or together with Shares already held, triggers the duty to extend the offer to all Shares outstanding, if and when such offer becomes unconditional (subject only to conditions, if any, that survive following the regular offer period);
- (iv) the reorganization, merger, scheme of arrangement, consolidation, liquidation or similar transaction of the Company otherwise than through a transaction by which the persons who beneficially held Shares representing 100% of the voting rights pertaining to the total number of Shares issued and registered in the commercial register prior to such transaction receive or continue to hold shares representing more than 50% of the voting rights pertaining to the total number of outstanding shares of the new or continuing entity.

In the event of a Change of Control of the Company, the following shall apply for all RSUs in respect of which the Vesting Date has not occurred by the date of the Change of Control:

- (i) all RSUs will vest immediately; and
- (ii) the RSUs will be paid out in Shares, unless the Nomination and Compensation Committee resolves to repurchase or exchange RSUs or decides upon another solution to provide the Participants with the vesting value of the RSUs.

If based on a good faith assessment of the particular circumstances and effects of a Change of Control event, such event does not fall into the category and nature of cases, circumstances and consequences addressed by the definition of Change of Control, which are deemed to justify an early vesting, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to replace the consequences set forth above, by other terms that more appropriately and fairly address the situation.

If an event does not fall under the definition of Change of Control, but has substantially comparable effects as a Change of Control event, the Board of Directors may, based on a recommendation by the Nomination and Compensation Committee, decide to treat such event like a Change of Control event, providing, however, such adjustments to the consequences set forth above, that adequately and fairly address the differences to an actual Change of Control.

## **Corporate Events**

In the event of a stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, issuance of options or other rights to purchase Shares at a price substantially below fair market value, or other extraordinary corporate events, which significantly dilute the value of the Shares underlying the RSUs such that an adjustment is required in order to preserve the benefits intended to be made available under this Plan, then the RSUs and related terms shall be adjusted and/or, if deemed appropriate, a cash payment to Participants or persons having outstanding RSUs shall be made to compensate such dilution. Such adjustment shall be resolved by the Board of Directors at its sole discretion with final and binding effect, based on a recommendation by the Nomination and Compensation Committee and taking into consideration the acquired rights of the Participants and the objectives of the Plan.

## **Data Protection**

By accepting a grant of RSUs, each Participant consents to the collection and processing of personal data relating to the Participant in connection with such grant and the performance of this Plan and the RSU Award Agreement by the Company, the Board of Directors, the Administrator and any other person or entity the Company may find appropriate for the administration of the Plan. The data may be used for the aforementioned parties to perform their rights and obligations in connection with this Plan, issue certificates (if any), issue statements, disclosure and communications relating to the Plan and the RSUs, to provide for cash-less grants or sale mechanics and to generally administer and manage the Plan or keep records of participation levels.

Each Participant consents to the disclosure of such personal data by any Group Company to the Board of Directors, any Administrator or any Plan Service Provider and any other person or entity (including, without limitation, to third parties for due diligence purposes, or to tax authorities) as the Company may find appropriate. Such disclosure may include the transfer or

processing of such personal data in jurisdictions other than Switzerland or the jurisdiction of the relevant Group Company.

## **Legal and regulatory restrictions**

Neither the Shares nor the RSU have been or will be registered or listed in any jurisdiction other than, if and to the extent required, Switzerland.

Nothing in this Plan is intended to be deemed a public offering of, or solicitation of investments in, securities of the Company nor a private offering of securities into any jurisdiction or to any person in circumstances that would require compliance with licensing, filing, prospectus, registration or similar requirements in connection therewith. If and to the extent that the grant of RSUs or the delivery of Shares pursuant to this Plan or the extension of eligibility under this Plan into any jurisdiction or to any person conflicts with any securities, stock exchange or other laws and regulations or would trigger any licensing, filing, prospectus, registration or similar requirement (other than the regular listing of the Shares at SIX Swiss Exchange and their registration in the commercial register and in the book entry system to create intermediated securities (*Bucheffekten*)), such grant, delivery or extension shall be deemed null and void. In such case, the Company may (without obligation) decide in its own discretion whether and how to compensate the relevant persons in lieu of such grant, delivery or extension.

Any Participant shall be required to observe trading or other bans as well as the prohibitions of insider trading and market manipulation in connection with the RSUs and any shares granted thereunder.

Any grant of RSUs to members of the Board of Directors that qualifies as prohibited payment under the Compensation Ordinance or otherwise, shall be null and void.

If and to the extent that any term of this Plan, such as terms providing for early vesting, in particular in case of termination of Relationship or Change of Control, should, at the time of the relevant event, qualify as providing additional value to a member of the Board of Directors in a manner that would violate the Compensation Ordinance or other legal provisions, such additional value shall be otherwise compensated, e.g. by a relevant deduction from cash compensation or other proceeds.

## **Amendment and Termination**

In exceptional cases, the Board of Directors may terminate, suspend or amend this Plan at its sole discretion with regard to all or some future or past RSU grants. Any adverse economic effects of such termination, suspension or amendment on grants already made pursuant to a RSU Agreement shall be fairly compensated in cash, by adjustment of other terms of the grant, by replacement by other grants or benefits, or otherwise.

## **Severability**

The invalidity or non-enforceability of any one or more provisions of this Plan shall not affect the validity or enforceability of any other provisions of this Plan, which shall remain in full force and effect. The invalid provisions shall be replaced by valid provisions that economically come as close as possible to the original (invalid) provisions.

## **Governing Law and Jurisdiction**

This Plan and any RSU Award Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

Any disputes arising under or in connection with this Plan, including any disputes under or in connection with the RSU Award Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

## **Entry into Force**

As per the approval of the Board of Directors, this Plan shall enter into force as of March 8, 2023.

## Annex 1

### Definitions

As used in this Plan in capitalized form, the following terms shall have the following meaning:

**Administrator** shall have the meaning set forth in Section 3 above.

**Board of Directors** shall mean the board of directors of the Company.

**Change of Control** shall have the meaning set forth in Section 14 above.

**CO** shall mean the Swiss Code of Obligations as amended.

**Company** shall mean Molecular Partners AG or any successor or replacement company or a new parent company, all as may be designated by the Board of Directors in the future.

**Nomination and Compensation Committee** shall have the meaning set forth in Section 3 above.

**Compensation Ordinance** shall mean the Federal Ordinance against Excessive Compensation in Listed Companies of November 20, 2013, as may be amended or replaced

**Grant Date** shall have the meaning set forth in Section 5 above.

**Group Company** shall mean the Company and any company or entity of which at least 50% of the ownership or voting rights are directly or indirectly owned or otherwise controlled by the Company.

**Participant** shall mean any eligible person to whom the Company has granted RSUs through a RSU Award Agreement based on this Plan.

**Plan** shall have the meaning set forth in Section 1 above.

**Plan Service Provider** shall have the meaning set forth in Section 3 (e) above.

**Relationship** shall mean the board relationship and any relating contractual relationship of a member of the Board of Directors and the consultancy or other legal or contractual relationship of any other Participant.

**RSU** shall have the meaning set forth in Section 1 above.

**RSU Award Agreement** shall have the meaning set forth in Section 4 above.

**Shares** shall have the meaning set forth in Section 9 above.

**Vesting Date** shall have the meaning set forth in Section 8 above.

**Vesting Period** shall have the meaning set forth in Section 8 above.



**Annex 2**

**RSU Award Agreement 2023**

This agreement (**Agreement**) is made as of the Grant Date set forth below by and between Molecular Partners AG (the **Company**), a Swiss corporation, with its domicile in Schlieren, Canton of Zurich, Switzerland and [*Name, Address*] (the **Participant**) in connection with the Restricted Share Plan 2023 (the **RSU Plan**), issued by the Company.

Capitalized terms used, but not defined herein, shall have the meaning assigned to them in the RSU Plan.

Subject to the terms and conditions of the RSU Plan, the Company hereby grants to you the following RSUs:

**Number of RSUs**

[■]

**Grant Date**

[■]

**Year of regular Vesting**

[■]

The grants and any rights associated therewith are personal and not transferable. Please note that the RSU Plan includes a number of restrictions and conditions, which may lead to a complete loss of any entitlements hereunder. [Any grants made to members of the Board of Directors shall be subject to the approval of relevant compensation amounts for the Board of Directors by the shareholders' meeting for the year 2023.]

By entering this Agreement, you accept the grant of the RSUs in accordance with this Agreement and the RSU Plan. In order to do so, please sign and return this Agreement no later than by [*Date*] to [*Name*] and keep a copy for your files

This grant of RSUs is being made, without obligation, at the sole and unrestricted discretion of the Company. The RSU Plan, your eligibility thereunder, the grant of RSUs or the allocation of Shares in connection therewith shall not confer upon you any right to participate in the RSU Plan or to receive grants of RSUs or Shares in the future.

This Agreement shall be governed by, and construed in accordance with, the substantive laws of Switzerland. Any disputes arising under or in connection with this Agreement shall be submitted to the exclusive jurisdiction of the courts at the domicile of the Company (currently Schlieren, Canton of Zurich, Switzerland).

Molecular Partners AG

By: \_\_\_\_\_ By: \_\_\_\_\_

Accepted and agreed by the Participant on \_\_\_\_\_  
(Date)

\_\_\_\_\_

(Signature)



**CERTIFICATION\***

I, Patrick Amstutz, certify that:

1. I have reviewed this annual report on Form 20-F of Molecular Partners AG (the "company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 9, 2023

/s/ Patrick Amstutz  
Chief Executive Officer  
(Principal Executive  
Officer)

**CERTIFICATION\***

I, Robert Hendriks, certify that:

1. I have reviewed this annual report on Form 20-F of Molecular Partners AG (the "company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 9, 2023

/s/ Robert  
Hendriks  

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VP Finance  
(Principal  
Financial Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), **Patrick Amstutz**, Chief Executive Officer of Molecular Partners AG (the "Company"), and **Robert Hendriks**, VP Finance of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2021, to which this Certification is attached as Exhibit 13.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2023

**In Witness Whereof**, the undersigned have set their hands hereto as of the 9th day of March, 2023

/s/ Patrick Amstutz

/s/ Robert Hendriks

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Patrick Amstutz  
Chief Executive Officer

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Robert Hendriks  
VP Finance

"This certification accompanies the Form 20-F to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Molecular Partners AG, under the Securities Act of 1933, as amended, or the Exchange Act, as amended (whether made before or after the date of the Form 20-F), irrespective of any general incorporation language contained in such filing."

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statement (No. 333-265960) on Form F-3 of Molecular Partners AG of our report dated March 8, 2023, with respect to the consolidated financial statements of Molecular Partners AG.

/s/ KPMG

Zurich, Switzerland  
March 8, 2023