MOLECULAR partners

ANNUAL REPORT 2022

At a Glance

- *Pioneering a new class of custom-built protein drugs known as DARPin therapeutics*
- *Advancing a diverse portfolio of unique DARPin product candidates that are designed to offer solutions for serious diseases other therapies cannot readily address*
- *Continuing to unlock new DARPin therapeutic capabilities to expand the pipeline while advancing a growing portfolio of clinical-stage candidates*

Company Profile

Molecular Partners AG (Company) is a clinical-stage biopharmaceutical company pioneering designed ankyrin repeat proteins (DARPin) candidates to treat serious diseases, with a current focus on oncology and virology. The Company has formed partnerships with leading pharmaceutical companies to advance DARPin therapeutics, and has compounds in various stages of clinical and preclinical development across multiple therapeutic areas.

www.molecularpartners.com; Follow the company on Twitter at **@MolecularPrtnrs** and on **LinkedIn.**

About DARPin Therapeutics

DARPin therapeutics are a new class of custom-built protein therapeutics based on natural binding proteins that open a new dimension of multi-functionality and multi-target specificity in drug design. A single DARPin candidate can engage more than five targets, and its flexible architecture and small size offer benefits over other currently available protein therapeutics. DARPin therapeutics have been clinically validated through to registrational stage. The DARPin platform is a rapid and cost-effective drug discovery engine, producing drug candidates with optimized properties for development and high production yields.

Highlights in 2022

Research & Development:

- Molecular Partners and Novartis reported positive topline data from Phase 2 clinical trial for ensovibep (MP0420)
- Presented positive interim safety and mechanism data from ongoing Phase 1 clinical trial of MP0317 for the treatment of solid tumors at the 37th Society for Immunotherapy of Cancer (SITC) Annual Meeting
- Presented preclinical data supporting the unique design and mechanism of MP0533 at the 64th American Society of Hematology (ASH) Annual Meeting and Exposition
- Progressed the Radio DARPin Therapy (RDT) Platform, formally selecting tumor-associated protein Delta-like ligand 3 (DLL3) as a first target

Leadership & Governance:

- CEO Patrick Amstutz elected as President of the Swiss Biotech Association Board of Directors
- Appointed Michael Pitzner as General Counsel and Senior Vice President, Legal
- Promoted Alexander Zürcher to Chief Operating Officer; Renate Gloggner to EVP People and Community; and Anne Goubier, D.V.M, Ph.D., to Senior Vice President of Biology
- CFO Andreas Emmenegger departed the company as of Dec. 31, 2022, after a successful tenure of more than 15 years at the Company
- Established environmental, social, and governance (ESG) working group to advance the Company's ESG goals, reporting to the Company's Board of Directors
- Expanded ESG initiatives with the publication of the Company's ESG priorities and progress, accessible on the investors section of Molecular Partners' website

Financial:

- Ensovibep milestone payment of CHF150 million from Novartis
- Ongoing strong financial position with CHF 249.1 million in cash and short-term deposits as of December 31, 2022, anticipated to support operations into 2026

2023 Outlook:

- Full year 2023 operating expense guidance of CHF 70-80 million, reflecting ambition to further broaden the pipeline in oncology and virology
- Completion of patient recruitment in the dose escalation of the Phase 1 trial of MP0317 anticipated in H1 2023
- Advancement of RDT Platform and DARPin candidates to be presented at scientific conferences in 2023
- Establish collaborations with radionuclide companies
- Initial clinical results of the Phase 1 clinical study of MP0533 anticipated in Q4 2023

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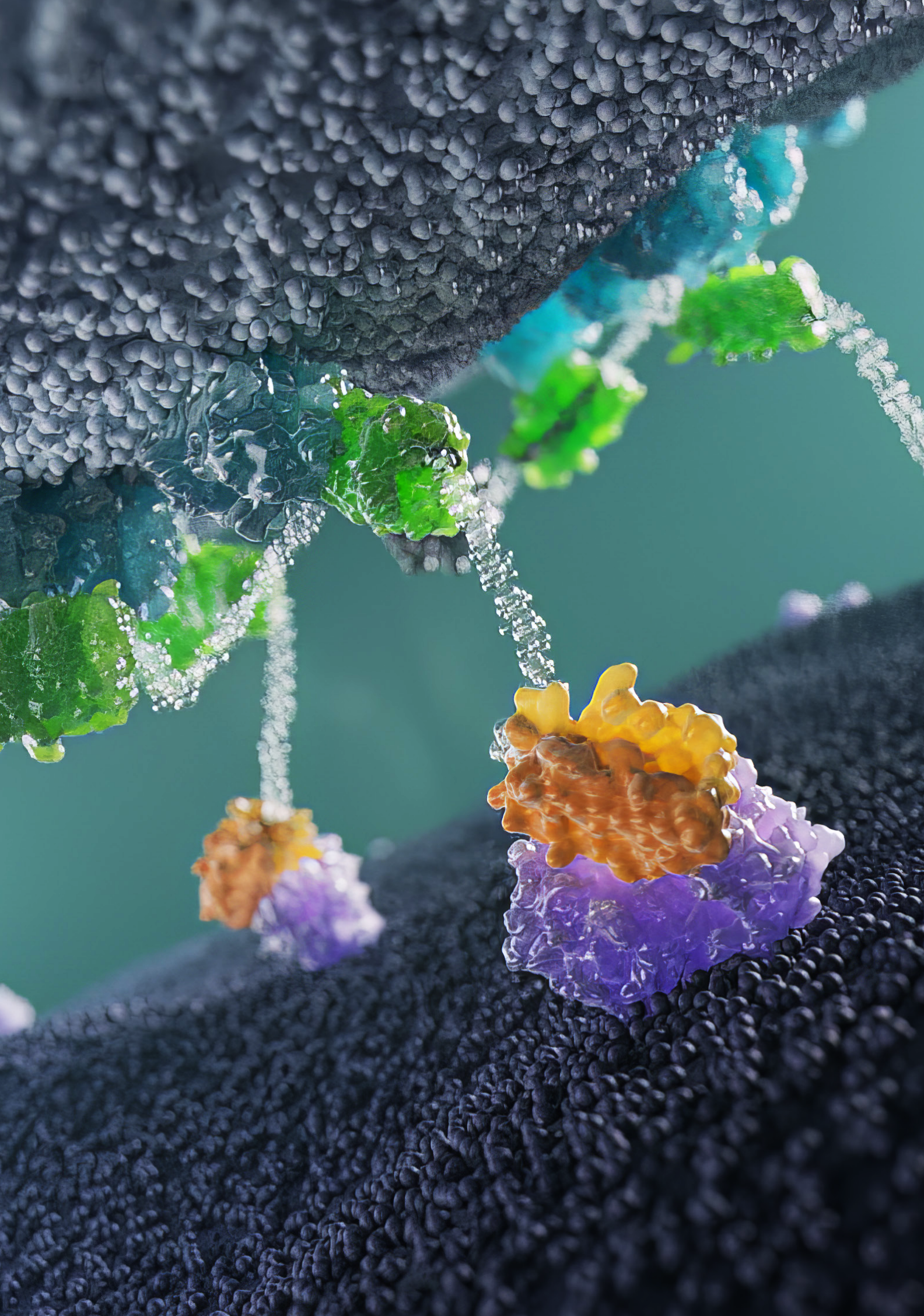


To Our Shareholders

In 2022, we continued to execute on our commitment to build tomorrow's breakthroughs by pioneering DARPin solutions for serious diseases that cannot be addressed by other therapies.

We began last year with a major clinical success with positive results from our global late-stage clinical trial of ensovibep against SARS-CoV-2 (COVID-19) that further validated DARPins and our antiviral approach as we seek further applications of our platforms in virology.

Our partner, Novartis, subsequently exercised its option in January 2022 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 in ordinary shares that Novartis acquired in 2020.

The demand for additional biologic therapies against COVID-19 started to fade away by mid-year 2022. Nevertheless, we learned valuable lessons from this endeavor. We hope to leverage these with our partner Novartis as we have signed a letter of intent to establish pandemic preparedness for potential future pandemics including a potential collaboration to combat viruses representing a global threat.

Throughout the rest of 2022, we continued our work in oncology presenting the first positive data from our ongoing Phase 1 trial of MP0317, which we initiated in late 2021; starting our Phase 1 trial of MP0533 and dosing the first patient in early January 2023; establishing our in-house Radio DARPin Therapy Platform and selecting Delta-like ligand 3 (DLL3) as the first target.

We owe this rapid progress to our more than two decades of experience working with DARPins that has allowed us to deliver seven clinical-stage candidates, which have been administered to over 2,500 patients, with a well-defined manufacturing strategy that would allow us to achieve global scale. Our team has continued to pioneer DARPins as a new class of therapeutics, ever unlocking and expanding the advantages of our platforms to address novel technological challenges and close the gap between small molecule and antibody therapeutics. Through our well-validated approach and strong cash position that will take us into 2026, there are many exciting milestones ahead. Our progress in 2022 and the upcoming milestones for 2023 across our Radio DARPin Therapy Platform, MP0533, MP0317 and potential virology programs, showcase the breadth and differentiation of the opportunities we can offer patients through our unique approach.

We continued to expand the full potential of our DARPin platform as we intend to independently develop and commercialize product candidates in our core focus areas, where we believe we have a clear clinical and regulatory approval pathway and the resources to commercialize successfully.

To fully leverage our approach, we combine our capabilities with strategic partners to deliver a broad pipeline of innovative therapies. This strategy has allowed us to pursue major therapeutic innovations for the DARPin platform. We pursue opportunities when we see the strategic rationale to combine our DARPin capabilities with other industry-leading modalities.

We are continuing our research and collaboration agreement with Novartis to develop, manufacture and commercialize Radio DARPin-based therapies. The collaboration combines Molecular Partners' industry-leading ability to rapidly generate high-affinity DARPins and the radioligand therapeutic capabilities and expertise of Novartis.

Following Novartis' in-licensing of ensovibep, Molecular Partners remains well-funded for upcoming value inflection points. In the financial year 2022, we generated total revenues and other income of CHF 189.6 million and incurred total expenses of CHF 73.0 million. This led to an operating profit of CHF 116.6 million for 2022 and resulted in a net profit of CHF 117.8 million. Including short-term time deposits, the cash and cash equivalents position increased to CHF 249.1 million as of December 31, 2022, from CHF 132.8 million in 2021. Total shareholders' equity stood at CHF 235.2 million as of December 31, 2022, a rounded increase of CHF 127.9 million.

For FY 2023, at constant exchange rates, we expect total operating expenses of CHF 70-80 million, of which around CHF 9 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation.

Our leadership continues, not only in DARPin development, but also in our industry with the election of our CEO, Patrick Amstutz, as President of the Swiss Biotech Association Board of Directors in May 2022. Switzerland is one of the leading, global hubs for life sciences and we believe this position allows Patrick the opportunity to provide leadership and influence in the biopharma industry, both regionally and globally.

The strengthening of our leadership team with several key hires and internal promotions positions us well for the work ahead as we rapidly advance our clinical and discovery-stage programs.

Alexander Zürcher was promoted to Chief Operating Officer, effective July 1, 2022. Coinciding with Alexander's promotion, Michael Stumpp, our prior COO, transitioned to the newly formed position of EVP Projects where he drives key programs for the company while remaining a member of our Management Board. Renate Gloggner was promoted to EVP People and Community, effective July 1, 2022. Both Alexander and Renate were appointed to our Management Board, also effective July 1, 2022.Anne Goubier, D.V.M, Ph.D., was promoted to Senior Vice President of Biology, effective October 1, 2022. Michael Pitzner was appointed to General Counsel and Senior Vice President of Legal, effective November 1, 2022, transitioning the role from Julien Gander.

CFO Andreas Emmenegger departed the company as of Dec. 31, 2022 following a successful tenure of more than 15 years. His successor will be announced in due course and we are committed to a smooth transition.

At the 2022 Annual General Meeting on April 13, 2022, our shareholders approved all motions proposed by our Board of Directors, including the re-election of all members for a term of office of one year, the renewal of the authorized share capital for a period of two years until April 13, 2024 and all motions regarding compensation of the Board of Directors and the Management Board. Our shareholders also welcomed the expansion of our environmental, social, and governance (ESG) initiatives.

In our continued commitment to corporate sustainability, we advanced our ESG goals in 2022 by formally establishing corporate sustainability responsibility at Board level. Our Finance and Audit Committee will lead oversight of all ESG policies for the Board. To fully integrate our ESG strategy within the organization, we have created an ESG task force of key internal stakeholders to ensure continued progress is made across our key priorities. We also published our ESG priorities and progress, accessible on the investors section of Molecular Partners' website. Our team is currently creating a baseline status evaluation as the next step toward implementing an ESG plan with clear metrics that detail our progress across the following priority areas: Board oversight of ESG and corporate sustainability; human capital management and diversity, equity and inclusion (DEI); product service and safety; access to medicine; and business ethics.

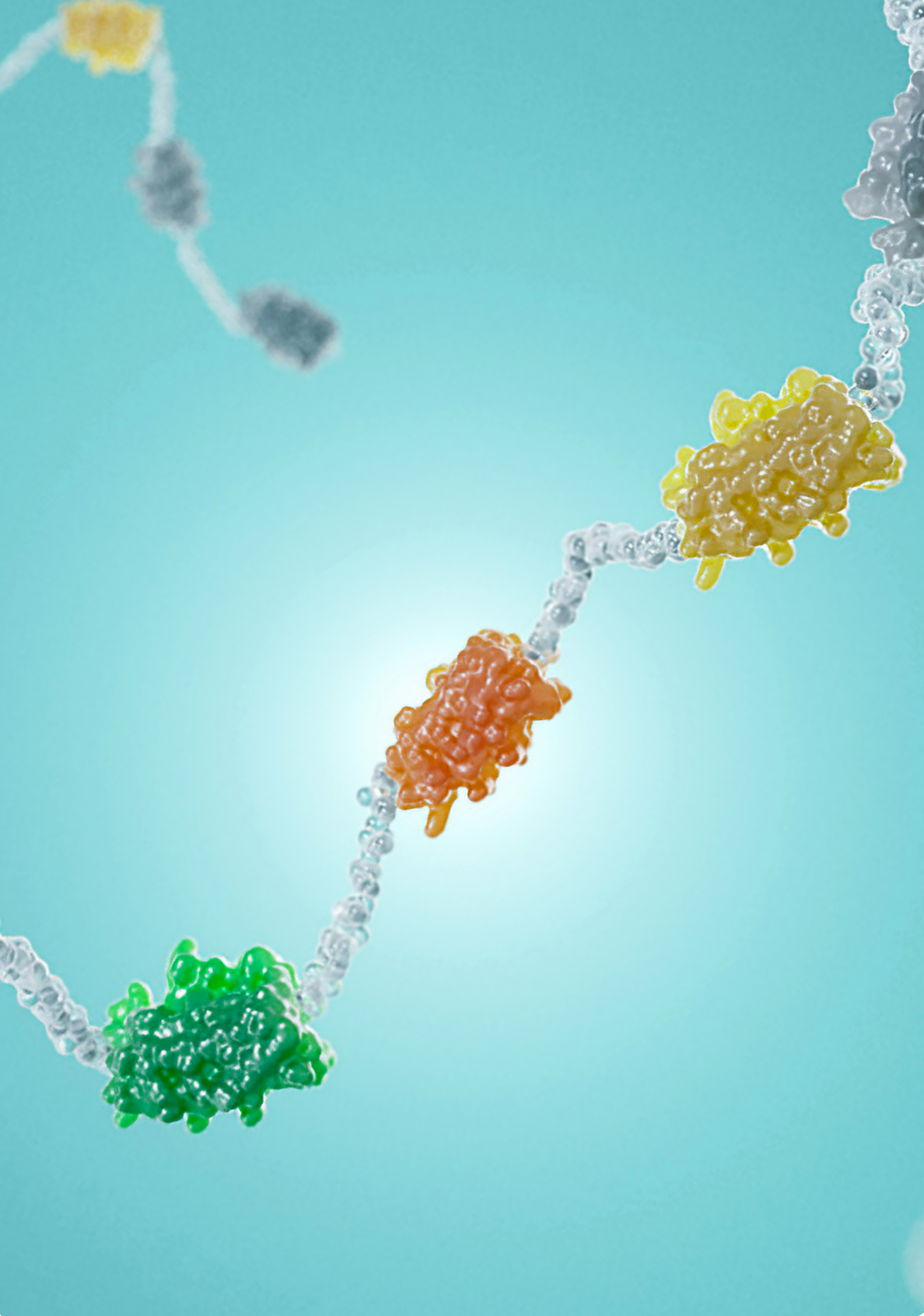
The clinical success of ensovibep has demonstrated how we are able to translate the DARPin differentiation into patient value. We will continue to execute our strategy, to leverage our DARPin modality, our internal expertise and talents, our collaborations, supported by the strong cash position, to generate patient value in the coming years.

None of the significant progress we made in 2022 would be conceivable without the support and diligent work of our employees, strategic partners, investors, researchers and patients. We are immensely grateful for each and every person who has supported our shared vision. We are looking forward to sharing more about our exciting progress throughout 2023 and beyond.

Zurich-Schlieren, March 8, 2023
Sincerely,

Bill Burns
Chairman of the Board

Patrick Amstutz
Chief Executive Officer



Financial Summary

Results and overview

The following discussion and analysis of the financial condition and results of operations of Molecular Partners AG and its subsidiary (collectively, Group) should be read in conjunction with the IFRS Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

In addition to historical data, this discussion contains forward-looking statements regarding our business and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors.

Key Financials (CHF million, except per share, FTE data)	**FY 2022**	**FY 2021**	**Change**
Total revenues and other income	**189.6**	**9.8**	**179.8**
R&D expenses	(50.7)	(55.7)	5.0
SG&A expenses	(22.3)	(17.5)	(4.8)
Total operating expenses (incl depr. & amort.)	**(73.0)**	**(73.2)**	**0.2**
Operating result	**116.6**	**(63.4)**	**180.0**
Net finance result	1.2	(0.4)	1.6
Net result	**117.8**	**(63.8)**	**181.6**
Basic net result per share (in CHF)	3.63	(2.06)	5.69
Diluted net result per share (in CHF)	3.54	(2.06)	5.60
Net cash from (used in) operating activities	118.6	(91.0)	209.5
Net cash used in investing activities	(101.1)	(22.2)	(78.9)
Net cash from (used in) financing activities	(1.6)	50.6	(52.2)
Exchange gain/(loss) on cash positions	0.2	0.7	(0.5)
Net increase (decrease) in cash and cash equivalents	16.1	(61.9)	78.0
Cash and cash equivalents	**87.9**	**71.8**	**16.1**
Cash and cash equivalents (incl. short-term time deposits)	**249.1**	**132.8**	**116.3**
Total non-current assets	7.5	8.5	(1.0)
Total current assets	254.8	164.2	90.6
Total shareholders' equity	235.2	107.3	127.9
Total non-current liabilities	9.8	18.5	(8.7)
Total current liabilities	17.3	46.9	(29.6)
Number of total FTE	**175.3**	**163.2**	**12.1**

Financial highlights

On January 7, 2022, Novartis informed the Group of its intention to exercise the option under the Option and Equity Rights Agreement. This was followed by the signing of the Ensovibep License Agreement between the two parties on January 17, 2022. As a result, the Group received CHF 150.0 million for the option exercise payment plus CHF 13.1 million for other items related to ensovibep.

The Group's cash position as per December 31, 2022, continues to provide a comfortable financial flexibility and a forecasted cash runway into 2026, excluding any potential receipts from R&D partners.

Molecular Partners' broad pipeline across multiple indications, its collaborations with blue chip pharma companies such as Novartis, and its strong financial position combine to provide the Group a robust position within the biotech sector. Molecular Partners continues to invest its financial and human resources into the evolution of its proprietary DARPin technology, the progression of innovative programs as well as the advancement of its pipeline of proprietary drug candidates in clinical development.

Revenues and other income

In 2022, the Group recognized total revenues and other income of CHF 189.6 million, a significant increase compared to the previous year (2021: CHF 9.8 million). Revenues in 2022 were primarily driven by the one-off funds received from Novartis as described above, as well as revenue derived from the Novartis collaboration agreement for radioligand therapies. The revenue in 2021 related exclusively to the Amgen collaboration.

In 2022 and 2021, the Group also recorded other income related to agency fees that were invoiced to Novartis.

As of December 31, 2022, the Group has CHF 10.0 million in contract liabilities related to the Novartis collaboration agreement for radioligand therapies, which is expected to be recognized as revenue in 2023 and 2024.

Operating expenses (incl. depreciation and amortization)

The Group's operating expenses consist primarily of costs associated with research, preclinical and clinical testing as well as of personnel-related costs. To a lesser extent they also reflect royalty and license fees, facility expenses, professional fees for legal, tax, audit and strategic purposes, administrative expenses and the depreciation of property, plant and equipment.

Overall, in 2022 total operating expenses remained largely similar, decreasing by a marginal CHF 0.2 million to CHF 73.0 million (2021: CHF 73.2 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 consistently were personnel expenses of CHF 39.9 million (55% of total operating expenses) and external research costs totaling CHF 17.2 million (24% of total operating expenses).

Total R&D expenses in 2022 were CHF 50.7 million (2021: CHF 55.7 million). The Group charges all R&D expenses to the income statement when incurred, including internal patent filing and patent maintenance costs.

Total SG&A expenses increased by CHF 4.8 million (+28%) to CHF 22.3 million (2021: CHF 17.5 million), mainly reflecting the first full twelve months period of D&O insurance cost and professional services costs associated with the Group's June 2021 listing on the NASDAQ.

Operating result

In 2022, the Group generated an operating profit of CHF 116.6 million (2021: Operating loss of CHF 63.4 million), driven by the revenues associated with the Novartis collaboration agreement and the corresponding funds received.

Financial result

In 2022, Molecular Partners recorded a net financial gain of CHF 1.2 million, mainly driven by interest income and foreign exchange gains on the cash positions held in foreign currencies, whereas in 2021 there was a net financial loss of CHF 0.4 million in 2021 mainly driven by interest expenses associated with negative interest rates on our cash positions.

Income taxes

The Swiss legal entity of the Group 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 carry forwards to offset future taxable income over a period of seven years.

Net result

In 2022, the Group recorded a net profit of CHF 117.8 million, driven by the revenues associated with the Novartis collaboration agreement, compared to a net loss of CHF 63.8 million in 2021.

Balance sheet and capital resources

As of December 31, 2022, the Group's total balance of cash and cash equivalents (incl. short-term time deposits) increased by CHF 116.3 million compared to year-end 2021 to a level of CHF 249.1 million. This continued strong cash and cash equivalents position (incl. the short-term time deposits) represented 95% of the total assets at December 31, 2022.

The total shareholders' equity position increased to CHF 235.2 million as of December 31, 2022 (December 31, 2021: CHF 107.3 million). The Group's balance sheet continued to be debt-free in 2022.

Liabilities recorded in the balance sheet relate to contract liabilities, lease liabilities, trade payables and accrued expenses from the Group's operations as well as to pension liabilities as per IAS19. Total liabilities amount to CHF 27.1 million (2021: CHF 65.4 million), largely consisting of contract liabilities with our collaboration partner Novartis. These non-cash effective contract liabilities represent the most significant liability item with an amount of CHF 10.0 million at the end of 2022 (2021: CHF 35.2 million). The contract liabilities are expected to be recognized as revenue as soon as the Group fulfills the related performance obligations. For more details see note 15 of the IFRS consolidated financial statements.

Cash flow statement

In 2022, Molecular Partners, following the funds received from Novartis in January 2022, recorded a net cash inflow from operations of CHF 118.6 million, compared to the net cash outflow from operations of CHF 91.0 million in 2021.

Cash outflow from investing activities was a net CHF 101.1 million, compared to a CHF 22.2 million cash outflow in 2021. Cash flow from investing activities in both years was driven by movements in short-term time deposits. A CHF 1.4 million outflow was recorded for capital expenditures related to equipment and intangible assets, and a CHF 0.5 million inflow was recorded from interest received.

Net cash outflow from financing activities of CHF 1.6 million was driven primarily by payments of our lease liabilities and the investment related to the creation of treasury shares. In addition, the Group recorded a foreign exchange gain on cash positions of CHF 0.2 million in 2022 (2021: CHF 0.7 million).

Overall, this resulted in a net increase of the Group's total cash balance and short-term time deposits by CHF 116.3 million from CHF 132.8 million at the end of 2021 to CHF 249.1 million at year-end 2022.

Financial risk management

The Group is developing several therapeutic candidates and is currently not generating a constant revenue stream, which typically results in a negative cash flow from operating activities. At present, the lack of recurring positive operating cash flow may expose the Group to financing risks in the medium term. Risk management is carried out centrally under policies approved by the Board of Directors. Furthermore, the Group manages financial risks such as foreign exchange risk and liquidity.

Molecular Partners conducts its activities primarily in Switzerland, EU and U.S. 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 any potential adverse effects on the financial performance of the Group. The Group is not exposed to market price development as it has no salable products.

The following is a summary of how we manage and mitigate the key financial risks:

- Foreign exchange risk: The Group's primary exposure to financial risk is due to fluctuation of exchange rates between CHF, EUR and USD. The Group's hedging policy is characterized by the following two elements: (1) to maximize natural hedging by matching expected future cash flows in the different currencies, and (2) if markets 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 volatile interest rates in Switzerland and uncertainties related to the cash flows, a 100% hedging of the currency exposure is neither possible nor appropriate. Molecular Partners does not engage in speculative transactions.
- Interest rate risk: During 2022 Molecular Partners both paid interest and earned interest income on the cash and cash equivalents (including short-term time deposits) balances and its profit and loss may be influenced by changes in market interest rates. The Group is investing part of its cash through money market investments in line with its treasury guidelines.

- Credit risk: The maximum credit risk on financial instruments corresponds to the carrying amounts of the Group's cash and cash equivalents and receivables. The Group has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. All cash and cash equivalents are held with four major Swiss banks with ratings between A- and AAA as per Standard & Poor's. The Group enters into partnerships with partners which have the appropriate credit history and a commitment to ethical business practices. Other receivables with credit risk mainly include interest receivables.
- Liquidity risk: Based on the Group's Business Plan 2023-2027, management estimates that the Group, with CHF 249.1 million of cash at hand (incl. cash equivalents) and with no debt on the balance sheet as per December 31, 2022, is funded into 2026, excluding any potential receipts from R&D partners.

Financial outlook 2023

For FY 2023, at constant exchange rates, we expect total operating expenses of CHF 70-80 million, of which around CHF 9 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation.

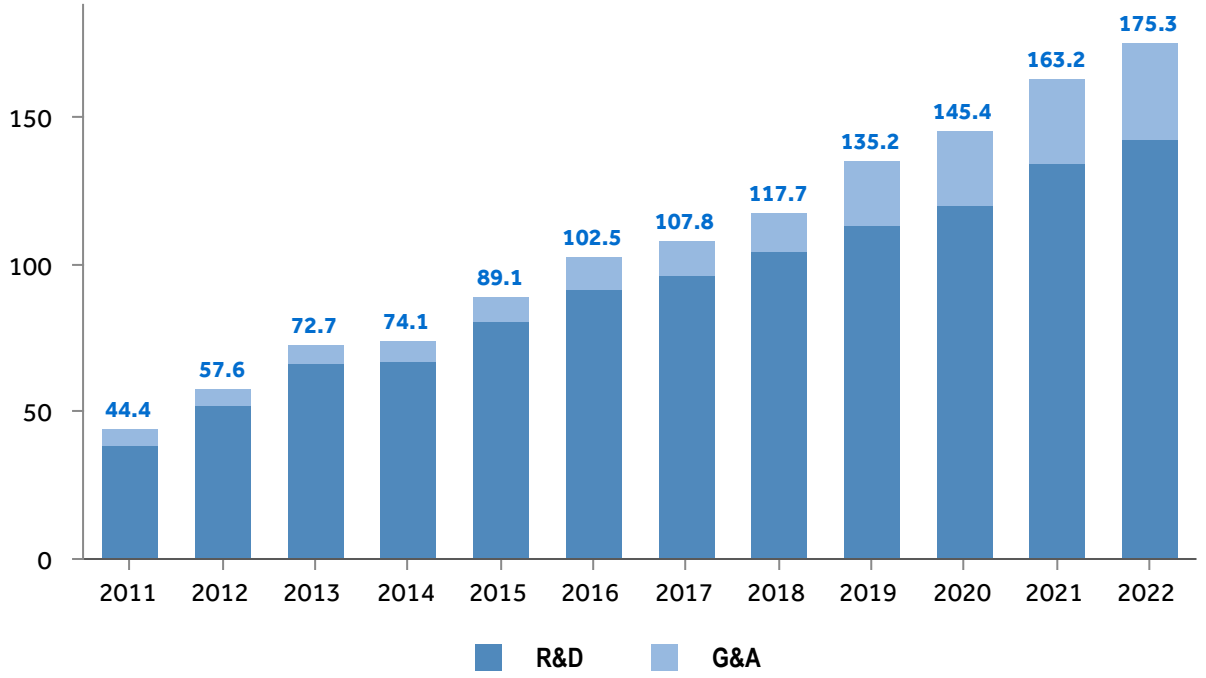
Financial calendar 2023

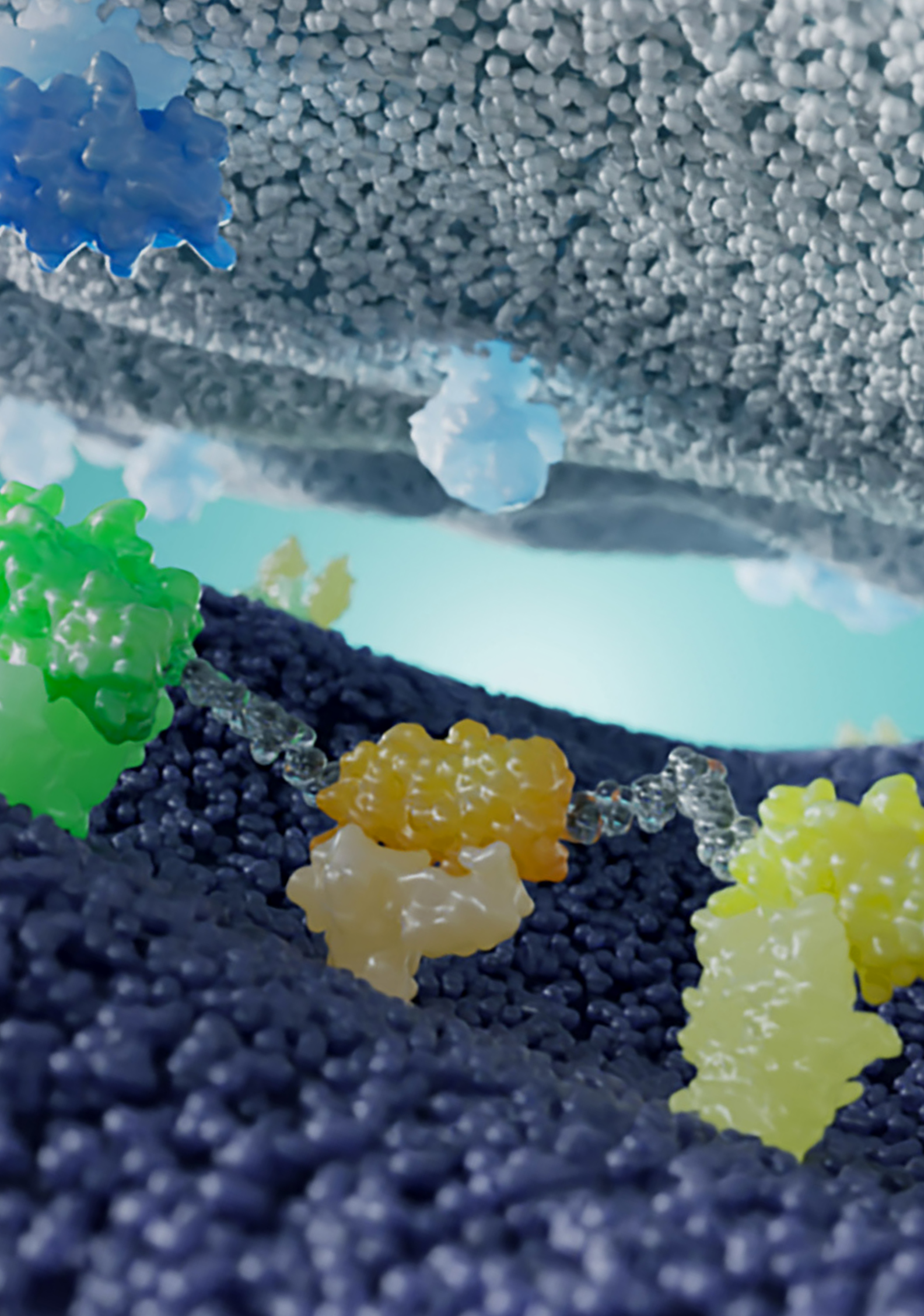
The following table summarizes the scheduled financial calendar for the financial year 2023.

Date:	Event:
March 13, 2023	Expected Publication Date of Annual General Meeting Invitation 2023
April 4, 2023	Annual General Meeting
May 11, 2023	Interim Management Statement Q1 2023
August 24, 2023	Publication of Half-year Results 2023 (unaudited)
October 26, 2023	Interim Management Statement Q3 2023

Development of employee base

The continued growth of the Group and its further reinforced financial position is reflected in the development of its employee base throughout 2022. Total FTE (full-time equivalent) grew another year by 7% to 175.3, of which about 81% are employed in R&D-related areas.





Research & Development

The DARPin Difference: Offering Patients a New Dimension of Protein Therapeutics

Overview

We are a clinical-stage biopharmaceutical company pioneering a new class of therapeutics, designed ankyrin repeat proteins (DARPins) to treat serious diseases, with a current focus on oncology and virology. By harnessing DARPins' intrinsic therapeutic advantages and leveraging our more than two decades of experience, we believe our DARPin platforms can close the gap between small molecule and antibody medicines as a new therapeutic modality poised to offer clinical breakthroughs.

Our approach has been validated through the development of seven clinical-stage candidates that have been extensively tested in more than 2,500 patients, and have been observed to be highly active and generally well-tolerated.

Molecular Partners was founded in 2004 by the inventors of the DARPin platform. Our senior management, which includes two of our group's co-founders, has significant prior experience in oncology, research, drug development and finance. Members of our leadership 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).

Intrinsic advantages of DARPins over other approaches

For more than two decades, we have pioneered DARPins as a new class of therapeutics, leveraging their intrinsic advantages to create candidates with novel mechanisms that we believe are unmatched by other drug classes. The intrinsic advantages of DARPins include:

- **Derivation from natural binding ankyrin repeat proteins:**
  - DARPins are based on natural protein binders that mediate protein interactions in most living cells on Earth: ankyrin repeat domains. Distilled by evolution and engineered by Molecular Partners, ankyrin repeat domains are the ideal foundation for an efficient, versatile and creative approach to biologic drug design. An individual DARPin is a radically simple unit consisting of a robust backbone, or scaffold, supporting a binding surface that is shaped to bind its target with exquisite precision and strength. Unlike larger, more complex binding proteins, the basic repeating unit can be engineered against a vast array of different targets with very low risk of off-target effects or interactions outside the binding surface. The natural repeating structure of ankyrin repeat domains provides a clear way to link units for multispecific DARPin candidates.

- **High affinity and specificity:**
  - DARPin's intrinsic high affinity and high specificity mean DARPin candidates can strongly bind to their targets. This binding strength is matched by the specificity of DARPins to bind only to the intended target, limiting the potential of off-target effects.

- **Small size:**
  - Even when linked together, multispecific DARPins are smaller than antibodies, which allows a potentially greater tissue penetration. Additionally, every dose given to a patient contains more molecules per gram than a larger molecule like an antibody.

- **Tunable half-life:**
  - DARPins bind to human serum albumin (HSA) and we are thus able to finely tune a candidate's half-life to ensure a single dose can provide the right duration of effect and concentration in the body.

- **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 10 days, versus a 30-day mammalian campaign. This advantage is critical to produce drugs quickly at global scale.

Our R&D strategy: Design DARPin solutions for challenges other therapies cannot readily address

We are committed to leveraging our proprietary DARPin platform to develop solutions for defined medical problems that other modalities, like antibodies, cannot address. Key aspects of our strategy include the following points:

Designing unique DARPin solutions for defined medical problems that cannot be addressed by other therapies

DARPins have several intrinsic advantages over other therapies, including their small size, high specificity, high affinity and simple manufacturing. We leverage these intrinsic advantages with our deep clinical experience by pioneering the design of complex, multispecific candidates that can offer patients medical solutions for well-defined but intractable therapeutic challenges. MP0533 is our trispecific T-cell engager with a unique avidity-driven mechanism for acute myeloid leukemia (AML), a cancer that is difficult to treat because many of the relevant disease targets that are present on both cancerous and healthy cells. MP0533 is designed to bind to CD3 on T-cells and either two or three tumor-associated antigens to selectively kill AML cells, while sparing healthy cells, which has historically been the challenge for CD3-targeting therapeutics for AML.

MP0533's unique mechanism of action represents a new level of precision that we can achieve with our platform to design multispecific candidates for diseases with well-understood biology, but for which there has been little therapeutic advancement because of biological challenges.

We are developing several candidates designed to activate the immune system to fight cancer, while reducing damage to healthy cells. These candidates use multiple novel DARPin technologies potentially applicable against a wide range of tumor types, including DARPin candidates with the ability to restrict immune activation to the tumor microenvironment; the ability to target intracellular disease-associated proteins; and multiple novel control mechanisms for immune activation designed to direct immune attack to the right cells, at the right place, at the right time. These capabilities can be combined during candidate design through the inherent modularity of our DARPin platform, to provide precise control over immune activation and potentially enable more effective cancer therapies.

Unlocking novel biological solutions and expanding therapeutic applications of DARPin approaches

Due to our deep experience pioneering DARPins and our understanding of their intrinsic advantages, we are able to recognize areas where DARPins can offer novel solutions and we are thus ever-expanding the therapeutic applications of our platform.

Radiotherapy is a growing area of research in oncology because of its potential to specifically damage tumor cells over healthy cells and thus potentially allow difficult-to-target small tumor lesions, or micro-metastasis, to be treated more efficiently and safely. Due to their small size of 15 kDa, high affinity and specificity, DARPins represent an ideal delivery mechanism for therapeutic radionuclides to deeply penetrate and kill tumors, offering a distinct advantage over antibodies, which are ten times the size. In order to be safe and effective, all therapeutic radionuclides must be designed to avoid accumulation in the kidney. We further engineered our Radio DARPin Therapy candidates through "stealth engineering" so that the surface charge of our candidates are invisible to receptors on kidneys that reabsorb proteins. In initial preclinical studies, this approach has resulted in an 80%-90% reduction of kidney absorption.

We have partnered with the world's leading radioligand developer, Novartis, on two of our RDT candidates, which we believe highlights DARPins' potential in this area. Beyond our collaboration with Novartis, in December 2022, Molecular Partners formally selected tumor-associated protein Delta-like ligand 3 (DLL3) as a first target of our in-house program with further targets under evaluation.

We are developing a novel technological application of DARPins known as SWITCH DARPins. Through our proprietary engineering process, we are able to incorporate two mutually exclusive target-binding sites on a single DARPin, allowing further versatility in target engagement and the creation of SWITCH elements wherein the binding and activity depend on the presence of a target molecule.

Demonstrating clear patient value with rapid clinical readouts

We believe we have the world's deepest experience with DARPin candidate development, having advanced seven clinical-stage programs across multiple disease areas that have been tested in more than 2,500 patients. As a result of this experience, we design DARPin candidates that have potential to solve complex therapeutics challenges, which we optimize through our preclinical development process so they can be rapidly advanced through clinical trials.

We are committed to measuring single-agent activity in addition to safety in our Phase 1 trial of MP0533 and other candidates so we can ensure we are demonstrating clear patient value as early as possible. Likewise, we presented positive safety and mechanistic data from MP0317 in 2022, after advancing the candidate into clinical development in late 2021, and continue to maintain our commitment to demonstrating clear patient value as early in a program's life cycle as possible.

Combining our capabilities with world-class partners to deliver a broad pipeline of innovative therapies

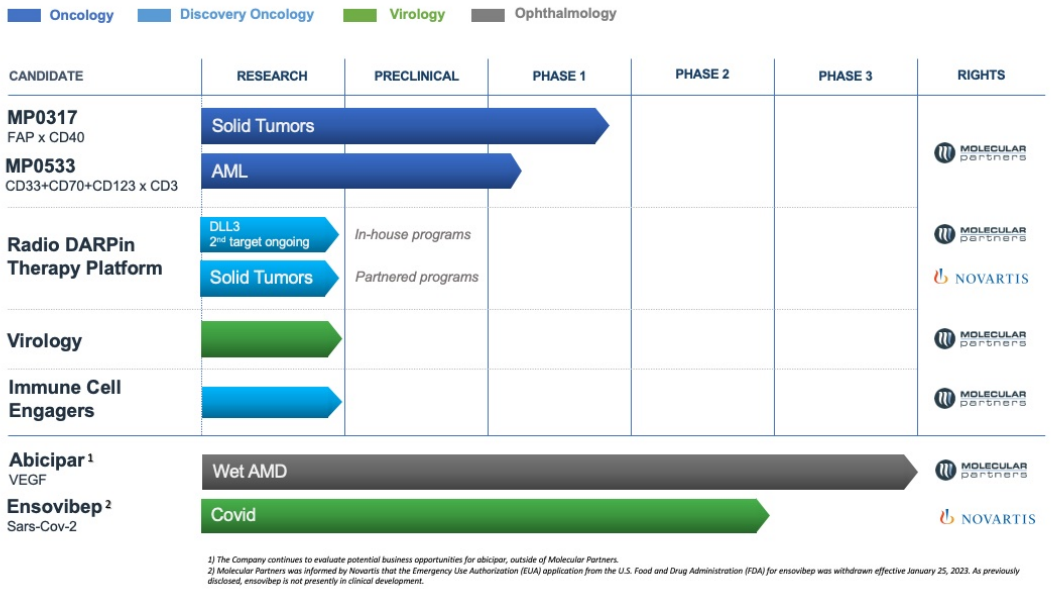
To continue to expand the full potential of our DARPin platform, we intend to independently develop and commercialize product candidates in our core focus areas, where we believe we have a clear clinical and regulatory approval pathway and the resources to commercialize successfully. To complement this approach, we also plan to combine our capabilities with world-class partners to deliver a broad pipeline of innovative therapies.

This strategy has allowed us to pursue major therapeutic innovations for the DARPin platform, often in parallel, across our oncology and virology focus areas. 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.

Pipeline Update

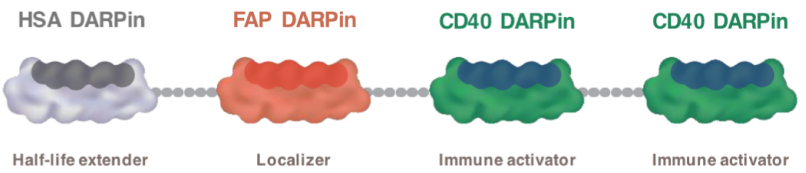
Molecular Partners' pipeline includes two key areas: oncology and virology. In addition, we are reviewing opportunities in ophthalmology.

Our pipeline chart as of March 2023 is illustrated below:



Oncology

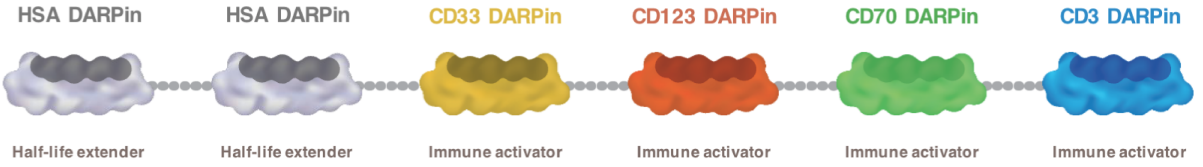
MP0317



MP0317 is our DARPin product candidate targeting fibroblast activation protein (FAP) and cluster of differentiation (CD) 40. It is designed to resolve the limitations of previously observed dose-limiting toxicities in studies of other CD40 agonists. MP0317 is designed to activate immune cells specifically within the tumor microenvironment through the simultaneous binding of the immune stimulator CD40 as well as FAP, a protein highly expressed within tumors.

Our team presented positive preliminary 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



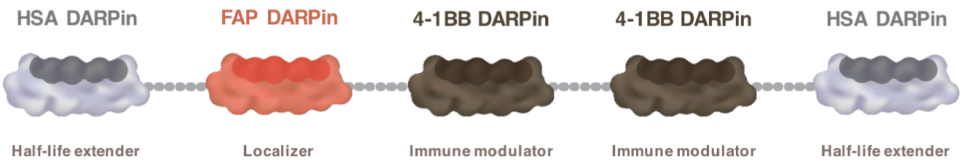
In an oral presentation at the 64th American Society of Hematology (ASH) Annual Meeting in December 2022, we presented preclinical results showing MP0533, a novel trispecific T-cell engager for the treatment of AML and higher-risk myelodysplastic syndromes (MDS), can induce preferential killing of cells expressing two or three tumor-associated antigens (TAAs) compared to cells expressing a single TAA.

MP0533 engages CD3 on T-cells while binding up to three tumor-associated antigens (CD33, CD70, and CD123) on AML cells. By modulating the affinity to each TAA, we designed MP0533 to induce T-cell-mediated killing preferentially when the cancer cells express two or three of the TAAs. This avidity-driven T-cell activation ensures preferential killing of AML cells, that consistently express two or three of the target antigens. At the same time, it is designed to reduce the damage to healthy cells, which tend to express only one of the target antigens, a recurrent issue with other T-cell engagers in AML.

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 confirmed 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 leukemic stem cells (LSCs), while sparing a variety of healthy cells including hematopoietic stem cells. The unique safety profile 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



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.

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.

Development of a Radio DARPin-based therapeutic program

In 2022, we progressed our Radio DARPin Therapy (RDT) Platform, selecting tumor-associated protein Delta-like ligand 3 (DLL3) as the first target of our in-house programs in this area. 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.

We believe these 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 are developing RDT candidates, both proprietary as well in collaboration with Novartis.

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

Virology

Ensovibep

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 of ordinary shares that Novartis acquired in 2020, and Novartis submitted an Emergency Use Authorization (EUA) application to the U.S. Food and Drug Administration (FDA). Yet, the clinical development of ensovibep was halted in 2022 due to a lack of neutralization activity against omicron subvariants.

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, in a manuscript titled, "The trispecific DARPin ensovibep inhibits diverse SARS-CoV-2 variants."

Novartis informed Molecular Partners in early January of 2023 that it submitted a request to withdraw the EUA application from the U.S. FDA for ensovibep. The EUA application for ensovibep was withdrawn effective January 25, 2023.

Ophthalmology

Abicipar

In November 2021, we regained global development and commercial rights to abicipar for the treatment of neovascular age-related macular degeneration (nAMD) and diabetic macular edema (DME). Abicipar went through two positive Phase 3 clinical trials, CEDAR and SEQUOIA, which supported the non-inferior efficacy of its quarterly dosing regimen compared to monthly ranibizumab.

We are currently evaluating potential business development opportunities for abicipar. Based on correspondence with the U.S. FDA and discussions with potential partners, the options for resumed development may include the development and commercialization program by a partner, or the formation of a new company focused on abicipar with new investors and a dedicated management team.

Corporate Sustainability

At Molecular Partners we are driven to develop treatments for patients suffering from serious diseases. With a focus on oncology and virology, we are advancing truly differentiated potential treatments for patients through DARPins, the new class of drugs we are pioneering. Our core values as a company are to support our people, the patients we serve. We act as global citizens, committed to creating a healthier and more sustainable world.

To help accomplish all of this, we have identified areas we are prioritizing within our ESG strategy where we feel we can make the greatest positive impact:

- Board Oversight of ESG and Corporate Sustainability
- Human Capital Management, Diversity, Equity, and Inclusion
- Product Service and Safety
- Access to Medicine
- Business Ethics

As we continue to make progress across these priorities, we maintain our long-standing commitment to ethical communication with all stakeholders.

Board Oversight of ESG and Corporate Sustainability

- Corporate Sustainability is a theme in both our executive and Board practices. A key step in that direction in 2021-2022 was to formally establish corporate sustainability responsibility at a Board level. The Finance and Audit Committee will lead oversight of our ESG policies for the Board. To fully integrate our ESG strategy within our organization, we have created an ESG Circle of key internal stakeholders to ensure we are making progress across our priorities.
- We have also engaged external support to enhance our ESG work. Currently, we are creating a baseline status evaluation as the next step toward implementing an ESG plan with clear metrics that detail our progress across priority areas.

Human capital management & Diversity, Equity, and Inclusion

- Molecular Partners offers generous benefits spanning health, wellness and retirement planning to its employees:

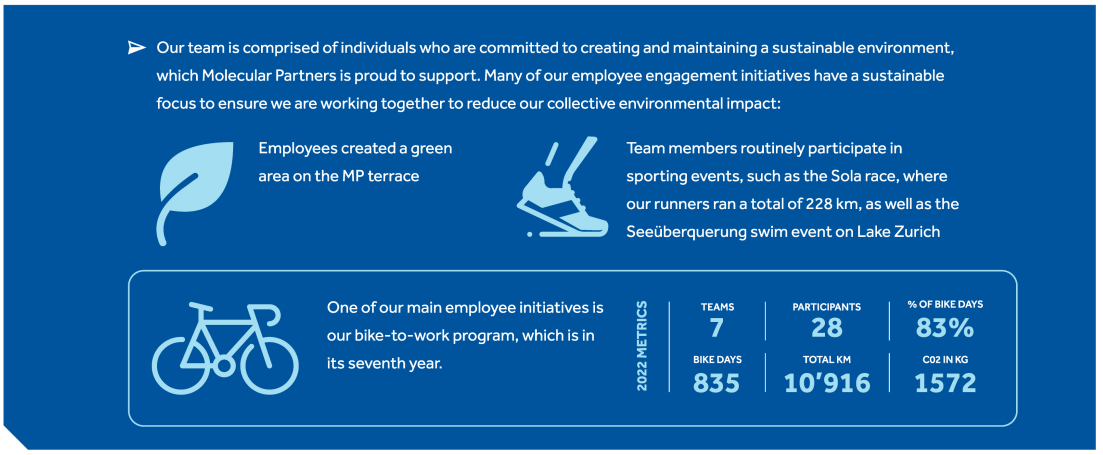
- We also provide flexible working arrangements so our employees can care for their growing families, aging parents and make time for their interests outside of work:

- Training programs:

- Fostering diversity and inclusion is a key element of our recruitment process.
  To accomplish this objective, we have committed to:

  - **Well-defined hiring procedures**
  - **Diversity of interviewers**
  - **Employee referral program**
  - **Encouraging internal applications**

- The Molecular Partners team is comprised of individuals who are committed to creating and maintaining a sustainable environment, which we are proud to support. Many of the employee engagement initiatives have a sustainable focus to ensure the team is working together to reduce our collective environmental impact:



Data protection & cybersecurity

- The protection of our internal and patients' data is a top strategic priority for Molecular Partners. We have implemented cutting edge IT systems and continually make technology upgrades to ensure the highest standard of data protection:

Supply chain management

- Suppliers are audited for quality, with a focus on "Good x Practice" (GXP) aspects.
- All of the Group's Contract Development and Manufacturing Organizations (CDMOs) are based in Western Europe where human rights, health & safety, child labor protections and minimum wages are regulated by the national laws. Our CDMOs are licensed by their respective national authorities.

Access to Medicine

- At Molecular Partners, we believe that beyond developing medicines for patient populations that have no other solutions, it is important to be able to provide these drugs globally. When partnering with Novartis to fight COVID-19, Molecular Partners agreed to waive future royalties from ensovibep in developing regions as part of our commitment to corporate social responsibility in a time of urgent global medical need.

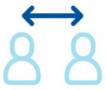
Product quality & safety

- Molecular Partners has established and employs methods to assure our trial participants are as safe as possible:

Fully documented Quality Management System (QMS) are in place to ensure compliance with regulations and standards and to control all activities related to product quality and patient safety

Well- and continuously-trained and qualified personnel

Continuous improvement of the QMS ensuring product quality and patient safety



Close oversight of vendors and trials both pre-clinical and clinical with robust qualification and controlling procedures

Business Ethics

- Molecular Partners follows a strict code of conduct that applies to every member of our team. All employees in the organization adhere to the policies below:
    * Privacy Policy
    * Corporate Code of Ethics & Conduct
    * Anti-Bribery & Corruption
    * Whistle Blower Policy
    * Human Rights and Modern Slavery Policy

Board Diversity

As per December 31, 2022, the board of directors included seven male directors and one female director.

Corporate Governance Report

The information published in this report follows the SIX Swiss Exchange (SIX) Directive on Information relating to Corporate Governance dated June 18, 2021 (Directive on Corporate Governance, the DCG).

1. Group Organization and Shareholders

1.1 Group Structure

Molecular Partners AG (the Company) is a listed company located at Wagistrasse 14, 8952 Schlieren, Switzerland. The Company's registered shares are traded at the SIX Swiss Exchange under the valor symbol MOLN, valor number 25'637'909 and the ISIN CH0256379097. Since June 2021, the Company has listed American Depositary Shares (ADSs) on the Nasdaq Global Selected Market under the ticker symbol "MOLN". Each ADS represents the right to receive one registered share of the Company and the ADSs may be evidenced by American Depositary Receipts (ADRs). The market capitalization of the Company as of December 31, 2022 was CHF 222 million.

The Company is the sole shareholder of the following non-listed subsidiary:

Company	Registered Office	Shares	Par Value
Molecular Partners Inc.	Cambridge, USA	10,000	USD 0.0001 per share

Molecular Partners Inc. and the Company are hereafter referred to as the **Group**.

1.2 Significant Shareholders and Groups of Shareholders

On December 31, 2022 the most significant shareholders disclosed to the Company based on the most recent published shareholding notifications to the SIX Disclosure Office are:

Shareholders	Shares Held[1]	% of Voting Rights[2]
Mark N. Lampert (Biotechnology Value Funds)[3]	4,406,290	12.31 %
Oleg Nodelman (EcoR1 Capital Funds)	2,049,188	5.73 %
Hansjoerg Wyss[4]	2,041,347	5.70 %
Suvretta Capital Management, LLC	1,750,000	4.89 %
Novartis AG	1,739,130	4.86 %

[1] This table presents the number of shares (including shares underlying ADS, if applicable) held on December 31, 2022 by the shareholders listed therein. The options, Performance Share Units (each a PSU) and Restricted Share Units (each a RSU) held by such shareholders are not included. For an overview of the options, PSUs and RSUs held by members of the Board of Directors and of the Management Board, please refer to note 21 of the Company Only Financial Statements of this Annual Report.

[2] Based on the share capital registered in the Swiss Commercial Register on December 31, 2022 (i.e. CHF 3,579,264.80, divided into 35,792,648 registered shares).

[3] On January 12, 2023, Mark N. Lampert (Biotechnology Value Funds) notified the Company that they had increased their shareholdings to 5,737,316 shares (corresponding 16.03% of the voting rights).

[4] On January 12, 2023, Hansjoerg Wyss notified the Company that they had fallen below the 3% threshold.

On December 31, 2022, no shareholder lock-up groups or other groups of shareholders were in place. The individual disclosure notifications of shareholders of the Company as published on the reporting platform of the SIX Disclosure Office can be found at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

There are no cross-shareholdings of the Company that exceed 5% of the capital shareholdings or voting rights.

2. Capital Structure

2.1 Ordinary Share Capital

On December 31, 2022, the issued share capital of the Company amounted to CHF 3,604,470.60 divided into 36,044,706 fully paid up registered shares with a par value of CHF 0.10 per share.

The Company's share capital (including treasury shares[1]) registered with the Swiss Commercial Register on December 31, 2022 amounted to CHF 3,579,264.80 divided into 35,792,648 fully paid up registered shares with a par value of CHF 0.10 per share.[2]

2.2 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, 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 followed by offering these shares to 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 and the related shares at market conditions or use them for other purposes that are in the interest of the Company.

The Board of Directors is further authorized to restrict or deny the preemptive rights of shareholders and to allocate them to third parties (i) for the acquisition of companies, parts of companies or participation, for the acquisition of products, intellectual property rights or licenses, for investment projects or for the financing or refinancing of such transactions through a placement of shares, (ii) for the purpose of broadening the shareholder constituency or in connection with the listing of shares on domestic or foreign stock exchanges, (iii) if the issue price of the new shares is determined by reference to the market price, (iv) 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, (v) if a shareholder or a group of shareholders acting in concert have accumulated shareholdings in excess of 15% of the share capital registered in the Swiss Commercial Register without having submitted to the other shareholders a takeover offer recommended by the Board of Directors, or (vi) for the defense of an actual, threatened or potential takeover bid, which the Board of Directors has not recommended to the shareholders to accept on the basis that the Board of Directors has not found the takeover bid to be financially fair to the shareholders.

[1] On Aug 29, 2022, the Company acquired 3,500,000 shares through a capital increase. Please refer to note 12 of the IFRS Financial Statements.
[2] As a result of the exercise of 252,058 stock options exercised throughout the year ended December 31, 2022 and the vesting of Performance Share Units (PSU) and Restricted Share Units (RSU) from the PSU and RSU plans for 2019, the Company's share capital increased (out of conditional capital) by CHF 25,205.80 from CHF 3,579,264.80 to CHF 3,604,470.60. This capital increase was registered with the Swiss Commercial Register on February 3, 2023.

2.3 Conditional Share Capital

On December 31, 2022, the conditional share capital available as per Article 3b of the Articles of Incorporation of the Company (the Articles)[3] amounted to CHF 136,296.30 divided into 1,362,963 registered shares with a par value of CHF 0.10 per share, representing a reduction in the available conditional share capital in the amount of CHF 25,205.80 compared to December 31, 2021 as a result of a share capital increase out of conditional share capital. This conditional share capital can be used for the direct or indirect issuance of shares, options or preemptive rights thereof granted to employees and members of the Board of Directors as well as to members of any advisory boards. For more details, please refer to Article 3b of the Articles. The conditional share capital of CHF 136,296.30 equates to approximately 4% of the existing share capital.

In addition pursuant to Article 3c of the Articles, the share capital may be increased in an amount not to exceed CHF 226,087.00 by the issuing 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. This conditional share capital of CHF 226,087.00 equates to approximately 6% of the existing share capital.

2.4 Changes to Capital Structure

The following changes in the capital structure have been made during the last three financial years:

On 31 Dec	Ordinary Share Capital	Authorized Share Capital	Conditional Share Capital (Article 3b)[2]	Conditional Share Capital (Article 3c)[2]
2022	CHF 3,604,470.60[1]	CHF 457,316.20	CHF 136,296.30[3]	CHF 266,087.00[3]
2021	CHF 3,229,264.80[4]	CHF 428,675.00	CHF 161,502.10	CHF 226,087.00
2020	CHF 2,914,699.20	CHF 13,177.10	CHF 176,067.70	CHF 226,087.00

1 For more details, please refer to section 2.1 above.
2 https://investors.molecularpartners.com/static-files/5ff7d0a2-c059-4860-944a-8ceffc58a213
3 For more details, please refer to section 2.3 above.
4 On December 31, 2021, the issued share capital of the Company amounted to CHF 3,229,264.80 whereas the registered share capital amounted to CHF 3'214'699.20. The capital increase was registered with the Swiss Commercial Register on February 16, 2022.

2.5 Participation Certificates and Profit-sharing Certificates

The Company has not issued participation certificates nor profit-sharing certificates.

[3] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048f

2.6 Options

Details of the Restricted Share Units (each an RSU) and Performance Share Units (each a PSU) issued to members of the Board of Directors, the Management Board and other employees or consultants of the Company are set out in section 3.2.3 of the Compensation Report included in this Annual Report.

The table below shows the outstanding options that had been granted to the Board of Directors, the Management Board as well as other employees and consultants of the Company as per December 31, 2022:

No. of options outstanding	Last expiry date	Exercise price	Subscription ratio	Amount of share capital concerned (in CHF)
15,450	July 10, 2024	6.06	1:1	1,545
266,655	October 31, 2024	6.94	1:1	26,666
282,105				**28,211**

The above number of all outstanding options equates to approximately 0.8% of the existing share capital. Should all these options been exercised, the issued share capital would amount to CHF 3,632,681.10.

The number of outstanding options held by the individual members of the Board of Directors and the Management Board can be found in note 21 to the Company Only Financial Statements of this Annual Report.

3. Shareholders' Participation

3.1 Shareholders' Voting Rights

The Company has only one form of shares, and each registered share grants one vote.

Shareholders must be registered in the share register no later than within six (6) business days prior to the general meeting of shareholders in order to be entitled to vote. The Board of Directors approves the deadline for recording shareholders into the share register when it approves the invitation to the general meeting of shareholders. Except for the cases described under section 3.2 below, there are no voting rights restrictions limiting the shareholders` rights.

3.2 Limitation on Transferability of Shares and Nominee Registration

Voting rights and appurtenant rights associated therewith may be exercised by a shareholder, a usufructuary of shares or a nominee only to the extent that such person is recorded in the share register as a shareholder with voting rights. The Company's shares are freely transferable, but an acquirer of shares will only upon request be recorded in the share register as a shareholder with voting rights, if such acquirer expressly declares to have acquired the shares in her/his own name and for her/his own account.

Persons who do not declare to hold the shares for their own account (Nominees) may be recorded in the share register as shareholders with voting rights, if such Nominee (i) has entered into an agreement with the Company regarding the Nominee`s position and (ii) s subject to a recognized banking or finance supervision.

After hearing a registered shareholder, 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.

In special cases, the Board of Directors may grant exemptions from the rule concerning Nominees. In 2022, no such exemption was granted.

The limitations on the transferability of shares may be removed by an amendment of the Articles by a shareholders' resolution requiring the approval of at least 2/3 of the votes and the absolute majority of the par value of shares, each as represented at the general meeting of shareholders.

3.3 Shareholders' Dividend Rights

Since its inception, the Company has paid no dividends or other distributions and does not anticipate paying dividends or other distributions in the foreseeable future.

In order for the Company to declare and pay distributions, such distribution must be approved by shareholders holding an absolute majority of the shares represented at the general meeting of shareholders. The Board of Directors may propose distributions in the form of an ordinary dividend or in the form of a distribution of cash or property that is based upon a reduction of the Company's share capital as recorded in the Swiss Commercial Register.

Ordinary dividends may only be paid if the Company has sufficient distributable profits from previous years or freely distributable reserves, in each case as presented on the balance sheet in the Company Only Financial Statements prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

A distribution of cash or property that is based on a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital as recorded in the Swiss Commercial Register.

3.4 Shareholders' Participation Rights

A shareholder may be represented at the general meeting of shareholders by the independent voting rights representative (unabhängiger Stimmrechtsvertreter) (by way of a written or electronic proxy), her/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.

One or more shareholders whose combined shareholdings represent an aggregate par value of at least CHF 1,000,000 or at least 10% of the share capital may request that an item be included on the agenda of a general meeting of shareholders. Such inclusion must be requested in writing at least 45 calendar days prior to the meeting and shall specify the agenda item(s) and proposal(s) of such shareholder(s). The Articles do not contain provisions regarding the issuing of instructions to the independent voting rights representative (unabhängiger Stimmrechtsvertreter).

4. Board of Directors

4.1 Responsibilities, Organization and Working Methods

The Articles[4] provide that the Board of Directors shall consist of a minimum of three and a maximum of 11 members. On December 31, 2022, the Board of Directors consisted of eight members. Members (including the chairman of the Board of Directors (the Chairman)). Members of the Board of Directors are appointed to, and removed from, the Board of Directors by a shareholders' resolution.

The essential roles and responsibilities of the Board of Directors, the Chairman and the standing Committees of the Board are defined by the Articles and the Organizational Rules[5] (including Charters for the Nomination and Compensation Committee[6], the Audit and Finance Committee[7] as well as the Research and Development Committee[8]). The allocation of tasks within the Board of Directors is determined following the annual general meeting of shareholders (Annual General Meeting) in accordance with the Articles and the Organizational Rules.

The Board of Directors is entrusted with the ultimate direction of the Company's business and the supervision of the persons entrusted with the Company's management. The Board of Directors represents the Company towards third parties and manages all matters which have not been delegated to another body of the Company by law, the Articles or by other regulations.

The Board of Directors may elect from its members a vice-chairman (the Vice-Chairman), and shall also appoint a secretary (the Secretary) who does not need to be a member of the Board of Directors. Should the Chairman be temporarily unable or unavailable to exercise her/his functions they shall be assumed by the Vice-Chairman. Resolutions of the Board of Directors are passed by way of the majority of the votes cast. In the case of a tie, the acting Chairman has the deciding vote. Subject to the exemptions set forth below, to validly pass a resolution, a majority of the members of the Board of Directors must attend the meeting or be present by telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Chairman may seek a resolution in writing for urgent or routine matters, provided that no member of the Board of Directors requests an oral deliberation. No quorum is required for confirming resolutions and for amendments of the Articles in connection with (i) capital increases or measures related thereto pursuant to articles 651a, 652e, 652g and 653g of the Swiss Code of Obligations or (ii) approvals pursuant to articles 23 et seq. of the Swiss Federal Merger Act.

The Chairman or, should she/he be unable to do so, 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. Notice of meetings shall be given at least 10 days prior to the meeting and shall include the agenda. The agenda of the meetings of the Board of Directors shall be determined by the Chairman. Each member may request an item to be put on the agenda.

The Board of Directors meets at least on a quarterly basis. In 2022, the Board of Directors met two times in person, and in addition conducted six meetings by telephone conference. The vast majority of the members was present at each meeting. The physical meetings lasted approximately four hours, telephone conference meetings for approximately two hours and a half. The Board of Directors also held ad hoc meetings or telephone conferences to discuss specific issues, when the situation so required. In addition, members of the Management Boards had multiple meetings or telephone conferences with members of the Board of Directors.

[4] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048
[5] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf
[6] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-compensation-committee-20141003.pdf
[7] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-audit-committee-20141003.pdf
[8] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20190205-charter-research-and-development-committee.pdf

The Management Board reports on, and the Board of Directors then takes decisions on, relevant matters, except when the Board of Directors has delegated specific decisions to any of its committees.[9] If the Management Board presents its report to a committee of the Board of Directors, the committee takes a preliminary decision, which is reported by the committee together with details of the matter to the entire Board of Directors, which then takes the final decision.

In accordance with Swiss law, the Articles and the Organizational Rules[10], the Board of Directors has delegated the Company's management to the chief executive officer of the Company (the CEO).

4.2 Information and Control Instruments Vis-à-vis the Management Board

The Board of Directors receives regular reports from the Management Board regarding the financial and business situation of the Company as required by the situation, but at least on a quarterly basis. In addition, the Audit and Finance Committee receives, and the Board of Directors reviews and approves prior to their release to the public, reports from the Management Board on the semi-annual and annual financial results.

A system of internal control has been put in place that is designed to (i) safeguard the assets and income of the Company, (ii) assure the integrity of Company's financial statements and (iii) maintain compliance with the Company's ethical standards, policies, plans and procedures, as well as with applicable laws and regulations. The design and implementation of this system of internal control is assessed by the Audit and Finance Committee.

The Audit and Finance Committee receives and reviews the Company Only Financial Statements and the IFRS Consolidated Financial Statements as well as the reports prepared by the external auditor, which include audit findings and recommendations, any material audit adjustments, material changes of accounting policies, methods applied to account for significant and / or unusual transactions, serious difficulties (if any) encountered in dealing with the Management Board during the performance of the audit, subsequent events, as well as recommendations for the review of the internal controls for the next financial year. The Audit and Finance Committee discusses these matters with the chief financial officer of the Company (CFO) and the CEO and, should the occasion warrant, with the external auditor.

The chairperson of the Audit and Finance Committee reports to and updates the Board of Directors at the next Board of Directors` meeting on the activities and decisions of the Audit and Finance Committee as well as on the considerations which led to such decisions. Important findings arising from the Audit and Finance Committee's activities, which are urgent and should be immediately known to the Chairman, are reported to the Chairman by the chairperson of the Audit and Finance Committee. Upon request of the Chairman, the chairperson of the Audit and Finance Committee shall report on any other relevant matters.

4.3 Elections and Term of Office

The shareholders elect the members of the Board of Directors and the Chairman individually at a general meeting of shareholders for a maximum term of office of one year. Members of the Board of Directors may be re-elected.

[9] Please refer to section 4.6 of this Corporate Governance Report for more details on areas of responsibilities of each committee of the Board of Directors..

[10] For more details on the powers and duties of the CEO, please refer to section 15 of the Organizational Rules available under the following link: https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf

4.4 Members

The following table sets forth the name, nationality, function and committee membership of each member of the Board of Directors on December 31, 2022, followed by a short description of each member's birth year, business experience, education and activities.

Name	Nationality	Function	Committee Membership(s)	First elected	End current period
William M. Burns	British	Chairman	Nomination and Compensation Committee (Chair)	2017	2023
Agnete Fredriksen, Ph.D.	Norwegian	Member	Research and Development Committee	2021	2023
Dominik Höchli, M.D.	Swiss	Member	Audit and Finance Committee	2021	2023
Steven H. Holtzman	U.S.	Member	Audit and Finance Committee Nomination and Compensation Committee	2014	2023
Sandip Kapadia	U.S.	Member	Audit and Finance Committee (Chair)	2020	2023
Dr. Vito J. Palombella, Ph.D.	U.S.	Member	Research and Development Committee	2020	2023
Dr. Michael Vasconcelles, M.D.	U.S.	Member	Research and Development Committee (Chair) Nomination and Compensation Committee	2020	2023
Dr. Patrick Amstutz	Swiss	Member	-	2017	2023

On December 31, 2022, except for Patrick Amstutz, CEO, all members of the Board of Directors are non-executive. None of the members of the Board of Directors has any significant business connections with the Company or was a member of the Management Board except for Patrick Amstutz who has been a member of the Management Board since its inception. No changes occurred in the membership of the Board of Directors during 2022.

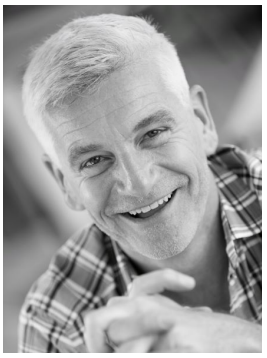
The business address of the Board of Directors is Wagistrasse 14, 8952 Schlieren, Switzerland.

William M. Burns, born in 1947

William "Bill "Burns is the Chair of the board of directors of Molecular Partners. 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.

Agnete Fredriksen, Ph.D., born in 1977

Agnete Fredriksen, Ph.D., is a co-founder, and Chief Business Officer of Nykode Therapeutics AS (formerly Vaccibody AS) a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases. She has served in various roles including Chief Scientific Officer from 2007-2021. With prior roles at Affitech AS and Medinnova AS, Agnete's focus is on developing vaccines from idea to clinical development. She 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, Rikshospitalet Medical Center in Oslo, Norway.



Dominik Höchli, M.D., born in 1967

Dominik Höchli has 20 years of experience in 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, Maviret, Venetoclax and Skyrizi, and his leadership experience ranges from smaller country organizations to large global functions. He began his corporate career at McKinsey & Co. Dominik is a Swiss national and obtained his medical degree (M.D.) from the University of Bern.

Steven H. Holtzman, born in 1954

Steven Holtzman is a founder and has served as 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. He has served as Chair of the board of directors of, and strategic business advisor to, CAMP4 Therapeutics Corporation since October 2019 and Executive Chair of the board of directors of, and a strategic business advisor to, Qihan Biotech since April 2019, both private biopharmaceutical companies. 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.

Sandip Kapadia, born in 1970

Sandip 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 BS in Accounting from Montclair State University and an MBA 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.

Dr. Vito J. Palombella, Ph.D., born in 1962

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 leads the company's drug discovery, translational research, and pharmaceutical development efforts. Prior to his current role, Dr. Palombella was EVP and CSO at Infinity Pharmaceuticals, where he was responsible for drug discovery and preclinical development. He was also the Director of Molecular Biology and Protein Chemistry at Syntonix Pharmaceuticals, 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.

Dr. Michael Vasconcelles, M.D., born in 1963

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.

Dr. Patrick Amstutz, born in 1975

Dr. Patrick Amstutz, Ph.D., has been CEO of Molecular Partners since November 2016. He co-founded Molecular Partners and has been a member of the company's management team since its inception in 2004, also holding the positions of CBO and COO. In those roles, Patrick was responsible for business development, alliance management and research and development operations. He has established a wide range of commercial collaborations and licensed several key technologies. In 2022, Patrick was elected President of the Swiss Biotech Association. Patrick holds a Master of Science from the ETH Zurich and a Ph.D. in molecular biology from the University of Zurich.

As CEO of the Company Patrick Amstutz is not member of any committees of the Board of Directors of the Company.

4.5 Rules Regarding Mandates in the Articles

According to Article 33 of the Articles[11], the number of mandates in a board of directors of a legal entity outside the Group which is to be registered in the Swiss Commercial Register or a similar foreign register, is limited to 15 mandates for each member of the Board of Directors. Mandates in different legal entities being part of the same group or for the same group are deemed to be one mandate. 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 shall hold more than 10 of such mandates.

Apart from section 4.4 above, none of the members of the Board of Directors holds any position of relevance under the aspect of corporate governance in any:

a. governing or supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private and public law;

b. permanent management or consultancy function for important Swiss or foreign interest groups; or

c. official functions or political position.

[11] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048

4.6 Board Committees

The Board of Directors has established an Audit and Finance Committee, a Nomination and Compensation Committee and a Research and Development Committee. The duties and objectives of these board committees are set forth in the Articles, the Charter of the Audit and Finance Committee[12], the Charter of the Nomination and Compensation Committee[13] and the Charter of the Research and Development Committee[14].

4.6.1 Audit and Finance Committee

The chairperson and the other members of the Audit and Finance Committee are appointed by the Board of Directors. The term of office of the members of the Audit and Finance Committee is one year whereby re-election is possible.

The function of the Audit and Finance Committee is to make an independent assessment of the quality of the financial statements and of the internal control system of the Company. The Audit and Finance Committee assist the Board of Directors in overseeing the Company's accounting and financial reporting process, and shall have direct responsibility for the appointment of external auditors (subject to the election of the Company's statutory auditors by the general meeting of shareholders) and the compensation, retention and oversight of the work of external auditors.

In particular, the Audit and Finance Committee[15] has the following responsibilities:

- 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;

[12] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-audit-committee-20141003.pdf
[13] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-compensation-committee-20141003.pdf
[14] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20190205-charter-research-and-development-committee.pdf
[15] As a rule, the Audit and Finance Committee has the power to take decisions. The approval of the internal control system and the approval of the Company Only Financial Statements as well as of the IFRS Consolidated Financial Statements remains subject to the decision of the entire Board of Directors.

- 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 Board 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 Board and the external auditors, as appropriate, the Company's MD&A disclosures;

- annually reviewing and discussing with Management Board the Management Board'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.

The Audit and Finance Committee holds meetings as often as required, but in any event at least twice a calendar year. In 2022, the Audit and Finance Committee held seven meetings of approximately one hour and a half each and concluded one circular resolution. The meetings are convened by the chairperson of the Audit and Finance Committee on her/his own initiative or on the initiative of a member of the Audit and Finance Committee. In 2022, the Audit and Finance Committee met with the external auditor four times.

On December 31, 2022, the Audit and Finance Committee consisted of Sandip Kapadia (chairperson), Dominik Höchli and Steven Holtzman.

4.6.2 Nomination and Compensation Committee

The Nomination and Compensation Committee supports the 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 of the Management Board. The Nomination and Compensation Committee administers the compensation plans and submits proposals to the Board of Directors for performance metrics, target values and other compensation-related matters. Following a meeting of the Nomination and Compensation Committee, the chairperson of the Nomination and Compensation Committee reports to, and updates the Board of Directors at the next Board of Directors` meeting on the Nomination and Compensation Committee's activities, decisions taken and considerations which led to such decisions. Important findings arising from the Nomination and Compensation Committee's activities, which are urgent and should be known to the Chairman, must be immediately reported to the Chairman by the chairperson of the Nomination and Compensation Committee. Upon request of the Chairman, the chairperson of the Nomination and Compensation Committee shall report on any other relevant matters. Please refer to section 2.2 of the Compensation Report included in this Annual Report for an overview of the tasks of the Nomination and Compensation Committee regarding compensation and the items which remain subject to the approval of the entire Board of Directors.

The members of the Nomination and Compensation Committee are appointed by the general meeting of shareholders for a term of office until completion of the next Annual General Meeting, whereby re-election is possible. The Nomination and Compensation Committee consists of no less than two members. In case of vacancies on the Nomination and Compensation Committee, the Board of Directors appoints substitutes from its members for a term of office until completion of the next Annual General Meeting.

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least twice a year. In 2022, five meetings of the Nomination and Compensation Committee took place and lasted on average for one hour and a half. The meetings are convened by the chairperson of the Nomination and Compensation Committee on her/his own initiative or on the initiative of a member of the Nomination and Compensation Committee. The chairperson of the Nomination and Compensation Committee reports to, and updates the Board of Directors at the next meeting of the Board of Directors on the recent Nomination and Compensation Committee's activities.

On December 31, 2022, the Nomination and Compensation Committee consisted of William M. Burns (chairperson), Steven Holtzman and Dr. Michael Vasconcelles.

4.6.3 Research and Development Committee

The Research and Development Committee provides (i) strategic advice and brings recommendations to the Management Board and the Board of Directors regarding current and planned research and development programs, (ii) strategic advice to the Board of Directors regarding emerging science and technology issues and trends and (iii) a review of the effectiveness and competitiveness of the research and development function. The Research and Development Committee is only acting in an advisory role.

The members of the Research and Development Committee are elected by the Board of Directors for a term of office until completion of the next Annual General Meeting. The Board of Directors may remove or replace individual members at any time. A majority of the members should have a scientific background. The Research and Development Committee shall consist of no less than two members of the Board of Directors. All members may be re-elected.

The Research and Development Committee holds meetings as often as required, but in any event at least twice a year. In 2022, six meetings of the Research and Development Committee took place and lasted in average for two hours. The meetings are convened by the chairperson of the Research and Development Committee on her/his own initiative or upon the initiative of a member of the Research and Development Committee. The chairperson of the Research and Development Committee reports to, and updates the Board of Directors at the next meeting of the Board of Directors on the recent Research and Development Committee's activities. The Research and Development Committee invited from time to time internal experts or external consultants who joined part of the committee meeting.

On December 31, 2022, the Research and Development Committee consisted of Dr. Michael Vasconcelles (chairperson), Agnete Fredriksen and Dr. Vito Palombella.

4.7 Compensation of Board of Directors, Loan and Credit Facilities and Shareholdings

Information about the compensation of the Board of Directors as well as about loans, credit facilities and post-employment benefits can be found in section 4 of the Compensation Report included in this Annual Report. Information about shareholdings of the members of the Board of Directors can be found in note 21 to the Company Only Financial Statements of this Annual Report.

5. Management Board

5.1 Responsibilities and Organization

In accordance with Swiss law, the Articles[16] and the Organizational Rules[17], and subject to non-delegatable matters and inalienable duties of the Board of Directors by Swiss law, the Articles and/or the Organizational Rules, the Board of Directors has delegated the executive management of the Company to the CEO, who is supported by the other members of the Management Board.

Under the control of the Board of Directors, the CEO, together with the other members of the Management Board, conducts the operational management of the Company pursuant to the Organizational Rules and provides reports to the Board of Directors on a regular basis.

5.2 Election

The members of the Management Board are appointed by the Board of Directors.

5.3 Members

The following table sets forth the name, nationality and function of each member of the Management Board on December 31, 2022, followed by a short description of each member's birth year, business experience, education and activities.

Name	Nationality	Appointed	Function
Dr. Patrick Amstutz	Swiss	2016	Chief Executive Officer (from 2014 to 2016 Chief Operating Officer, from 2006 to 2014 Chief Business Officer)
Andreas Emmenegger	Swiss	2007	Chief Financial Officer
Renate Gloggner	Swiss	2022	EVP People and Community
Dr. Nicolas Leupin	Swiss	2019	Chief Medical Officer
Dr. Michael Tobias Stumpp	German	2022	EVP Projects (from 2018 to 2022 Chief Operating Officer) (from 2006 to 2018 Chief Scientific Officer)
Alexander Zürcher	Swiss	2022	Chief Operating Officer

On August 25, 2022, the Company announced the promotion of Alexander Zürcher to Chief Operating Officer and Renate Gloggner to EVP People and Community both effective as of July 1, 2022. Both were appointed to the Company's Management Board effective as of July 1, 2022.

On October 27, 2022, the Company announced the voluntary departure of the Chief Financial Officer Andreas Emmenegger by the end of 2022.

The business address of all members of the Management Board is Wagistrasse 14, 8952 Schlieren, Switzerland.

[16] https://investors.molecularpartners.com/static-files/5ff7d0a2-c059-4860-944a-8ceffc58a213
[17] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf

Dr. Patrick Amstutz, born in 1975

Patrick Amstutz, Ph.D., has been CEO of Molecular Partners since November 2016. He co-founded Molecular Partners and has been a member of the company's management team since its inception in 2004, also holding the positions of CBO and COO. In those roles, Patrick was responsible for business development, alliance management and research and development operations. He has established a wide range of commercial collaborations and licensed several key technologies. In 2022, Patrick was elected President of the Board of Directors of the Swiss Biotech Association. Patrick holds a Master of Science from the ETH Zurich and a Ph.D. in molecular biology from the University of Zurich.

Andreas Emmenegger, born in 1966

Andreas Emmenegger has served as our CFO since February 2007 and concluding as of December 31, 2022. Prior to joining Molecular Partners, he was the CFO 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 25 years of experience as CFO of several public and private multinational companies, over 15 years of which have been in the biotechnology industry. 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, born in 1970

Renate Gloggner is EVP People and Community and a Member of the Management Board of Molecular Partners. 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, born in 1973

Nicolas Leupin, M.D., Ph.D., is Chief Medical Officer of Molecular Partners. Nicolas is a medical oncologist with a proven track record in drug development, most recently as Chief Medical Officer of argenx, 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, Nicolas 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 U.S.

Dr. Michael Tobias Stumpp, born in 1972

Michael Tobias Stumpp, Ph.D., is 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 Zürcher, born in 1975

Alexander Zürcher is 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.

5.4 Rules Regarding Mandates in the Articles

According to Article 33 of the Articles[18], the number of mandates of the members of the Management Board in a legal entity outside the Group which is to be registered in the Swiss Commercial Register or a similar foreign register is limited to five mandates for each member of the Management Board. Mandates in different legal entities being part of the same group or for the same group are deemed to be one mandate. Mandates in associations, charitable organizations, family trusts and/or foundations relating to post-retirement benefits are not subject to the above limitations. No member of the Management Board shall hold more than 10 of such mandates.

Apart from section 5.3 above, none of the members of the Management Board holds any position of relevance under the aspect of corporate governance in any:

a. governing or supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private and public law;

b. permanent management or consultancy functions for important Swiss or foreign interest groups; or

c. official functions or political positions.

5.5 Compensation of Management Board and Shareholdings

Information about the compensation of the Management Board can be found in section 4.2 of the Compensation Report included in this Annual Report. Information about shareholdings of the members of the Management Board can be found in note 21 to the Company Only Financial Statements of this Annual Report.

5.6 Management Contracts

The Company may enter into employment agreements with the members of the Management Board 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. Finally, the Company may

[18] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048

enter into non-competition agreements with members of the Management Board for the period after the termination of the employment agreement. The duration of any such post-contractual non-competition undertaking must not exceed two years and the consideration to be paid for such non-competition undertaking must not exceed the sum of the total annual compensation of the respective member of the Management Board last paid. On December 31, 2022, all six members of the Management Board held employment agreements with an indefinite term.

There are no management contracts in place between the Company and companies not belonging to the Group.

6. Employee Participation Programs

In order to align its employees' interests with those of the Company, the Company operates long and short term incentive plans which are linked to the Company's shares. A more detailed description of these incentive plans can be found in section 3.2 of the Compensation Report included in this Annual Report.

7. Duty to Make a Public Tender Offer

The Articles do not contain any provisions raising the threshold (opting-up) or waiving the duty (opting-out) to make a public tender offer pursuant to articles 125 and 135 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA).

8. Clauses on Change of Control

The Company granted options to employees, members of the Board of Directors and of the Management Board as well as to consultants and advisors of the Company under three Employee Stock Option Plans (each an ESOP) which all contain change of control provisions. According to these provisions, there is an accelerated vesting in case of a change of control, i.e. all options immediately and fully vest upon completion of a change of control of the Company.

Under ESOP 2007[19] and ESOP 2009, a "change of control" is deemed to occur when (a) any person or group of persons directly or indirectly becomes the beneficial owner or has the right to acquire such beneficial ownership of voting securities representing 50% or more of the combined voting power of all outstanding voting securities of the Company, (b) the shareholders of the Company approve an agreement to merge or consolidate the Company with or into another corporation (and such other corporation also approves such agreement) as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are or will be owned by the former shareholders of the Company, (c) the shareholders of the Company approve the sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a wholly-owned subsidiary of the Company, or (d) the Board of Directors decides to list the Company on a stock exchange (the Initial Public Offering or IPO). As a consequence of (d), all options under ESOP 2007 and ESOP 2009 have fully vested as of the Company's IPO at the SIX Swiss Exchange on November 5, 2014.

Whereas vesting of options granted under ESOP 2014 is also accelerated in case of change of control , the Board of Directors amended ESOP 2014, effective as of July 18, 2014, by removing the 100% accelerated vesting at an IPO (but the 100% accelerated vesting upon other forms of change of control remains in place). Any new option grants after that date were issued under this amended ESOP 2014 and thus did not automatically vest upon the Company's IPO at the SIX Swiss Exchange on November 5, 2014.

As of 2015, the Company had in place two new long-term incentive plans (each an LTI). Under the Performance Share Plan, the Company may grant Performance Share Units (each a PSU) to members of the Management Board, other employees as well as consultants. In the event of a

[19] At the reporting date, there were no outstanding options under the Employee Stock Option Plan 2007.

"change of control" of the Company, all PSUs, in respect of which the vesting date has not occurred by the date of the change of control yet, will immediately vest. Under the Restricted Share Plan, the Company may grant Restricted Share Units (each an RSU) to members of the Board of Directors and consultants. In the event of a "change of control" of the Company, all RSUs, in respect of which the vesting date has not occurred by the date of the change of control yet, will vest immediately.

No other change of control provisions exist for the benefit of members of the Board of Directors or of the Management Board.

9. Auditor

9.1 Auditor

The Company's statutory auditor is KPMG AG, Raffelstrasse 28, 8036 Zurich, Switzerland.

The shareholders of the Company must appoint the auditor on an annual basis at the general meeting of shareholders.

9.2 Duration of the Mandate and Term of Office of the Auditor in Charge

KPMG AG assumed its auditing mandate in 2009. The auditor in charge and responsible for the mandate, Michael Blume, began serving in this function in respect of the financial year ending on December 31, 2019. The external auditor in charge is required by Swiss law to serve no longer than seven years.

9.3 Auditing and Additional Fees Paid to the Auditor

In CHF thousands	2022	2021
Auditing fees	643	917
Other assurance related services	—	—
Tax related services	—	—

9.4 Information Relating to External Audits

The Audit and Finance Committee is responsible for reviewing the internal control systems for the accounts and finances of the Company via its supervisory role over the audit function (see section 4.2 above). The Audit and Finance Committee receives and reviews the Company Only Financial Statements and the IFRS Consolidated Financial Statements as well as the reports prepared by the external auditor (see section 4.2 above). The Audit and Finance Committee discusses these financial statements as well as the reports of the external auditor with the CFO/CEO and, should the occasion warrant, with the external auditor.

The external auditor also provides timely reports to the Audit and Finance Committee on critical accounting policies and practices used by the Company, and on other material written communication with the Management Board. The Board of Directors may at any time request the auditor to conduct special audits, including interim audits, and to submit a respective report. In 2022, the Audit and Finance Committee held four meetings with the external auditor.

The Audit and Finance Committee also evaluates the independence and quality of the external auditor from a risk analysis perspective. With regard to selecting the external auditor, the Audit and Finance Committee will, from time to time, assess offers and presentations from several appropriate, independent external audit firms and will then make a proposal to the full Board of Directors based on predefined service level and quality criteria. This information serves as basis for the Board of Directors' proposal for the election of the external auditor by the shareholders at the general meeting of shareholders.

10. Information Policy

The Company as a listed company is committed to communicate to its shareholders, potential investors, financial analysts, customers, suppliers, the media and other interested parties in a timely and consistent way, The Company is required to disseminate material information pertaining to its businesses in a manner that complies with its obligations under the rules of the Swiss stock exchange (SIX) and as well as the federal securities laws of the United States of America and the rules and regulations of the U.S. Securities and Exchange Commission and Nasdaq to the extent applicable to foreign private issuers.

The Company publishes an annual report that provides (i) audited consolidated financial statements in accordance with the International Financial Reporting Standards (**IFRS**), Swiss law and the Articles as well as (ii) information about the Company including its business results, strategy, products and services, corporate governance and executive remuneration. The Company also publishes its results on a semi-annual basis as press releases, distributed pursuant to the rules and regulations of SIX. The press releases on semi-annual results contain unaudited financial information prepared in accordance with IFRS. Furthermore, for the sake of transparency and in addition to the annual and semi-annual reporting, the Company may voluntarily publish unaudited financial information in the form of quarterly management statements at the end of the first quarter (Q1) and at the end of the third quarter (Q3), respectively. Any such quarterly management statements will be published as press releases and distributed pursuant to the rules and regulations of SIX and filed with the SEC in Form 6-K. An archive containing Annual Reports, semi-annual results releases, any published quarterly management statements and related presentations can be found in the investors' section at https://investors.molecularpartners.com/financials-and-filings/financial-reportss/annual-and-financial-reports/ and at https://investors.molecularpartners.com/news-and-events/presentations. SEC filings of the Company can be found at https://investors.molecularpartners.com/financials-and-filings/sec-filings

For the financial calendar and events, please refer to the following link: investors.molecularpartners.com/financial-calendar-and-events/.

To subscribe to important press releases, please register for email news releases at https://investors.molecularpartners.com/ir-resources/email-alerts.

Ad hoc notices can also be found in ad-hoc news section on www.molecularpartners.com/news/.

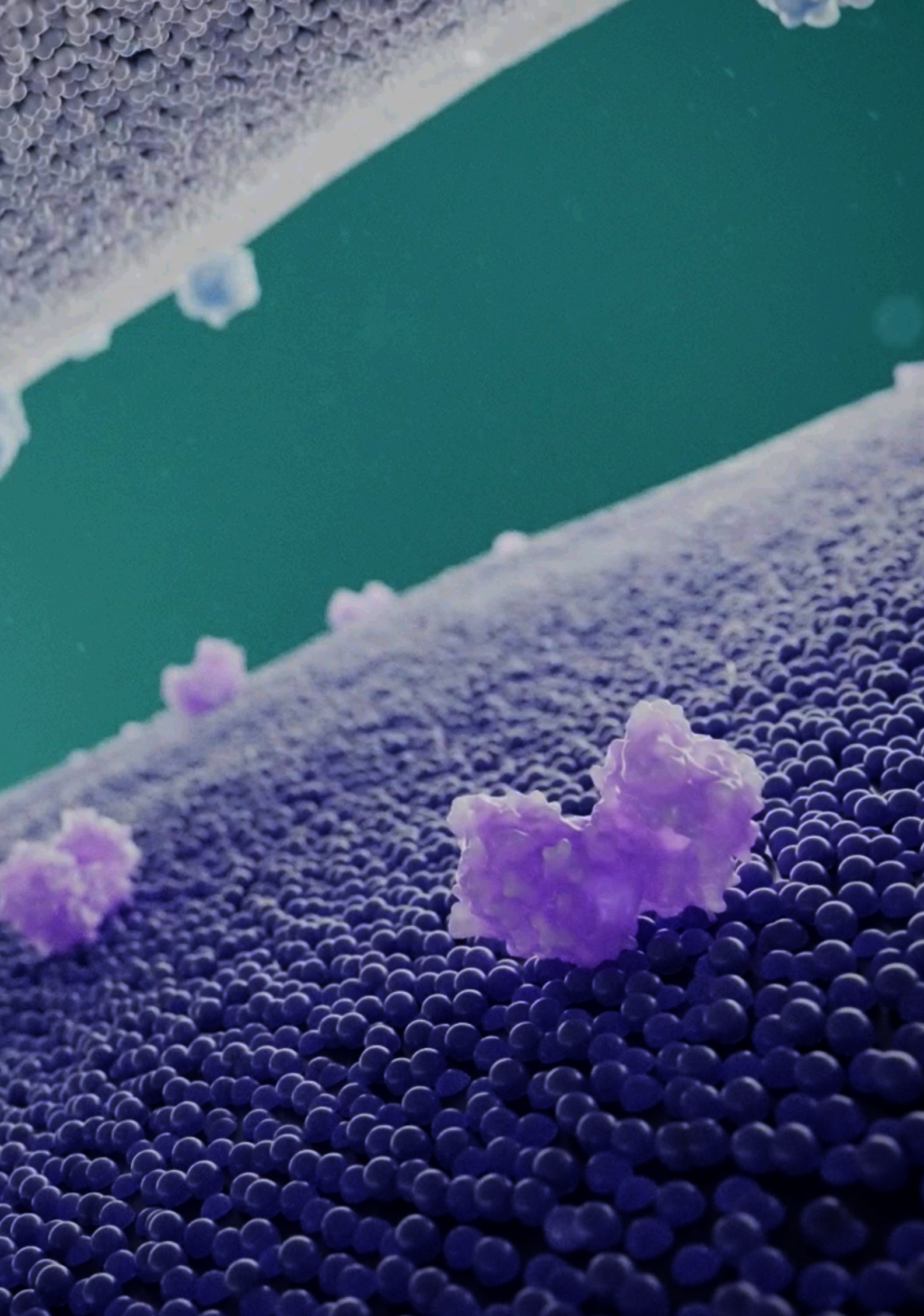
The Company`s official means of communication is the Swiss Official Gazette of Commerce (www.shab.ch).

The invitation to a general meeting of shareholders may also be sent by mail to registered shareholders.

For investor relations related information or questions, the Company may be contacted at:
Mail: investors@molecularpartners.com
Phone: +41 44 755 7700
Molecular Partners AG, Wagistrasse 14, 8952 Schlieren, Switzerland

11. Quiet Periods

Instead of quiet periods or blackout periods, Molecular Partners has four trading windows per year which, as a rule, are applicable to all employees, members of the Management Board and members of the Board of Directors. As a rule, each of these four trading windows starts on the second trading day following the public release of financial data, i.e. the public release of the annual results, the semi-annual results and the results of Q1 and Q3. Each trading window usually lasts for ten trading days. The Board of Directors (or the Audit and Finance Committee if delegated by the Board of Directors) may set other ad hoc trading windows from time to time, where considered necessary or appropriate, including following the public announcement of insider information in accordance with ad hoc publicity requirements.



Compensation Report

This Compensation Report contains details of the compensation paid to members of the Board of Directors and the Management Board for the year 2022 in accordance with Section 5 of the Annex to the Directive on Corporate Governance of the SIX Swiss Exchange (DCG), the Ordinance Against Excessive Compensation in Public Companies (Compensation Ordinance) and Article 663bbis of the Swiss Code of Obligations.

1. Compensation Policy

Molecular Partners' success depends to a large extent on the quality and commitment of its employees. Its compensation policy is designed to attract, motivate and retain its employees. In addition, the award of performance-related and in particular, share-based compensation components is intended to promote an entrepreneurial mindset and approach.

2. Compensation Governance

2.1 Nomination and Compensation Committee

The Nomination and Compensation Committee supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines. Further, the Nomination and Compensation Committee supports the Board of Directors in preparing the proposals to the general meeting of shareholders regarding the compensation of the Board of Directors and the Management Board. For a more detailed description of the Nomination and Compensation Committee please refer to section 4.6.2 of the Corporate Governance Report.

2.2 Responsibilities of the Board of Directors and the Nomination and Compensation Committee

The table on the following page summarizes the responsibilities of the Board of Directors and the Nomination and Compensation Committee (NCC) regarding compensation matters:

Compensation Items	Proposed	Approved
Compensation report to the shareholders	NCC	Board of Directors
Compensation strategy, system and guidelines	NCC	Board of Directors
Adoption of compensation and benefit plans	NCC	Board of Directors
Definition of performance criteria (for cash bonus and PSUs) [1]	NCC	Board of Directors
Assessment of performance achievement and decision on vesting multiple for PSU[1] plan	NCC	Board of Directors
Determination of the compensation of the Board of Directors (cash and RSUs[1])	NCC	Board of Directors[2]
Determination of the base compensation (cash) of the Management Board	NCC	Board of Directors[2]
Determination of the variable compensation (cash bonus and PSUs[1]) of the Management Board	NCC	Board of Directors[2]
Grant of PSUs[1] other than to the Board of Directors and the Management Board	NCC	Board of Directors
Proposals to the shareholders' meeting for maximum compensation of Management Board and Board of Directors	NCC	Board of Directors

1 PSU = Performance Share Units, RSU = Restricted Share Units, more details under section 3.2.3
2 Final approval of the maximum compensation by shareholders

The Nomination and Compensation Committee informs the Board of Directors of its activities and its recommendations. As a rule, the CEO attends the meetings of the Nomination and Compensation Committee, but may be required to leave the meetings for matters related to the CEO and/or the Management Board. As a rule, the Management Board attends the meeting of the Board of Directors, but the Board of Directors holds part of the Board meeting in absence of the Management Board in particular if the agenda topic relates to nomination or compensation matters regarding the Management Board.

In 2022, five meetings of the Nomination and Compensation Committee and the Board of Directors took place in February, March, June, September and December dealing with compensation matters. Meetings of the Nomination and Compensation Committee related to the 2022 compensation and Compensation Report were held in January and March 2023. Meetings of the Board of Directors dealing with the Compensation Report were held in February and March 2023. The Nomination and Compensation Committee and the Board of Directors discussed and approved the following primary compensation matters:

Month	Compensation Topics
February 2022	Review of Compensation Report 2021 Review of Corporate Goals 2022 Compensation of Board of Directors and Management Board for 2021
March 2022	Approval of Compensation Report 2021
March 2022	Long-term equity incentive plans 2022 and allocation of related PSUs/RSUs Motions to Annual General Meeting 2022 regarding compensation
June 2022	Interim review of achievement of corporate goals 2022
September 2022	Interim review of achievement of corporate goals 2022 Nomination matters for senior management
December 2022	Final review of achievement of corporate goals 2022 Compensation of Board of Directors, Management Board and employees for 2023
January 2023	Review of Compensation Report 2022 Review of Corporate Goals 2023
March 2023	Approval of Compensation Report 2022

2.3 Description of Benchmarks Used, Salary Comparisons and Support from External Consultants

In February 2022, a compensation benchmarking study was performed by an external consultancy firm to assess market competitiveness of Molecular Partners' compensation levels for the Board of Directors and the Management Board. This compensation study has been used to benchmark the compensation 2022 of the Board of Directors and the Management Board. In this analysis, compensation data of 15 European and dual-listed biotech Swiss companies[20] , 18 biotech companies listed on the NASDAQ[21] and 27 Swiss companies cross-industry[22] were collected. According to the above benchmark data, the cash and equity compensation of the Board of Directors was found for the chairman to be above the median of NASDAQ and European/dual-listed peer groups and at median of Swiss benchmark group and for the other Directors to be below median of NASDAQ peer group, slightly below European/dual-listed peer group and slightly above median of Swiss benchmark group. For the bonus and long term incentives the benchmark data showed that the over-achievement of 120% on bonus target and on vesting multiples of long term incentives was below the median of all peer groups. According to the above benchmarking data the cash and equity compensation for the CEO and the other members of the Management Board to be below the median or at the median of all the peer groups. Though it should be noted that the NASDAQ and European dual-listed peer group companies primarily grant equity via stock options, i.e. with significantly higher risk profile compared to performance share units granted by the Company.

[20] Idorsia, Basilea, Pharming, Philogen SpA, Genmab A/S, argenx SE, Galapagos NV, Valneva SA, MorphoSys AG, Zealand Pharma A/S, Calliditas therapeutics AB, Evotec, CRISPR Therapeutics AB, Prothena Corp. Plc, Merus N.V..

[21] Enanta, ADC Therapeutics, macrogenics, CureVac NV, Bicycle Therapeutics Ltd, iTeos therapeutics Inc, merus BV, Immunocore Holdings plc, Pardes Biosciences, Janux Therapeutics Inc, Silence Therapeutics, IGM Biosciences Inc, Vor BioPharma, Curis, FATE Therapeutics, Inhibrx, Shattuck Labs, AC Immune SA..

[22] Sensirion, Bobst, relief therapeutics, Meyer Burger, Vetropack, Jungfraubahn, Valora, Autoneum, TX Group, Komax, Aryzta, Basilea, APG SGA, Aluflexpack, Zehnder, V-Zug, Medartis, Coltene, Orior, Swiss Teel, Ascom, Rieter, Mobilezone, Phoenix, Implenia, CPH, U-Blox.

2.4 Rules in the Articles Regarding Compensation

The rules regarding (i) compensation of the Board of Directors and the Management Board (Articles 27 to 29), (ii) agreements regarding compensation of the Board of Directors and the Management Board (Article 30) and (iii) loans and credits, as well as post-retirement benefits (Articles 31 and 32) can be found in the Company's Articles of Association.[23]

A. Rules on Performance-Related Pay and Supplementary Amount

Article 27 of the Articles sets the principle on performance related pay, including the short-term variable compensation elements, the long-term compensation elements, the responsibilities for determining the performance metrics and target levels of the short- and long-term variable compensation elements.

According to Article 29 of the Articles, the Company 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. 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.

B. Rules on Loans, Credit Facilities and Post-Employment Benefits

Please refer to section 4.3 below.

C. Rules on Vote on Pay at the General Meeting of Shareholders

The Compensation Ordinance requires a "say on pay" approval mechanism for the compensation of the Board of Directors and the Management Board pursuant to which the shareholders must vote separately on the compensation of the Board of Directors and the Management Board on an annual basis. In accordance therewith, Article 28 of the Articles provides that the shareholders' meeting must, each year, vote separately on the proposals by the Board of Directors regarding the maximum aggregate amounts of:

- the compensation of the Board of Directors for the next term of office (until the next Annual General Meeting);
- the fixed compensation of the Management Board for the period of July 1 of the current year until June 30 of the following year; and
- the variable compensation elements of the Management Board for the current financial year.

The Board of Directors may submit for approval by the Annual General Meeting 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.

If the shareholders' meeting does not approve a proposal of the Board of Directors, the Board of Directors determines the maximum aggregate amount or maximum partial amounts taking into account all relevant factors and submits such amounts for approval to the same shareholders'

[23] https://investors.molecularpartners.com/static-files/5ff7d0a2-c059-4860-944a-8ceffc58a213

meeting, to an extraordinary shareholders' meeting or to the next ordinary shareholders' meeting for retrospective approval.

Compensation may be paid out prior to approval by the general meeting of shareholders subject to subsequent approval.

3. Compensation Components

3.1 Principles

The compensation of the members of the Board of Directors consists of fixed compensation only. 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 chair and membership).

The compensation of the members of the Management Board consists 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 (cash bonus) is determined exclusively by the achievement of predefined annual corporate goals (see section 3.2.2 below).

- The long-term variable compensation (Performance Share Units, PSUs) is determined based on (i) the achievement of annual corporate goals, (ii) the achievement of long-term value driving milestones outside of such annual corporate goals and (iii) the development of the share price of the Company (see section 3.2.3 below).

In order to foster long-term shareholder alignment the majority of the variable compensation of the Management Board is linked to Molecular Partners' long-term incentive plans (see section 3.2.3 below). In summary, the compensation strategy aims at the following compensation split:

- Board of Directors: Approximately 35% cash fee (base fee), no short-term cash bonus and approximately 65% in form of RSUs under the LTI Plan (RSUs with 1 year vesting and 3 year blocking period);

- Management Board: Approximately 50% fixed compensation, 15% short-term cash bonus and 35% in the form of PSUs under the LTI Plan (PSUs with 3 year cliff-vesting).

The overall balance between the cash fee and the RSU component of the compensation of the Board of Directors and the fixed and variable components of the compensation of the Management Board reflects the Company's strong focus on entrepreneurial drive and ensures a high level of accountability as well as alignment with the long-term shareholder interest.

3.2 General Description of Compensation Components

Members of the 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. Compensation of the members of the Board of Directors consists of a cash fee and RSUs. Actual out of pocket expenses are borne by the Company.

Members of the Management Board are paid for their service over a 12-month period. Compensation of the members of the Management Board consists of fixed and variable compensation. The fixed compensation is paid in the form of a base compensation in cash. The variable compensation is paid in the form of a cash bonus and PSUs.

3.2.1 Base Cash Compensation

Board of Directors

The base cash compensation for the non-executive members of the Board of Directors consists of a fixed annual fee. Such fixed annual fee is composed of a fixed fee for Board of Directors membership, additional fixed fee(s) for committee membership and/or chair, as applicable, and a fixed travel fee. For the period from the Annual General Meeting 2022 to the Annual General Meeting 2023, such fees are as follows:

Type of Fee	Amount
Chairmanship Fee	CHF 125,000[1]
Board Membership Fee	CHF 20,000
Committee Fee	CHF 10,000
AFC Chair Fee	CHF 5,000
Travel Fee	CHF 10,000

[1] This fee is a lump sum fee which includes the Chairman's membership and chair of the NCC and the travel fee

Management Board

The base cash compensation of the Management Board consists of a fixed annual salary, which reflects the individual's responsibility, ability and experience. Except pension contributions, no other fixed compensation elements are granted to the Management Board[24].

Employees

The base cash compensation of employees consists of a fixed annual salary, which reflects the individual's responsibility, ability and experience.

[24] Please refer to the respective footnotes 1 in the 2022 and 2021 compensation tables in section 4.2 of the Compensation Report.

3.2.2 Cash Bonus

Board of Directors

The members of the Board of Directors do not receive a cash bonus.

Management Board

Cash bonuses are awarded to reward members of the Management Board. The cash bonus depends exclusively on the level of achievement of Company predefined corporate goals during a one-year period (annual corporate goals). No other parameters are relevant for the calculation of the cash bonus. The corporate goals are the same for all employees, including the members of the Management Board (no individual goals).

The amount of the cash bonus in % of the base salary depends on the level of responsibility. The target bonus for the members of the Management Board in 2022 were as follows (unchanged compared to 2021):

Position	Target Bonus
Chief Executive Officer	50% of base salary
Other members of the Management Board (CFO, COO, CMO, EVPs)	40% of base salary

At the beginning of each year, the Nomination and Compensation Committee proposes and the Board of Directors approves corporate goals for the calendar year. At the end of the year, the Nomination and Compensation Committee reviews the achievement of those predefined corporate goals set for the previous year and the Board of Directors approves such achievement.

The cash bonus can be between 0% and a maximum (cap) of 150% (2021 cap was 120%) of the target bonus depending on the achievement of the corporate goals. In any event, not more than 150% of the target bonus will be paid out. The maximum cap increase from 120% to 150% of the target bonus was adjusted based on a benchmark study done in February 2022 (please refer to Section 3.2.3 of the Compensation Report for further detail) and the adjustment was approved by the annual general meeting on April 13, 2022.

The corporate goals for 2022 were divided into two categories and a third upside goal with different priorities which were reflected by a predetermined weighting in %:

Corporate Goals 2022

Priorities[1]	*Category*
+++	Develop stronger and balanced portfolio - e.g. advance projects towards the clinic/ clinical candidate selection and filling the pipeline with new projects
++	Establish Molecular Partners as an effective and sustainable organization - e.g. through culture evolution and digitalization
+++	Support Novartis to obtain EUA and other approvals in 2022

1 High priorities are indicated with +++

Each category includes precise goals and specific key results with a timing requirement for the achievement of such key results by the end of a particular quarter or at the end of the year. Please refer to Section 4.2 of the Compensation Report for an overview of the achievement ratios of the annual corporate goals for the years 2015 to 2022.

Employees

Employees are rewarded with a cash bonus based on the achievement of the same predefined corporate goals as those applicable to the Management Board above. The target bonus depends on the level of responsibility of the respective employee.

3.2.3 Long Term Incentive Plans (LTI Plans)

In 2014, the Board of Directors adopted a framework of Long Term Incentive Plans (LTI Plans). The LTI Plans 2022 were approved by the Board of Directors in March 2022.

Under the LTI Plans members of the Board of Directors are eligible to be granted Restricted Share Units (RSUs) and members of the Management Board as well as all employees and selected consultants are eligible to be granted Performance Share Units (PSUs).

Restricted Share Units (RSUs)

RSUs are contingent rights to receive a certain number of shares at the end of a three-year blocking period. The number of shares to be received is not variable, i.e. the number of shares does not depend on the achievement of certain predefined performance metrics. In certain circumstances, including a change of control, a full or partial early vesting of the RSUs may occur.

Members of the Board of Directors received their grants of RSUs under the RSU Plan 2022 after the ordinary shareholders' meeting of 2022, i.e. after shareholders' approval of the compensation amount for the Board of Directors.

Performance Share Units (PSUs)

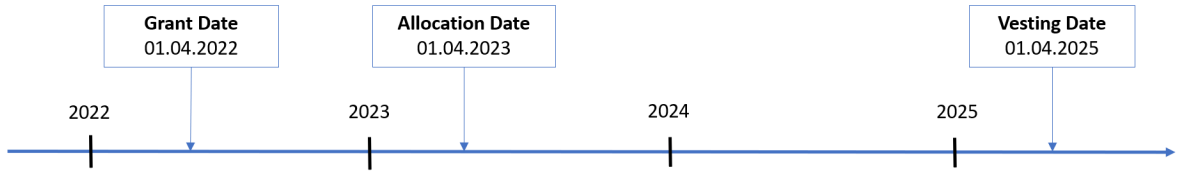
Management Board

PSUs for the *Management Board* are contingent rights to receive a variable number of shares at the end of a three-year cliff-vesting period (vesting date). The number of the PSUs granted depends on the level of responsibility of the relevant participant.

The amount of the PSUs granted to the members of the Management Board in 2022 are as follows (unchanged compared to 2021):

Position	Grant
Chief Executive Officer	100% of base salary
Other members of the Management Board (CFO, COO, CMO, EVPs)	80% of base salary

From a time perspective, the PSU plan 2022 for the Management Board can be summarized as follows:



While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be effectively earned in relation to a PSU depends on the following two factors (the so-called LTI scorecard), being evaluated after 12 months (the so-called allocation date) from the grant date:

Factors	**Weighting 2022**	**Weighting 2021**
Achievement of the corporate goals for the year 2022 (see section 3.2.2. above)	Between 0% and maximum 120%	Between 0% and maximum 80%
Achievement of other long-term value driving milestones outside of the corporate goals	n.a.	Between 0% and maximum 20%
Share price performance[1] of Molecular Partners over 12 months since grant date: • 20% is reached if the share price performance is larger than/equal to 10% compared to the average performance of NBI/SPI indices; • 0% is reached if share price performance is less than /equal to 0% compared to the average performance of NBI/SPI indices; • pro rata if share price is between 0-10% compared to the average performance of the NBI/SPI indices.	Between 0% and maximum 30%	Between 0% and maximum 20%
Total	*Between 0% and maximum 150%*	*Between 0% and maximum 120%*

1 The relevant share price and NBI/SPI indices are the average of the last paid price/index of the trading days during the two months prior to the grant date compared to the same period in year plus one. (For PSUs 2022 granted on 1 April 2022: 1 February to 31 March 2022 vs 1 February to 31 March 2023)

Please refer to Section 4.2 of the Compensation Report for an overview of the achievement ratio of the LTI scorecard for the years 2015 to 2022. The maximum cap of 150% of the LTI and the removal of the 20% for other long term value driving milestones outside of the corporate goals was approved by the annual general meeting on April 13, 2022.

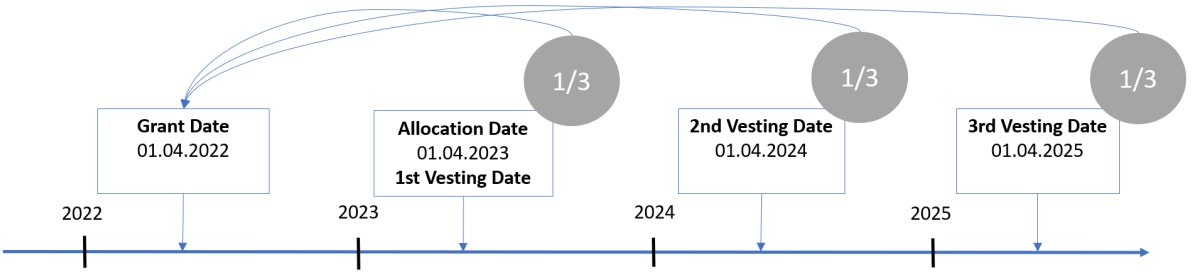
Accordingly, the number of shares to be issued based on the PSUs at the end of the vesting period can be between zero and a maximum (cap) of 150% (2021 cap was 120%) of the number of PSUs granted. Even after the determination of goal achievement (allocation date), participants may lose their entitlements 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 early vesting of the PSUs may occur.

At the beginning of each year, the Nomination and Compensation Committee proposes and the Board of Directors approves the two factors above for the calendar year. At the end of the year, the Nomination and Compensation Committee reviews the achievement of the corporate goals and the Board of Directors approves such achievement. In March of the following year, the achievement of the last factor, the share price performance, is calculated.

Employees

PSUs granted to employees in 2022 are contingent rights to receive a variable number of shares in three tranches of one third each during a period of three years on the first, second and third anniversary of the grant date (graded vesting period). The number of the PSUs granted depends on the level of responsibility of the relevant participant.

From a time perspective, the PSU plan 2022 for the employees can be summarized as follows:



The number of shares to be effectively earned by an employee in relation to a PSU depends on the same two factors as for the Management Board and is also evaluated after 12 months (the so-called allocation date) from the grant date.

Existing employees and members of the Management Board[25] received PSU grants on April 1, 2022 and the employees who joined Molecular Partners after April 1, 2022 received PSU grants depending on their entry date on July 1, 2022, October 1, 2022 or January 1, 2023.

3.2.4 Stock Options

The Company established three stock option plans in connection with two pre-IPO financing rounds that were closed in 2007[26] and in 2009: the Employee Stock Option Plan 2007 (the ESOP 2007) and the Employee Stock Option Plan 2009 (the ESOP 2009). In June 2014, the Board of Directors adopted an amended version of the ESOP 2009, the ESOP 2014, which did not anymore provide for accelerated vesting of options in case of an initial public offering of the Company. Options granted under the ESOP 2014 allow participating employees, members of the Board of Directors and members of the Management Board to purchase common shares at a strike price of 30% of the fair market value at grant date. All such option grants were made prior to the initial public offering of the Company in November 5, 2014. No more grants have been and will be made under these stock option plans.

As of December 31, 2022, a total of 282,105 options were outstanding under the Employee Stock Option Plan 2009 and 2014[27]. For additional information reference is made to note 18.2 of the IFRS Consolidated Financial Statements of this Annual Report.

3.3 Change of Control Clauses

Please refer to section 8 of the Corporate Governance Report of the Company.

[25] For members of the Management Board, the grant is made subject to approval by the ordinary shareholders' meeting 2022 of the variable compensation amount for the year 2022.
[26] At the reporting date, there were no outstanding options under the Employee Stock Option Plan 2007.
[27] For details on the number of options held by the members of the Board of Directors and the Management Board, please refer to note 21 of the Company only Financial Statements of this Annual Report.

4. Compensation for Financial Year under Review

4.1 Compensation to the Members of the Board of Directors in 2022 and 2021

The tables below summarize the compensation of the members of the Board of Directors in 2022 and 2021:

Year 2022	Base compensation		RSUs Granted in 2022		Total Compensation[1]
in CHF 1,000, except for number of RSUs	Base fee (cash gross)	Pension contributions	Number of RSUs	Value of RSUs	
William Burns Member/Chairman	125	—	8,253	170	295
Steven Holtzman Member	50	—	4,127	85	135
Sandip Kapadia Member	45	—	4,127	85	130
Vito J. Palombella Member	40	—	4,127	85	125
Michael Vasconcelles Member	50	—	4,127	85	135
Agnete Fredriksen Member	40	—	4,127	85	125
Dominik Höchli Member	40	—	4,127	85	125
Dr. Patrick Amstutz Member[2]	—	—	—	—	—
Total	390	—	33,015	680	1,070

[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 made by the Company in 2022 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2022 in 2025, the Company 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 approximately TCHF 26.

[2] Please refer to Section 4.2 for the CEO's compensation.

Year 2021	Base compensation		RSUs Granted in 2021		Total Compensation[1]
in CHF 1,000, except for number of RSUs	Base fee (cash gross)	Pension contributions	Number of RSUs	Value of RSUs	
William Burns Member/Chairman	125	—	7,379	170	295
Steven Holtzman Member	48	—	3,690	85	133
Dr. Gwen Fyfe Member[2]	12	—	—	—	12
Sandip Kapadia Member[3]	45	—	3,690	85	130
Vito J. Palombella Member[4]	40	—	3,690	85	125
Michael Vasconcelles Member[5]	48	—	3,690	85	133
Agnete Fredriksen Member[6]	28	—	3,690	85	113
Dominik Höchli Member[7]	28	—	3,690	85	113
Dr. Patrick Amstutz Member[8]	—	—	—	—	—
Total	374	—	29,519	680	1,054

[1] The total compensation awarded to the members of the Board of Directors shown in this table does not include the payments of TCHF 12 made by the Company in 2022 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2022 in 2025, the Company 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 approximately TCHF 26.

[2] Dr. Gwen Fyfe did not stand for re-election at the Annual General Meeting 2021 on April 21, 2021.

[3] Sandip Kapadia was elected as new member of the Board of Directors of Molecular Partners at the Annual General Meeting 2020 on April 29, 2020.

[4] Vito J. Palombella was elected as new member of the Board of Directors of Molecular Partners at the Annual General Meeting 2020 on April 29, 2020.

[5] Michael Vasconcelles was elected as new member of the Board of Directors of Molecular Partners at the Annual General Meeting 2020 on April 29, 2020.

[6]. Agnete Fredriksen was elected as new member of the Board of Directors of Molecular Partners at the Annual General Meeting 2021 on April 21, 2021.

[7]. Dominik Höchli was elected as new member of the Board of Directors of Molecular Partners at the Annual General Meeting 2021 on April 21, 2021.

[8] Please refer to Section 4.2 for the CEO's compensation.

The total compensation paid to the Board of Directors in 2022 remained largely unchanged compared to 2021.

In 2022, the portion of compensation delivered in the form of RSUs amounted to 64% (2021: 64%) of the total compensation paid to the members of the Board of Directors.

The compensation paid out to the Board of Directors in 2022 and 2021 did not exceed the respective budgets approved by the Annual General Meetings 2022 and 2021.

Compensation Paid to Former Members of the Board of Directors

In 2022 and 2021, no compensation was paid to former members of the Board of Directors.

4.2 Compensation to the Management Board in 2022 and 2021

The tables below summarize the compensation of the members of the Management Board in 2022 and 2021:

Year 2022	Fixed compensation		Variable compensation			Total Compensation
in CHF 1,000, except for number of PSUs	Base salary (cash gross)[1]	Pension contributions	Bonus (cash gross)	Number of PSUs[2]	Value of PSUs	Total Compensation[1]
Total Management Board	1,982	296	787	83,295	1,679	4,744
Patrick Amstutz (CEO)	383	58	179	19,098	385	1,005

[1] The total compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 173 made by the Company 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, the Company 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).
[2] Number of PSUs granted in the year 2022 at target (100%). The number of shares to be issued based on the PSUs at the end of the vesting period can be between zero and a maximum (cap) of 150% depending on the achievement of the predefined factors set out in the applicable LTI scorecard (see Section 3.2.3 above).

Year 2021	Fixed compensation		Variable compensation			Total Compensation
in CHF 1,000, except for number of PSUs	Base salary (cash gross)[1]	Pension contributions	Bonus (cash gross)	Number of PSUs[2]	Value of PSUs	Total Compensation[1]
Total Management Board	1,353	203	695	43,833	1,161	3,412
Patrick Amstutz (CEO)	380	58	228	14,346	380	1,046

[1] The total compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 118 made by the Company 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, the Company 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 67 (assuming 100% target achievement and full vesting of the PSUs).
[2] Number of PSUs granted in the year 2021 at target (100%). The number of shares to be issued based on the PSUs at the end of the vesting period can be between zero and a maximum (cap) of 120% depending on the achievement of the predefined factors set out in the applicable LTI scorecard (see Section 3.2.3 above).

The total compensation paid to the Management Board in 2022 increased compared to 2021. This increase is essentially due to the increase of the number of Management Board members from 4 in 2021 to 6 in 2022. While the average base salaries paid to these executives remained unchanged compared to 2021, the relative bonus amount slightly decreased. This decrease is a function of a lower achievement ratio of the corporate goals in 2022 compared to the achievement ratio of the corporate goals in 2021[28]. The relative value of the PSUs granted to the Management Board remained also largely unchanged in 2022.

For the entire Management Board, the variable compensation (cash bonus and PSUs, excluding social security and pension contributions) represented 51% of the total compensation in 2022 (2021: 54%).

[28] The achievement ratio of the corporate goals 2021 reached 120% while the achievement ratio of the corporate goals 2022 reached 88%. Please refer to section 3.2.2 above for more information on the determination of the cash bonus.

Achievement Ratio of Corporate Goals (Bonus) and LTI Scorecard in Previous Years

Reporting year	Achievement Ratio Bonus	Achievement Ratio LTI Scorecard
2022	88%	To be determined on March 31, 2023
2021	120%	100%
2020	115%	100%
2019	72%	83%
2018	95%	88%
2017	82%	76%
2016	81%	65%
2015	80%	94%

Use of Supplementary Amount

Financial Year 2022
The fixed and variable compensation paid to the Management Board in 2022 did not exceed the respective budget approved by the annual general meetings 2021 and 2022.

Financial Year 2021
The fixed and variable compensation paid to the Management Board in 2021 did not exceed the respective budget approved by the annual general meetings 2020 and 2021.

Compensation Paid to Former Members of the Management Board

In 2022, no compensation was paid to former members of the Management Board except for an amount of TCHF 21 that was paid to Molecular Partners' former CSO, Pamela Trail, settling outstanding amounts relating to her term of employment.

4.3 Loans, Credit Lines, Post-retirement Benefits to Board of Directors, Management Board and Related Persons

In accordance with the Compensation Ordinance, the Articles[29] provide that loans and credit lines to members of the Board of Directors and the Management Board may solely be granted at standard market rates and that the aggregate amount of loans and credit lines to the member of the Board of Directors or the Management Board may not exceed double the total annual compensation of the respective member last paid or payable for the first time. In addition, the Articles[30] provide that the Company may grant to members of the Board of Directors and the Management Board post-retirement benefits beyond the occupational benefit scheme only if such post-retirement benefits do not exceed 100% of the total annual compensation of the respective member last paid.

As of December 31, 2022 and 2021, the Company has not granted any loans, credit lines or post-retirement benefits beyond the occupational benefit schemes to members of the Board of Directors or the Management Board. Furthermore, the Company has not paid any compensation to nor granted any loans or credit lines to former members of the Board of Directors or related persons.

5. Share Ownership Information

Shares and options owned by the members of the Board of Directors and the Management Board are disclosed in note 21 of the Company only Financial Statements of this Annual Report.

[29] See Article 31 of the Articles (https://investors.molecularpartners.com/static-files/5ff7d0a2-c059-4860-944a-8ceffc58a213)
[30] See Article 32 of the Articles (https://investors.molecularpartners.com/static-files/5ff7d0a2-c059-4860-944a-8ceffc58a213)

Report of the Statutory Auditor

To the General Meeting of Molecular Partners AG, Schlieren

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Molecular Partners AG (the Company) for the year ended December 31, 2022. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in section 4 (pages 61 to 64) of the Compensation Report within the Annual Report.

In our opinion, the information on remuneration, loans and advances in the Compensation Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include Section 4 in the Compensation Report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a. Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Audit and Finance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

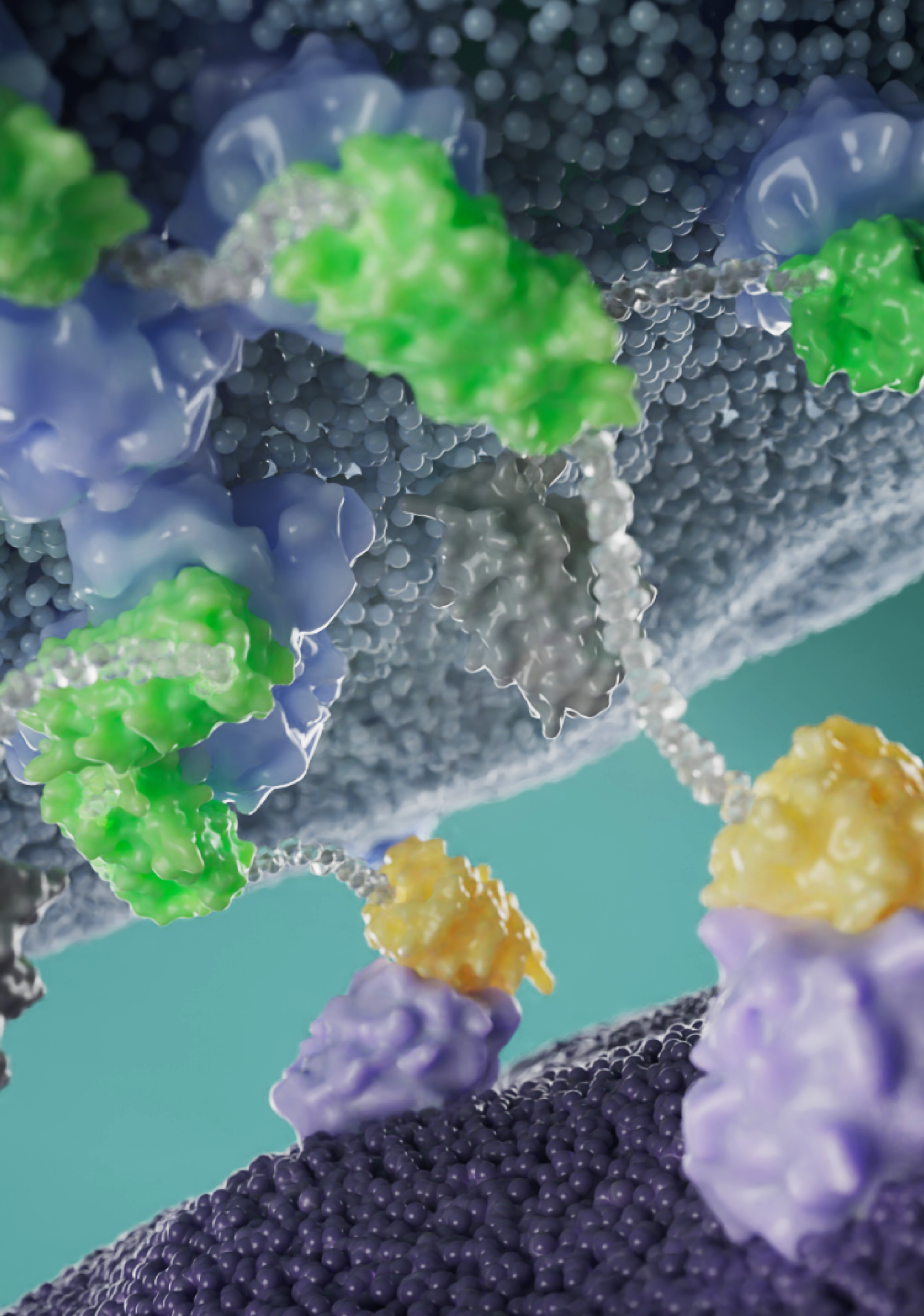
We also provide the Audit and Finance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Greg Puccetti

Zurich, March 8, 2023



IFRS Consolidated Financial Statements

Consolidated statement of financial position as of December 31,		2022	2021
in CHF thousands	Note		
Assets			
Property, plant and equipment	6	7,235	8,146
Intangible assets	7	271	331
Total non-current assets		**7,506**	**8,477**
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
Total current assets		**254,752**	**164,191**
Total assets		**262,258**	**172,668**
Shareholders' equity and liabilities			
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)
Total shareholders' equity		**235,166**	**107,289**
Contract liability	15	3,637	6,925
Lease liability	22	3,652	4,850
Employee benefits	18.1	2,552	6,739
Total non-current liabilities		**9,841**	**18,514**
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
Total current liabilities		**17,251**	**46,865**
Total liabilities		**27,092**	**65,379**
Total shareholders' equity and liabilities		**262,258**	**172,668**

See accompanying notes, which form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended December 31,		2022	2021	2020
in CHF thousands	Note			
Revenues and other income				
Revenues from research and development collaborations		189,556	9,330	9,344
Other income		44	424	—
Total revenues and other income	5	**189,600**	**9,754**	**9,344**
Operating expenses				
Research and development expenses	16	(50,749)	(55,718)	(56,075)
Selling, general and administrative expenses	16	(22,238)	(17,454)	(11,595)
Total operating expenses		**(72,987)**	**(73,172)**	**(67,670)**
Operating result		**116,613**	**(63,418)**	**(58,326)**
Financial income	19	1,859	191	367
Financial expenses	19	(619)	(556)	(4,816)
Net finance result		**1,240**	**(365)**	**(4,449)**
Result before income taxes		**117,853**	**(63,783)**	**(62,775)**
Income taxes	20	—	(2)	11
Net result, attributable to shareholders		**117,853**	**(63,785)**	**(62,764)**
Other comprehensive result				
Items that will not be reclassified to profit or loss				
Remeasurement of net pension liabilities, net of tax	18.1	5,334	8,012	(1,514)
Items that are or may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(17)	(3)	(26)
Other comprehensive result, net of tax		**5,317**	**8,009**	**(1,540)**
Total comprehensive result, attributable to shareholders		**123,170**	**(55,776)**	**(64,304)**
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,		2022	2021	2020
in CHF thousands				
	Note			
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)
Net cash from (used in) operating activities		**118,566**	**(90,953)**	**(28,983)**
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
Net cash used in investing activities		**(101,121)**	**(22,237)**	**(21,746)**
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)
Net cash (used in) from financing activities		**(1,570)**	**50,581**	**113,202**
Exchange gain (loss) on cash positions		258	701	(4,464)
Net increase (decrease) in cash and cash equivalents		**16,133**	**(61,907)**	**58,009**
Cash and cash equivalents at January 1		71,813	133,721	75,712
Cash and cash equivalents at December 31	11	**87,946**	**71,813**	**133,721**

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
At January 1, 2020	**2,160**	**182,849**	**—**	**(130,870)**	**54,139**
Net result	—	—	—	(62,764)	(62,764)
Remeasurement of net pension liabilities [1]	—	—	—	(1,514)	(1,514)
Exchange differences on translating foreign operations	—	—	—	(26)	(26)
Total comprehensive loss	**—**	**—**	**—**	**(64,304)**	**(64,304)**
Share-based compensation costs [1]	—	2,932	—	—	2,932
Issuance of new shares, net of transaction costs [2]	727	112,886	—	—	113,613
Exercise of stock options, net of transaction costs [2]	28	812	—	—	840
At December 31, 2020	**2,915**	**299,479**	**—**	**(195,174)**	**107,220**
At January 1, 2021	**2,915**	**299,479**	**—**	**(195,174)**	**107,220**
Net result	—	—	—	(63,785)	(63,785)
Remeasurement of net pension liabilities [1]	—	—	—	8,012	8,012
Exchange differences on translating foreign operations	—	—	—	(3)	(3)
Total comprehensive loss	**—**	**—**	**—**	**(55,776)**	**(55,776)**
Share-based compensation costs [1]	—	4,085	—	—	4,085
Issuance of new shares, net of transaction costs [2]	300	51,193	—	—	51,493
Exercise of stock options, net of transaction costs [2]	14	253	—	—	267
At December 31, 2021	**3,229**	**355,010**	**—**	**(250,950)**	**107,289**
At January 1, 2022	**3,229**	**355,010**	**—**	**(250,950)**	**107,289**
Net result	—	—	—	117,853	117,853
Remeasurement of net pension liabilities [1]	—	—	—	5,334	5,334
Exchange differences on translating foreign operations	—	—	—	(17)	(17)
Total comprehensive income	**—**	**—**	**—**	**123,170**	**123,170**
Share-based compensation costs [1]	—	5,088	—	—	5,088
Issuance of new shares, net of transaction costs [2]	350	—	—	—	350
Issuance of treasury shares incl. transaction costs [2]	—	—	(981)	—	(981)
Exercise of stock options, net of transaction costs [2]	25	225	—	—	250
At December 31, 2022	**3,604**	**360,323**	**(981)**	**(127,780)**	**235,166**

(1) See note 18
(2) 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 it 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.

Revenues by country

in CHF thousands, for the years ended December 31	**2022**	**2021**	**2020**
Revenues Switzerland	179,903	—	—
Revenues USA	9,653	9,330	9,344
Total revenues	**189,556**	**9,330**	**9,344**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	**2022**	**2021**	**2020**
Novartis AG, Switzerland	172,903	—	—
FOPH, Switzerland	7,000	—	—
Amgen Inc., USA	9,653	9,330	9,344
Total revenues	**189,556**	**9,330**	**9,344**

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
2022						
Cost						
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)
At December 31, 2022	**9,646**	**731**	**1,315**	**9,616**	**624**	**21,932**
Accumulated depreciation						
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
At December 31, 2022	**(7,660)**	**(687)**	**(1,172)**	**(4,815)**	**(364)**	**(14,697)**
Carrying amount at December 31, 2022	**1,986**	**44**	**143**	**4,802**	**260**	**7,235**

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
2021						
Cost						
At January 1, 2021	8,337	660	1,119	9,616	317	20,049
Additions	438	51	154	—	290	933
Disposals	(22)	—	(74)	—	—	(96)
At December 31, 2021	**8,754**	**711**	**1,199**	**9,616**	**607**	**20,887**
Accumulated depreciation						
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
At December 31, 2021	**(7,164)**	**(653)**	**(1,012)**	**(3,615)**	**(298)**	**(12,741)**
Carrying amount at December 31, 2021	**1,590**	**59**	**186**	**6,001**	**309**	**8,146**

7. Intangible assets

in CHF thousands	Software
2022	
Cost	
At January 1, 2022	1,904
Additions	240
Disposals	(22)
At December 31, 2022	**2,122**
Accumulated amortization	
At January 1, 2022	(1,574)
Amortization charge for the year	(299)
Disposals	22
At December 31, 2022	**(1,851)**
Carrying amount at December 31, 2022	**271**

in CHF thousands	Software
2021	
Cost	
At January 1, 2021	1,530
Additions	374
Disposals	—
At December 31, 2021	**1,904**
Accumulated amortization	
At January 1, 2021	(1,183)
Amortization charge for the year	(391)
Disposals	—
At December 31, 2021	**(1,574)**
Carrying amount at December 31, 2021	**331**

8. Financial instruments

in CHF thousands	Financial assets at amortized costs
2022	
Cash and cash equivalents	87,946
Trade receivables	521
Accrued income	679
Short-term time deposits	161,198
Balance at December 31	**250,344**
2021	
Cash and cash equivalents	71,813
Trade receivables	23,710
Accrued income	76
Short-term time deposits	61,000
Balance at December 31	**156,599**

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	Financial liabilities at amortized cost
2022	
Trade payables	997
Accrued project costs and royalties	2,167
Lease liabilities	4,850
Other non-employee related accrued expenses	556
Balance at December 31	**8,570**
2021	
Trade payables	4,862
Accrued project costs and royalties	3,410
Lease liabilities	6,039
Other non-employee related accrued expenses	537
Balance at December 31	**14,848**

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
Balance at December 31	**4,589**	**5,728**

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
Balance at December 31	**1,019**	**25,650**

Trade receivables are denominated in the following currencies:

in CHF thousands	2022	2021
CHF	160	958
EUR	—	3,127
USD	361	19,625
Balance at December 31	**521**	**23,710**

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

in CHF thousands	2022	2021
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
Total cash at bank at December 31	**87,946**	**71,813**
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
Total short-term deposits at December 31	**161,198**	**61,000**

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).

	Ordinary shares
Shares in issue at December 31, 2019	**21,601,192**
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
Shares in issue at December 31, 2020	**29,146,992**
Issued in relation to June 2021 IPO	3,000,000
Issued in relation to vesting of PSU, RSU and options	145,656
Shares in issue at December 31, 2021	**32,292,648**
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
Shares in issue at December 31, 2022	**36,044,706**

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

in CHF thousands	2022	2021
Trade payables	997	4,862
Social security	1,146	1,672
Value added tax	—	855
Balance at December 31	**2,143**	**7,389**

Trade payables are denominated in the following currencies:

in CHF thousands	2022	2021
CHF	790	1,464
EUR	104	3,250
USD	103	118
GBP	—	29
Balance at December 31	**997**	**4,862**

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
Balance at December 31	**7,501**	**9,975**

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	—
Balance at December 31, 2022	**10,046**

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	—
Balance at December 31, 2021	**35,237**

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)	—	**—**
Balance	**35,237**	**—**	**(25,191)**	**—**	**10,046**

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**
Balance	**45,887**	**18,584**	**(9,330)**	**(19,904)**	**35,237**

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
Balance at December 31, 2022	**6,409**	**3,637**	**10,046**

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
Balance at December 31, 2021	**28,312**	**6,925**	**35,237**

16. Additional information on the nature of expenses

Research and development expenses

in CHF thousands	2022	2021	2020
Research consumables and external research and development expenses	(17,154)	(26,342)	(26,599)
Personnel expenses [1], 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)
Total year ended December 31	**(50,749)**	**(55,718)**	**(56,075)**

Selling, general and administrative expenses

in CHF thousands	2022	2021	2020
Personnel expenses [2], 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)
Total year ended December 31	**(22,238)**	**(17,454)**	**(11,595)**
Total operating expenses	**(72,987)**	**(73,172)**	**(67,670)**

[1] 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.

[2] 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 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.

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)
Total year ended December 31	**(39,889)**	**(36,251)**	**(33,634)**

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
Defined benefit pension plans		
Actuarial assumptions		
Discount rate at January 1	0.40 %	0.20 %
Discount rate at December 31 [1]	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
Reconciliation of the amount recognized in the statement of financial position		
Defined benefit obligation at December 31	52,529	54,461
Fair value of plan assets at December 31	50,284	47,979
Net defined benefit liability at December 31 [2]	**2,245**	**6,483**
Components of defined benefit cost in profit or loss		
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
Defined benefit cost recognized in profit or loss	**3,192**	**3,059**
thereof service cost and administrative cost	3,164	3,031
thereof net interest expense on the net defined benefit liability	28	28

in CHF thousands	2022	2021
Reconciliation of net defined benefit liability		
Net defined benefit liability at January 1	6,483	13,423
Defined benefit cost recognized in profit or loss [3]	3,192	3,059
Remeasurement of net pension liabilities	(5,334)	(8,012)
Contributions by the employer [3]	(2,096)	(1,987)
Net defined benefit liability at December 31 [2]	**2,245**	**6,483**
Reconciliation of defined benefit obligation		
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)
Defined benefit obligation at December 31	**52,529**	**54,461**
Reconciliation of amount recognized in OCI		
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)
Actuarial (gain)/loss on defined benefit obligation	**(8,676)**	**(5,508)**
Return on plan assets excluding interest income	3,342	(2,504)
Remeasurement of net pension liabilities	**(5,334)**	**(8,012)**
Reconciliation of fair value of plan assets		
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
Fair value of plan assets at December 31	**50,284**	**47,979**
Best estimate of contributions of next year		
Contributions by the employer	2,231	2,060
Plan asset classes		
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
Total plan assets at fair value (quoted market price)	**40,391**	**39,116**
Others	9,892	8,862
Total plan assets at fair value (non-quoted market price)	**9,892**	**8,862**
Total plan assets at fair value at December 31	**50,284**	**47,979**

in CHF thousands	2022	2021
Total plan assets at fair value at December 31	**50,284**	**47,979**
thereof entity's own transferable financial instruments	—	—
thereof property occupied or other assets used by the entity	—	—

Sensitivity [4]		
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

Maturity profile of defined benefit obligation		
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

[1] Discount rates are based on industry benchmarks related to benefits with a 20 year duration.

[2] 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.

[3] 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).

[4] 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
Components of defined benefit cost in profit or loss			
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
Defined benefit cost recognized in profit or loss	**3,192**	**3,059**	**3,080**
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
Reconciliation of amount recognized in OCI			
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
Actuarial (gain)/loss on defined benefit obligation	**(8,676)**	**(5,508)**	**335**
Return on plan assets excluding interest income	3,342	(2,504)	1,179
Remeasurement of net pension liabilities	**(5,334)**	**(8,012)**	**1,514**

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)
Balance outstanding at December 31, 2020	**915,163**	**2.74**	**382,059**	**6.42**	**533,104**	**0.10**
Granted	260,055	0.10	—	—	260,055	0.10
(Performance adjustment) [1]	(1,022)	0.10	—	—	(1,022)	0.10
(Forfeited) [2]	(66,518)	0.10	—	—	(66,518)	0.10
(Expired)	—	—	—	—	—	—
(Exercised options, vested PSU / RSU) [3]	(145,656)	1.85	(63,157)	4.14	(82,499)	0.10
Balance outstanding at December 31, 2021	**962,022**	**2.35**	**318,902**	**6.87**	**643,120**	**0.10**
Granted	340,152	0.10	—	—	340,152	0.10
(Performance adjustment) [1]	—	0.10	—	—	—	0.10
(Forfeited) [2]	(63,990)	0.10	—	—	(63,990)	0.10
(Expired)	(3,220)	5.40	(3,220)	5.40	—	—
(Exercised options, vested PSU / RSU) [3]	(252,058)	1.00	(33,577)	6.85	(218,481)	0.10
Balance outstanding at December 31, 2022	**982,906**	**2.05**	**282,105**	**6.89**	**700,801**	**0.10**

[1] Performance adjustments indicate forfeitures due to non-market performance conditions not achieved

[2] Forfeited due to service conditions not fulfilled

[3] 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
Options			
6.06	15,450	1.4	15,450
6.94	266,655	1.7	266,655
PSU/RSU			
0.10	700,801	1.1	
Total	**982,906**		**282,105**

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	
Total	**962,022**		**318,902**

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
Total year ended December 31	**5,088**	**4,085**	**2,932**

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	—
Total year ended December 31	**1,859**	**191**	**367**

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)
Total year ended December 31	**(619)**	**(556)**	**(4,816)**

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	—	—
Total tax loss carry forwards as at December 31	**(88,198)**	**(212,218)**

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)
Balance as at December 31,	**4,850**	**6,039**
Current	1,198	1,189
Non-current	3,652	4,850
Balance as at December 31,	**4,850**	**6,039**

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	—	—	—
Total amount recognized in profit or loss	**1,243**	**1,253**	**1,280**

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
Total year ended December 31	**5,567**	**4,410**	**4,214**

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)
USD Positions		
2022	+10%	5,904
	-10%	(5,904)
2021	+10%	6,633
	-10%	(6,633)
2020	+10%	2,976
	-10%	(2,976)
EUR Positions		
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)
CHF Positions		
2022	+0.5%	888
	-0.5%	(888)
2021	+0.5%	323
	-0.5%	(323)
2020	+0.5%	683
	-0.5%	(683)
USD Positions		
2022	+0.5%	294
	-0.5%	(294)
2021	+0.5%	234
	-0.5%	(234)
2020	+0.5%	149
	-0.5%	(149)
EUR Positions		
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:

Credit risk in CHF thousands	**2022**	**2021**
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
Total credit risk as at December 31	**250,344**	**156,599**

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.

Statutory Auditor's Report

To the General Meeting of Molecular Partners AG, Schlieren

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Molecular Partners AG and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 68 to 112) give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the Compensation Report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Greg Puccetti

Zurich, March 8, 2023

Company Only Financial Statements

Balance sheet as of December 31, in CHF thousands	note	**2022**	**2021**
Assets			
Cash and cash equivalents	3	87,774	71,643
Trade accounts receivables	4	521	23,710
Other short-term receivables	4	498	1,940
Other current assets	5	4,570	5,703
Short-term time deposits	3	161,198	61,000
Total current assets		**254,561**	**163,996**
Investments	1	—	—
Property, plant and equipment:			
- Right-of-use asset for leased office buildings	6	4,802	6,002
- Other property, plant and equipment	6	2,433	2,144
Total property, plant and equipment		7,235	8,146
Intangible assets	7	271	331
Total non-current assets		**7,506**	**8,477**
Total assets		**262,067**	**172,472**
Shareholders' equity and liabilities			
Trade accounts payable		983	4,851
Other short-term payables	8	1,261	2,681
Accrued expenses	9	7,285	9,711
Contract liability	10	6,409	28,312
Lease liability	22	1,198	1,189
Total current liabilities		**17,136**	**46,744**
Contract liability	10	3,637	6,925
Lease liability	22	3,652	4,850
Long-term provisions		303	253
Total non-current liabilities		**7,592**	**12,028**
Total liabilities		**24,728**	**58,772**
Share capital	11	3,604	3,229
Legal capital reserves			
- Reserves from capital contributions		179,227	179,003
Free reserves			
- Reserves from capital contributions		148,000	148,000
Cumulative losses:			
- Loss carried forward		(216,531)	(157,900)
- Net result for the year		124,020	(58,632)
Total cumulative losses		(92,511)	(216,532)
Treasury shares		(981)	—
Total shareholders' equity	**11**	**237,339**	**113,700**
Total liabilities and shareholders' equity		**262,067**	**172,472**

See accompanying notes, which form an integral part of these financial statements.

Income statement for the year ended December 31, in CHF thousands	note	**2022**	**2021**
Revenues and other income			
Revenues from research and development collaborations	12	189,556	9,330
Other income		44	424
Total revenues and other income		**189,600**	**9,754**
Operating expenses			
Research and development expenses	13	(46,861)	(52,644)
Selling, general and administrative expenses	14	(19,960)	(15,377)
Total operating expenses		**(66,821)**	**(68,021)**
Operating result		**122,779**	**(58,267)**
Financial income	15	2,589	708
Financial expenses	15	(1,348)	(1,073)
Result before income taxes		**124,020**	**(58,632)**
Income taxes	16	—	—
Net result		**124,020**	**(58,632)**

See accompanying notes, which form an integral part of these financial statements.

Cash flow statement for the year ended December 31,		**2022**	**2021**
in CHF thousands	Note		
Net result		124,020	(58,632)
Adjustments for:			
Depreciation and amortization		2,388	2,564
Non-cash personnel expenses		50	—
Financial income	15	(2,589)	(708)
Financial expenses	15	1,348	1,073
Changes in working capital:			
Change in other current assets		1,781	(4,434)
Change in trade and other receivables		25,264	(23,374)
Change in trade and other payables		(5,382)	1,644
Change in contract liability	10	(25,190)	(10,651)
Change in accrued expenses		(2,386)	2,264
Exchange loss on working capital positions		(81)	(142)
Interest paid		(646)	(583)
Other financial expense		(13)	(8)
Net cash from (used in) operating activities		**118,564**	**(90,985)**
Proceeds from investments in short-term time deposits		199,219	67,876
Investments in short-term time deposits		(299,417)	(88,876)
Acquisition of property, plant and equipment		(1,178)	(933)
Acquisition of intangible assets		(239)	(374)
Interest received		494	70
Net cash used in investing activities		**(101,121)**	**(22,237)**
Proceeds from issuance of new shares, net of transaction costs	11	350	51,493
Investments in treasury shares	11	(981)	—
Proceeds from exercise of stock options, net of transaction costs	11	250	267
Payment of principal portion of lease liabilities		(1,189)	(1,179)
Net cash from (used in) financing activities		**(1,570)**	**50,581**
Exchange gain on cash positions		258	701
Net (decrease) increase in cash and cash equivalents		**16,131**	**(61,940)**
Cash and cash equivalents at January 1		71,643	133,583
Cash and cash equivalents at December 31	3	**87,774**	**71,643**

See accompanying notes, which form an integral part of these financial statements.

Notes to the Company Only Financial Statements

1. General information

Molecular Partners AG ("Company") is a clinical stage biopharmaceutical company focusing on the discovery, development and commercialization of DARPins, a novel class of therapeutic proteins. 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"). The Company's shares are listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014.

Investments
The Company has one wholly owned subsidiary, Molecular Partners Inc. This entity was incorporated on October 8, 2018 under the laws of the state of Delaware, USA and has its offices at 245 Main Street, Cambridge MA 02142, USA. The Company made a capital contribution of USD 1 for 10,000 shares with a par value of USD 0.001. All shares are held by Molecular Partners AG. The investment value of the Company in Molecular Partners Inc. therefore is USD 1 (equals 1 CHF).

2. Summary of significant accounting policies

Basis of preparation

The financial statements of Molecular Partners for the year ended December 31, 2022 have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Unless stated otherwise, the financial statements are presented in thousands of Swiss Francs ("TCHF").

Due to rounding, the numbers presented in the financial statements might not precisely equal those included in the accompanying notes.

Significant accounting policies that are not prescribed by law are described below.

Property, plant and equipment

Property, plant and equipment 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 Company 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.

Investments

Investments in subsidiary companies are stated at cost less impairment provision, which is recognized as an expense in the period, in which the impairment is identified.

Revenue recognition

As a guiding principle of the accounting policy, 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 Company 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 Company 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 Company. For such arrangements, the Company has determined that the promised goods and services are not distinct and are accounted for as one performance obligation. The Company 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 Company'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 Company 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 Company 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 Company. 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.

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 Company'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. The Company's estimate of total costs to be incurred on the project is based on actual project-related contracts and history of similar contracts of other

collaborations as well as industry experience. The Company 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.

The details of the accounting policy, based on the type of payments received, are set out below. Under the accounting policy, 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 Company 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 Company. For such arrangements, the Company has determined that the promised goods and services are not distinct and are accounted for as one performance obligation. The Company 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 Company 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 Company. 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 Company 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 Company. Considering the fact that the exercise of any option is outside the control of the Company, 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 of 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 Company). 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.

Share-based compensation plans

The Company operates share-based compensation plans that qualify as equity-settled plans as follows:

Employee stock option plans ("ESOP")

- ESOP 2009 established in December 2009
- 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 Company'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.

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.

The Company does not recognize any expense at the date of grant of the contingent rights (RSUs/ PSUs). When options under the ESOPs above are exercised or shares under the LTI Plans issued, the difference between the par value of new shares issued and any proceeds received is recognized in the legal capital reserves.

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 legal capital reserves.

Leases

All leasing transactions are recognized on the balance sheet according to a substance over form basis with exception of short-term agreements (up to twelve months) and low value items. This is considered to provide more relevant and reliable information to the users of the financial statements based on an economic view of the lease arrangements.

At inception of a contract, the Company 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 Company 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 Company 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 Company'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 Company remeasures the lease liability when there is a change in future lease payments arising from a change in index, or if the Company 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 Company does not provide residual value guarantees and does not have any leases not yet commenced to which it is committed. The Company 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 balance sheet.

3. Cash, cash equivalents and short-term time deposits

Balance at December 31

in CHF thousands	2022	2021
Cash and cash equivalents denominated in CHF	67,611	44,621
Cash and cash equivalents denominated in EUR	7,685	20,313
Cash and cash equivalents denominated in USD	12,348	5,651
Cash and cash equivalents denominated in GBP	130	1,058
Total cash at bank and at hand	**87,774**	**71,643**
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
Total short-term time deposits	**161,198**	**61,000**

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.

4. Trade accounts receivables and other short-term receivables

Trade accounts receivables

in CHF thousands	2022	2021
Trade accounts receivables	521	23,710
Balance at December 31	**521**	**23,710**

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.

Other short-term receivables

in CHF thousands	2022	2021
Value added tax	250	1,770
Withholding tax	173	24
Other receivables	75	146
Balance at December 31	**498**	**1,940**

5. Other current assets

in CHF thousands	2022	2021
Prepayments	3,891	5,628
Accrued income	679	76
Balance at December 31	**4,570**	**5,703**

6. Property, plant and equipment

in CHF thousands	2022	2021
Lab equipment	1,986	1,590
Office equipment	44	59
IT hardware	143	186
Leasehold improvements	260	309
Other property, plant and equipment	**2,433**	**2,144**
Right-of-use assets	4,802	6,002
Property, plant and equipment at December 31	**7,235**	**8,146**

The right-of-use assets relate to the facilities the Company is leasing in Schlieren, Switzerland. (Please also see note 22)

7. Intangible assets

in CHF thousands	2022	2021
Software	271	331
Intangible assets at December 31	**271**	**331**

8. Other short-term payables

in CHF thousands	2022	2021
Social security	888	1,433
Pension liability	258	239
Value Added Tax	—	855
Payables to subsidiary	115	155
Balance at December 31	**1,261**	**2,681**

9. Accrued expenses

in CHF thousands	2022	2021
Accrued project costs	2,167	3,410
Accrued payroll and bonuses	4,589	5,782
Other	529	519
Balance at December 31	**7,285**	**9,711**

10. Contract liability

The Company 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	—
Balance at December 31, 2022	**10,046**

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	—
Balance at December 31, 2021	**35,237**

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)	—	—
Balance	**35,237**	**—**	**(25,191)**	**—**	**10,046**

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
Balance	**45,887**	**18,584**	**(9,330)**	**(19,904)**	**35,237**

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 12).

in CHF thousands	Current	Non-current	Contract liability
Novartis	6,409	3,637	10,046
Balance at December 31, 2022	**6,409**	**3,637**	**10,046**

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
Balance at December 31, 2021	**28,312**	**6,925**	**35,237**

11. Shareholder's 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 as per December 31, 2022 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 (December 31, 2021: nil).

Classes of share capital

Ordinary share capital
On December 31, 2022, the Company's issued share capital amounted to CHF 3,604,470.60 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).

	Ordinary shares
Shares in issue at December 31, 2020	**29,146,992**
Issued in relation to June 2021 IPO	3,000,000
Issued in relation to vesting of PSU, RSU and options	145,656
Shares in issue at December 31, 2021	**32,292,648**
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
Shares in issue at December 31, 2022	**36,044,706**

The Company's share capital registered with the Swiss Commercial Register on December 31, 2022 amounted to CHF 3,579,264.80 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.

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.

Conditional capital
As of December 31, 2022 the Company's share capital was allowed to be increased by an amount not to exceed CHF 136,296.30 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 25,205.80 from CHF 161,502.10 to CHF 136,296.30.

In addition, the share capital may be increased by an amount not to exceed CHF 226,087.00 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).

Reserves from capital contributions
From the amount of TCHF 327,227 as presented in the balance sheet as of December 31, 2022, in May 2022 reserves from capital contributions as of December 31, 2021, in the amount of TCHF 316,112 were confirmed by the Federal Tax Administration. For December 31, 2022, the amount of the reserves from capital contributions has not yet been confirmed by the Swiss Federal Tax Administration.

12. Revenue, other income and entity-wide disclosures

The Company 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 Company 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 Company will be primarily responsible for the generation of DARPins for tumor-specific delivery of radioligands. The Company 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 Company recognized a receivable for the upfront fee of USD 20 million (CHF 18.6 million) payable from Novartis in trade accounts receivables and a corresponding contract liability in the balance sheet. In January 2022, Novartis paid Molecular Partners the upfront fee. The Company 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 Company 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 Company 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 Company 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 Company received an upfront, non-refundable fee of CHF 20 million for the technology transfer and manufacturing of MP0420. The Company 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 note 10). 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 Company, which was received in 2022. Relatedly, the Company was eligible to invoice Novartis CHF 13.1 million for other items related to ensovibep..

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

The Company 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 Company 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 Company announced the reservation by the FOPH of a defined number of initial doses of the Company's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Company 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 balance sheet for the years 2020 and 2021.

During 2020, the Company 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 Company 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 Company 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 Company entered into a license and collaboration agreement with Amgen for the clinical development and commercialization of MP0310 / AMG 506.

Under the agreement the Company received a non-refundable upfront payment of USD 50 million. The Company was primarily responsible for performing certain clinical development, manufacturing and regulatory activities in the first clinical phase and the Company assigned the full USD 50 million (TCHF 49,625) upfront payment as the transaction price to this performance obligation, based on the Company's development plan and the Amgen Collaboration Agreement. The Company recognized the related revenue using the cost-based method to measure it progress by reference to actual costs incurred in relation to the Company'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 Company.

On April 26, 2022 the Company announced that Amgen, had informed the Company 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 Company 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, and 2021, the Company 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 Company's alliance partner.

Revenues by country

in CHF thousands, for the years ended December 31	**2022**	**2021**
Revenues Switzerland	179,903	—
Revenues USA	9,653	9,330
Total revenues	**189,556**	**9,330**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	**2022**	**2021**
Novartis AG, Switzerland	172,903	—
FOPH, Switzerland	7,000	—
Amgen Inc., USA	9,653	9,330
Total revenues	**189,556**	**9,330**

Other income

In the first quarter of 2021 the Company 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 income statement.

Research collaboration agreement with the University of Utrecht

In May 2020, the Company entered into a research collaboration agreement with the University of Utrecht regarding the development of the Company's COVID-19 program. Under this agreement, the Company 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.

13. Research and development expenses

in CHF thousands	2022	2021
Research consumables and costs	(17,154)	(26,342)
Personnel expenses	(24,244)	(22,589)
Depreciation and amortization	(1,971)	(2,016)
Research and development expenses charged by subsidiary	(1)	(14)
Intellectual property	(957)	(636)
Facility expenses	(823)	(728)
Other expenses	(701)	(259)
Royalties and license fees	(1,010)	(60)
Total year ended December 31	**(46,861)**	**(52,644)**

14. Selling, general and administrative expenses (SG&A)

in CHF thousands	2022	2021
Personnel expenses	(8,536)	(7,646)
Other expenses	(9,750)	(6,141)
Depreciation and amortization	(416)	(548)
SG&A expenses charged from subsidiary	(1,194)	(989)
Facility expenses	(64)	(55)
Total year ended December 31	**(19,960)**	**(15,377)**

15. Financial income and financial expenses

Financial income

in CHF thousands	2022	2021
Interest income on loans and receivables	1,142	99
Foreign exchange gain	1,447	609
Total year ended December 31	**2,589**	**708**

Financial expenses

in CHF thousands	2022	2021
Foreign exchange loss	(730)	(517)
Negative interest on cash and short-term time deposits	(562)	(495)
Other financial expenses	(56)	(61)
Total year ended December 31	**(1,348)**	**(1,073)**

16. Taxes

Income taxes

In 2022 the Company generated a taxable profit whereas in 2021 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%).

17. Full-time equivalents and headcount

	2022	2021
Average number of full-time equivalents	164.6	155.6
Full-time equivalents at year end	173.3	160.2
Headcount at year end	189	174

18. Capital commitments and contingent liabilities

As of December 31, 2022 and December 31, 2021, the Company did not have any capital commitments or contingent liabilities.

19. Major shareholders

As of December 31, the largest shareholders known to the Company based on the published notifications to the SIX or the share register, as applicable, are:

Shareholders with over 5% of share capital registered with the Commercial Register	2022	2021
Mark N. Lampert (Biotechnology Value Funds)	12.31 %	9.65 %
Oleg Nodelman (EcoR1 Capital Funds)	5.73 %	— %
Hansjoerg Wyss	5.70 %	6.35 %
Suvretta Capital Management, LLC	4.89 %	5.44 %
Novartis AG	4.86 %	5.41 %
Federated Hermes, Inc.	<3.00 %	5.95 %

The percentages above are based on (i) the number of shares held by such shareholders, and (ii) for the year ended December 31, 2022, 35,792,648 common shares, which is the share capital registered with the commercial registry on December 31, 2022 (December 31, 2021, 32,146,992 common shares). On January 12, 2023 Hansjoerg Wyss informed the Company that his shareholdings in the Company had been sold and on January 12, Mark N. Lampert (Biotechnology Value Funds) informed the Company that his shareholdings of the Company had increased to 16.03%.

20. PSU/RSU granted to the members of the Board of Directors, management and employees

in CHF	Number	Value TCHF
Total grants to the members of the Board of Directors	33,015	680
Total grants to the members of the management	83,295	1,716
Total grants to other employees	223,842	4,244
Total grants in 2022	**340,152**	**6,640**

in CHF	Number	Value TCHF
Total grants to the members of the Board of Directors	29,519	680
Total grants to the members of the management	43,833	1,161
Total grants to other employees	186,703	4,737
Total grants in 2021	**260,055**	**6,578**

The Company has not granted any loans, credits or post-retirements benefits beyond the occupational benefit schemes to members of the Board of Directors or to the Management Board or other employees.

21. Ownership of shares, PSU/RSU and Options by key management personnel

Board of Directors	Shares	RSUs	Options
William M. Burns	18,222	25,194	—
Steven H. Holtzman	11,212	12,598	20,000
Sandip Kapadia	—	12,598	—
Vito J. Palombella	—	12,598	—
Michael Vasconcelles	—	12,598	—
Agnete B. Fredriksen	—	7,817	—
Dominik Höchli	—	7,817	—
Total Board of Directors as of December 31, 2022	**29,434**	**91,220**	**20,000**

Management Board	Shares	PSUs	Options
Patrick Amstutz	695,920	51,540	70,080
Andreas Emmenegger	238,485	24,052	36,070
Renate Gloggner	3,912	21,137	—
Nicolas Leupin	16,800	39,073	—
Michael Tobias Stumpp	757,044	33,359	36,070
Alexander Zürcher	19,079	26,396	13,040
Total Management Board as of December 31, 2022	**1,731,240**	**195,557**	**155,260**

Board of Directors	Shares	RSUs	Options
William M. Burns	8,091	28,110	—
Steven H. Holtzman	8,108	12,767	20,000
Sandip Kapadia	—	8,471	—
Vito J. Palombella	—	8,471	—
Michael Vasconcelles	—	8,471	—
Agnete B. Fredriksen	—	3,690	—
Dominik Höchli	—	3,690	—
Total Board of Directors as of December 31, 2021	**16,199**	**73,670**	**20,000**

Management Board	Shares	PSUs	Options
Patrick Amstutz	710,687	49,108	70,080
Andreas Emmenegger	248,700	31,637	36,070
Nicolas Leupin	—	43,262	—
Michael Tobias Stumpp	767,259	31,637	36,070
Total Management Board as of December 31, 2021	**1,726,646**	**155,644**	**142,220**

22. Leases

The Company 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 Company 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 Company 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 Company 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)
Balance as at December 31,	**4,850**	**6,039**
Current	1,198	1,189
Non-current	3,652	4,850
Balance as at December 31,	**4,850**	**6,039**

The following are the expense amounts recognized in the income statement.

in CHF thousands	**2022**	**2021**
Depreciation on right-of-use assets	1,200	1,200
Interest expense on lease liabilities	43	53
Short term leases	—	—
Total amount recognized in profit or loss	**1,243**	**1,253**

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).

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. Auditing and additional fees as incurred from the statutory auditor

in CHF thousands	2022	2021
Auditing services	643	917
Balance at December 31	**643**	**917**

24. Equal pay analysis

The Company carried out the equal pay analysis required by the Swiss Gender Equality Act (GEA), using January 2020 as the reference month. The analysis shows that the Company meets the tolerance threshold for gender-specific pay discrimination. In accordance with art 13d GEA, the equal pay analysis was audited by a licensed audit firm. In its report, issued in February 2021, The audit firm states that the Company is compliant with the new legislation.

25. Events after balance sheet date

These financial statements were approved for issuance by the Board of Directors on March 8, 2023.

No events occurred between the balance sheet date and the date on which these financial statements were approved by the Board of Directors that would require adjustment to the financial statements or disclosure under this heading.

Statutory Auditor's Report

To the General Meeting of Molecular Partners AG, Schlieren

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Molecular Partners AG (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 116 to 140) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, Compensation Report, the stand-alone financial statements of the Company and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Greg Puccetti

Zurich, March 8, 2023

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, as amended, including, without limitation, implied and express statements regarding the clinical development of Molecular Partners' current or future product candidates, expectations regarding timing for reporting data from ongoing clinical trials or the initiation of future clinical trials, the potential therapeutic and clinical benefits of Molecular Partners' product candidates, the selection and development of future antiviral or other programs, and Molecular Partners' expected expenses and cash utilization for 2022 and its expectation that its current cash resources will be sufficient to fund its operations and capital expenditure requirements into 2026. These statements may be identified by words such as "believe", "expect", "may", "plan", "potential", "will", "would" and similar expressions, and are based on Molecular Partners AG's current beliefs and expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Some of the key factors that could cause actual results to differ from Molecular Partners' expectations include its plans to develop and potentially commercialize its product candidates; Molecular Partners' reliance on third party partners and collaborators over which it may not always have full control; Molecular Partners' ongoing and planned clinical trials and preclinical studies for its product candidates, including the timing of such trials and studies; the risk that the results of preclinical studies and clinical trials may not be predictive of future results in connection with future clinical trials; the timing of and Molecular Partners' ability to obtain and maintain regulatory approvals for its product candidates; the extent of clinical trials potentially required for Molecular Partners' product candidates; the clinical utility and ability to achieve market acceptance of Molecular Partners' product candidates; the potential impact of the COVID-19 pandemic on Molecular Partners' preclinical studies, clinical trials or operations, or the operations of third parties on which it relies; Molecular Partners' plans and development of any new indications for its product candidates; Molecular Partners' commercialization, marketing and manufacturing capabilities and strategy; Molecular Partners' intellectual property position; Molecular Partners' ability to identify and in-license additional product candidates; and other risks and uncertainties that are described in the Risk Factors section of Molecular Partners' Annual Report on Form 20-F for the fiscal year ended December 31, 2021 filed with Securities and Exchange Commission (SEC) on March 15, 2022 and other filings Molecular Partners makes with the SEC. These documents are available on the Investors page of Molecular Partners' website at www.molecularpartners.com. Any forward-looking statements speak only as of the date of this press release and are based on information available to Molecular Partners as of the date of this release, and Molecular Partners assumes no obligation to, and does not intend to, update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Custom-built biology for patients